

April 19, 2023 at 9 a.m.  
Via Videoconference and PBS North Carolina Livestream  
University of North Carolina at Pembroke  
James A. Thomas Building, Room 225-226  
Pembroke, North Carolina

## AGENDA

- A-1. Approval of the Minutes of February 22, 2023 .....Lee Roberts
  - a. Joint Meeting with Committee on Military and Public Affairs
  - b. Regular Meeting of the Committee on Budget and Finance
- A-2. 2023-25 General Fund Budget Update .....Jennifer Haygood
- A-3. Authorization of Special Tuition Rate for 2023-24 –  
University of North Carolina at Pembroke ..... Aubrey Clark-Brown
- A-4. Maximum Project Kitty Hawk Per-Credit Hour Tuition Rates..... David Eby
- A-5. FY22 Consolidated Financial Report ..... Jennifer Haygood and Aubrey Clark-Brown
- A-6. HUB Procurement AICER Partnership Update ..... Mark Little and Alyse Polly, CREATE/NCGrowth
- A-7. Refinance Limited Obligation Bond – Western Carolina University .....Jennifer Haygood
- A-8. Additional 2022-23 State Capital Improvement Funds (SCIF)  
Repair and Renovation (R&R) Allocations ..... Katherine Lynn
- A-9. Capital Improvement Projects ..... Katherine Lynn
- A-10. Disposition of Property by Demolition – UNC System Office ..... Katherine Lynn
- A-11. Adjourn

### Additional Information Available:

UNC System Athletics Economic Impact Study

## DRAFT MINUTES

February 22, 2023 at 9 a.m.  
Via Videoconference and PBS North Carolina Livestream  
UNC System Office  
223 S West Street, Board Room (17th Floor)  
Raleigh, North Carolina

This joint meeting of the Committee on Budget and Finance and Committee on Military and Public Affairs was presided over by Chair James Holmes. The following committee members, constituting a quorum, were also present: Jimmy Clark, Reginald Holley, and Terry Hutchens of the Committee on Budget and Finance and Philip Byers, Alexander Mitchell, Jimmy Clark, Wendy Floyd Murphy of the Committee on Military and Public Affairs. The following committee member was absent: Michael Williford.

Chancellors participating were Darrell Allison, Robin Cummings, Sheri Everts, Kimberly van Noort, Ashwani Volety, and Randy Woodson.

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

Committee Faculty Assembly Advisors present by phone included Carol Cain, Susan Harden, and Jim Westerman.

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### 1. Approval of Long Session Operating Budget Priorities (Item A-1)

Senior Vice President Haygood presented to the committees the 2023-25 Operating Budget Priorities in accordance with G.S. 116-11(9)a in preparation for the upcoming long session of the North Carolina General Assembly and in anticipation of the Office of State Budget and Management (OSBM) requesting budget proposals for the 2023-25 biennium.

The 2023-25 Operating Budget Priorities concentrate on a limited number of critical needs focused on implementing the University of North Carolina Board-approved performance weighted funding model, helping institutions adjust to changing enrollment patterns, providing high quality programs in high demand workforce areas, addressing key enterprise risks, and responding to labor market and inflationary pressures.

Following the presentation from Ms. Haygood, the committees voted to approve the resolution and recommend it to the full Board of Governors for a vote.

**MOTION:** Resolved, that the Committee on Budget and Finance and Committee on Military and Public Affairs approve Item Long Session Operating Budget Priorities and recommend them to the full Board of Governors for a vote.

**Motion: Reginald Holley**

**Motion carried**

## **2. Approval of 2023-25 Capital Budget Priorities (Item A-2)**

Ms. Haygood presented to the committees the 2023-25 Capital Budget Priorities, which included recommended funding for capital improvements supported by appropriated sources. The 2021 Appropriations Act (S.L. 2021-180) authorized approximately \$1.95 billion in new capital projects across the University of North Carolina System. This act also shifted funding of capital projects from a bond-funded model to a cash-funded model, based upon the projected availability of funding in the State Capital and Infrastructure Fund (SCIF). The Act only appropriated funds from the SCIF for the 2021-23 biennium, which means additional SCIF funding will need to be appropriated in the 2023-25 biennium to support previously authorized capital projects.

The continuation of SCIF funding for capital projects authorized in the 2021 Act was the first priority for the 2023-25 biennium. Additional capital projects were recommended, which will significantly extend the useful life of the identified buildings and improve the ability of the universities to provide suitable academic space in a cost-effective manner.

Following the presentation from Ms. Haygood, the committees voted to approve the resolution and recommend it to the full Board for a vote.

**MOTION:** Resolved, that the Committee on Budget and Finance and Committee on Military and Public Affairs approve the 2023-25 Capital Budget Priorities and recommend them to the full Board of Governors for a vote.

**Motion: Reginald Holley**

**Motion carried**

## **3. Approval of 2023-24 Self-Liquidating Capital Improvement Projects (Item A-3)**

Senior Vice President Haygood presented to the committees the 2023-24 Self-Liquidating Capital Improvement Projects. Haygood reviewed the steps for obtaining necessary self-liquidating project approvals and presented on the requests of five institutions for nine capital improvement projects.

Following the presentation from Ms. Haygood, the committees voted to approve the resolution and recommend it to the full Board for a vote.

**MOTION:** Resolved, that the Committee on Budget and Finance and Committee on Military and Public Affairs approve the 2023-24 Self-Liquidating Capital Improvement Projects and recommend them to the full Board of Governors for a vote.

**Motion: Terry Hutchens**

**Motion carried**

#### **4. Approval of Long Session Non-Budget Legislative Proposals (Item A-4)**

Senior Vice President Goodson presented the Long Session Non-Budget Legislative Proposals, as pursuant to Section 301 (f) of The Code of the University of North Carolina. In preparation for the upcoming long session of the North Carolina General Assembly, the System Office asked institutions to submit policy requests for any critical needs. This draft proposal outlined the recommended policy priorities of UNC System institutions.

The proposed 2023-25 Policy Priorities focus on a limited number of critical needs aimed at implementing board-approved recruitment and retention efforts.

Following the presentation from Senior Vice President Goodson, the committees voted to approve the resolution and recommend it to the full University of North Carolina Board of Governors for a vote.

**MOTION:** Resolved, that the Committee on Budget and Finance and Committee on Military and Public Affairs approve the Long Session Non-Budget Legislative Proposals and recommend them to the full Board of Governors for a vote.

**Motion: Alexander Mitchell**

**Motion carried**

#### **5. Approval of UNC System Federal Priorities for the 118<sup>th</sup> Congress (Item A-5)**

Vice President Morra presented the Federal Priorities for the 118<sup>th</sup> Congress. The UNC System Federal Priorities for the 118<sup>th</sup> Congress concentrated on support for federal research, expansion of access, affordability, and student success, recruitment of adult learners, support for student mental health initiatives, and other initiatives important to UNC System institutions.

Following the presentation from Vice President Morra, the committees voted to approve the resolution and recommend it to the full Board for a vote.

**MOTION:** Resolved, that the Committee on Budget and Finance and Committee on Military and Public Affairs approve the UNC System Federal Priorities for the 118th Congress and recommend them to the full Board of Governors for a vote.

**Motion: Lee Roberts**

**Motion carried**

#### **6. Adjourn (Item A-6)**

There being no further business and without objection, the meeting adjourned at 9:36 a.m.

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Reginald Holley, Secretary

## DRAFT MINUTES

February 22, 2023 at 10 a.m.  
Via Videoconference and PBS North Carolina Livestream  
UNC System Office  
223 S West Street, Board Room (17th Floor)  
Raleigh, North Carolina

This meeting of the Committee on Budget and Finance was presided over by Chair James Holmes. The following committee members, constituting a quorum, were also present in person: Jimmy Clark, Reginald Holley, Terry Hutchens, and Lee Roberts.

Chancellors participating were Robin Cummings, Sheri Everts, and Randy Woodson.

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

Committee Faculty Assembly Advisors present by phone included Carol Cain, Susan Harden, and Jim Westerman.

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### 1. Approval of the Minutes of January 18, 2023 (Item A-1)

The chair called the meeting to order at 10 a.m. on Wednesday, February 22, 2023, and called for a motion to approve the minutes from the joint and regular meetings of January 18, 2023.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the joint and regular meetings minutes of January 18, 2023, as distributed.

**Motion: Reginald Holley**

**Motion: carried**

### 2. Authorization of Tuition for 2023-24 (Item A-2)

Senior Vice President Haygood presented to the committee the 2023-24 Tuition Proposals submitted to the System Office from the University of North Carolina System institutions. G.S. 116-143 requires that the University of North Carolina Board of Governors fix tuition and fees, not inconsistent with the actions of the North Carolina General Assembly, at the constituent institutions of the University of North Carolina System. There were no recommended increases for resident undergraduate tuition.

Following the presentation from Senior Vice President Haygood, the committee voted to approve the resolution and recommend it to the full Board of Governors for a vote.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the Tuition for 2023-24 proposals and recommend them to the full Board of Governors for a vote.

**Motion: Jimmy Clark**  
**Motion carried**

### **3. Authorization of Fees for 2023-24 (Item A-3)**

Senior Vice President Haygood presented to the committee a review of the 2023-24 Fees Proposals submitted to the System Office from the UNC System institutions. G.S. 116-143 requires that the Board fix tuition and fees, not inconsistent with the actions of the North Carolina General Assembly, at the constituent institutions of the UNC System. There were no recommended increases above the 3 percent cap, as required by G.S. 116-143.10.

Following the presentation from Senior Vice President Haygood, the committee voted to approve the resolution and recommend it to the full Board of Governors for a vote.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the Fees for 2023-24 proposals and recommend them to the full Board of Governors for a vote.

**Motion: Reginald Holley**  
**Motion carried**

### **4. Capital Improvement Projects (Item A-4)**

Vice President Lynn presented to the committee the UNC System institutions requesting authorization for various non-appropriated capital projects .

Following the presentation from Ms. Lynn, the committee voted to approve new capital improvement project authorizations at Appalachian State University, NC State University, University of North Carolina at Chapel Hill, University of North Carolina at Charlotte, and Western Carolina University, as well as increased project authorizations at University of North Carolina at Chapel Hill, University of North Carolina at Pembroke, and University of North Carolina Wilmington.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the Capital Improvement Projects at App State, NC State, UNC-Chapel Hill, UNCC, UNCP, UNCW, and WCU and recommend them to the full Board of Governors for a vote through the consent agenda.

**Motion: Lee Roberts**  
**Motion carried**

## 5. Acquisition of Property by Lease and by Deed – NC State University (Item A-5)

Vice President Lynn presented to the committee on the Acquisition of Property by Lease and by Deed for NC State University. NC State University requested a short-term lease for six months to extend for four months. Upon acquisition, the property will become student housing.

Vice President Lynn presented to the committee on the Acquisition of Property by Lease and by Deed for NC State University. NC State University requested a short-term lease for six months to extend for four months. Upon acquisition, the property will become student housing.

Following the presentation from Ms. Lynn, the committee voted to approve the resolution and recommend it to the full University of North Carolina Board of Governors for a vote through the consent agenda.

**MOTION:** Resolved, that the Committee on Budget and Finance approve NC State’s request for Acquisition of Property by Lease and by Deed and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion: Lee Roberts**

**Motion carried**

Ms. Haygood highlighted additional informational items including the updated 5-year UNC System Workforce Analysis, Higher Education Emergency Relief Fund (HEERF) expenditures report and the State Surplus Computers for Nonprofits report.

Chair Holmes informed the committee that the System Office, with the committee’s encouragement, has started a process to study the costs and benefits of upgrading many of the institutions to a modern, cloud-based ERP. Most of the institutions rely on a back-office technology platform for HR and Finance that was at least 20 years old. This platform was not implemented, nor designed, for collaborative innovation within the System or conducting business in today’s cybersecurity environment.

## 6. Adjourn (Item A-6)

There being no further business and without objection, the meeting adjourned at 10:24 a.m.

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Reginald Holley, Secretary

**AGENDA ITEM**

A-2. 2023-25 General Fund 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 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 legislature’s current Long Session, the General Assembly will create a new budget for the FY 2023-25 biennium. The House has passed its version of the budget and the Senate will follow.

**Assessment:** The Board of Governors’ approved budget priorities that were submitted to both the Governor and the General Assembly. Our Systemwide priorities focus on critical core operations such as funding for enrollment change, cybersecurity, and completion assistance programs. The House budget included some but not all the Board’s priorities. The University of North Carolina System Office will continue to advocate for the inclusion of all Board priorities throughout the budget process.

**Action:** This item is for information only.



# 2023-25 GENERAL FUND BUDGET UPDATE

*BOG Committee on Budget and Finance*

*April 19, 2023*

## System Priorities

	UNC Budget Priorities		House Budget	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
<b>UNC System Priorities</b>				
Faculty Retirement Incentive Program	16,800,000 NR	-	-	-
UNC Performance-Weighted Enrollment Change*	(16,713,978)	5,000,000	(16,713,977)	(16,713,977)
Completion Assistance Programs**	10,500,000	10,500,000	\$5.25M in receipts NR	\$5.25M in receipts NR
Cybersecurity	5,350,000	5,350,000	5,350,000	5,350,000
	3,250,000 NR	-	3,250,000 NR	-
Distinguished Professorship Matching Funds	10,000,000 NR	10,000,000 NR	-	-
<b>Faculty and Staff Salaries</b>				
House: 4.25% increase in FY23-24 plus an additional 3.25% in FY24-25.	UNC System requests equity with State agencies and strongly supports		148,003,892	261,183,341
State Retirement Contributions			22,843,396	32,411,793
State Health Plan			8,945,990	38,150,993
UNC Faculty Recruitment and Retention	-	-	15,000,000	15,000,000

\*The House budget includes a \$60 million statewide education enrollment reserve for FY 24-25.

\*\*Receipts from ARPA Temporary Savings Fund

## BOG-Approved Requests for Specific Institutions Funded in the House Budget

	UNC Budget Priorities		House Budget	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
<b>UNC Institution-Specific Requests</b>				
ECU- Growing Primary Care Workforce	5,433,107 693,000 NR	9,363,534 693,000 NR	5,433,102 \$693k in receipts* NR	9,363,534 \$693k in receipts* NR
N.C. A&T- Agriculture Research and Extension	10,660,611	10,660,611	10,660,661	10,660,661
UNCP- Health Sciences New Program Development	1,000,000 1,000,000 NR	1,000,000 1,000,000 NR	\$7.5M in receipts* NR	\$7.5M in receipts* NR
NCSU- Veterinary Medicine Class Size Expansion	5,500,000	5,500,000	5,500,000	5,500,000
ASU- Hickory Campus Building Reserves & Academic Start-Up	3,096,291 2,416,888 NR	4,714,830 1,477,752 NR	3,000,000 1,000,000 NR	3,000,000 1,000,000 NR
NCSSM- Dining, Housekeeping, and Security Services	1,500,000	1,500,000	1,500,000	1,500,000

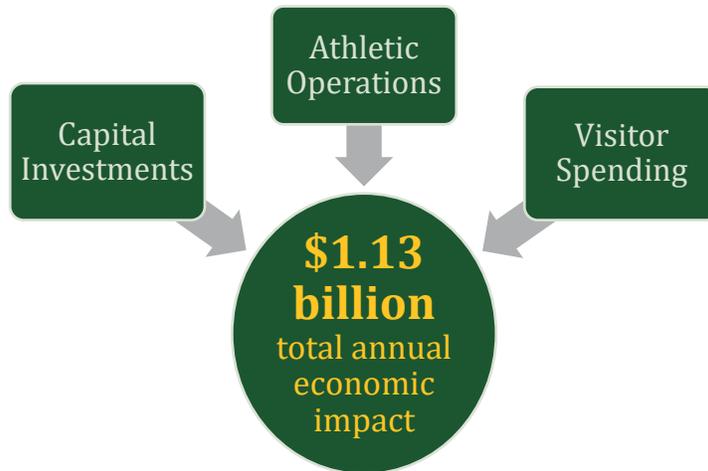
*\*Receipts from ARPA Temporary Savings Fund*

## Other Notable House Budget Items

	House Budget	
	FY 2023-24	FY 2024-25
<b>Investments in Healthcare</b>		
Healthcare Workforce Programs Expansion - UNC Institutions	\$20M in receipts* NR	\$20M in receipts* NR
UNC Health: Children and Adolescent Mental Health Facility Planning Funds	\$10M in receipts* NR	
WCU: Mobile Medical Outreach	\$2.5M in receipts* NR	-
ECU: Mobile Medical Outreach	\$2.5M in receipts* NR	-
UNCCH AHEC: Team-Based Clinical Teaching Hubs	1,000,000	1,000,000
<b>Engineering North Carolina's Future</b>		
NCSU	10,000,000	10,000,000
UNCC	5,000,000	5,000,000
N.C. A&T	2,500,000	2,500,000
<b>Athletics</b>		
Athletic Department Operating Support	10,000,000	10,000,000
Athletic Capital Grant Program	10,000,000 NR	

*\*Receipts from ARPA Temporary Savings Fund*

## Economic and Social Impact of University of North Carolina System Athletics



## *Other Athletics-Related Legislative Proposals*

- **H347: Sports Wagering**
  - Benefits 10 institutions: ECSU, FSU, NCA&T, NCCU, UNCA, UNCG, UNCP, UNCW, WCU, and WSSU
  - Each would receive \$300k annually plus 20% of remaining privilege tax revenues after other statutory distributions
- **H364: UNC Self-Liquidating Capital Projects**
  - Clarifies that institution may transfer personal property, including athletic equipment, to another constituent institution at no cost and without the approval of the State Surplus Property Agency

# Capital Priorities

<i>In millions</i>	Total Project Authorization	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<b>1. UNC R&amp;R</b>							
BOG Priorities	N/A	\$250.0	\$250.0	\$250.0	\$250.0	\$250.0	\$250.0
House Budget	N/A	\$280.5	\$250.0	\$175.0	\$175.0	\$175.0	\$175.0
<b>Difference</b>	<b>N/A</b>	<b>\$30.5</b>	<b>\$0.0</b>	<b>(\$75.0)</b>	<b>(\$75.0)</b>	<b>(\$75.0)</b>	<b>(\$75.0)</b>
<b>2. Named Capital Projects</b>							
BOG Priorities	\$2,158.0	\$304.3	\$299.9	\$294.1	\$304.8	\$301.7	\$122.8
House Budget	\$2,533.7	\$82.9	\$238.0	\$416.7	\$343.6	\$348.7	\$249.7
<b>Difference</b>	<b>\$375.7</b>	<b>(\$221.4)</b>	<b>(\$61.8)</b>	<b>\$122.6</b>	<b>\$38.9</b>	<b>\$47.0</b>	<b>\$126.9</b>
<b>Total</b>							
BOG Priorities	\$2,158.0	\$554.3	\$549.9	\$544.1	\$554.8	\$551.7	\$372.8
House Budget	\$2,533.7	\$363.4	\$488.0	\$591.7	\$518.6	\$523.7	\$424.7
<b>Difference</b>	<b>\$375.7</b>	<b>(\$190.9)</b>	<b>(\$61.8)</b>	<b>\$47.6</b>	<b>(\$36.1)</b>	<b>(\$28.0)</b>	<b>\$51.9</b>

The House budget authorizes all but three BOG-recommended projects but allocates funds for many projects to later years.

QUESTIONS?

	UNC Budget Priorities		House Budget	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
<b>UNC Base Budget</b>	<b>3,338,170,416</b>	<b>3,338,147,695</b>	<b>3,338,170,416</b>	<b>3,338,147,695</b>
<b>UNC System Priorities</b>				
Faculty Retirement Incentive Program	16,800,000 NR	-	-	-
UNC Performance-Weighted Enrollment Change*	(16,713,978)	5,000,000	(16,713,977)	(16,713,977)
Completion Assistance Programs	10,500,000	10,500,000	\$5.25M in receipts NR	\$5.25M in receipts NR
Cybersecurity	5,350,000	5,350,000	5,350,000	5,350,000
	3,250,000 NR	-	3,250,000 NR	-
Distinguished Professorship Matching Funds	10,000,000 NR	10,000,000 NR	-	-
<b>Total Recommended UNC System Priority Budget Changes</b>	<b>29,186,022</b>	<b>30,850,000</b>	<b>(8,113,977)</b>	<b>(11,363,977)</b>
<b>Faculty and Staff Salaries</b>				
House: 4.25% increase in FY23-24. Additional 3.25% in FY24-25.	UNC System requests equity with State agencies and strongly supports Labor Market Adjustment Reserve funding.		148,003,892	261,183,341
State Retirement Contributions	-	-	22,843,396	32,411,793
State Health Plan	-	-	8,945,990	38,150,993
<b>UNC Institution-Specific Requests</b>				
ECU- Growing Primary Care Workforce	5,433,107 693,000 NR	9,363,534 693,000 NR	5,433,102 \$693k in receipts NR	9,363,534 \$693k in receipts NR
N.C. A&T- Agriculture Research and Extension	10,660,611	10,660,611	10,660,661	10,660,661
N.C. A&T- Premier Research Institution Funding	10,000,000 5,000,000 NR	10,000,000	- -	- -
UNCP- Health Sciences New Program Development	1,000,000 1,000,000 NR	1,000,000 1,000,000 NR	\$7.5M in receipts NR	\$7.5M in receipts NR
NCSU- Veterinary Medicine Class Size Expansion	5,500,000	5,500,000	5,500,000	5,500,000
UNCCH- Computer Science Program Expansion	7,500,000 2,500,000 NR	7,500,000 -	- -	- -
UNCC- Data Science Program Expansion	3,000,000 3,000,000 NR	3,000,000 3,000,000 NR	- -	- -
UNCW- Critical Workforce Programs, Research, and Teaching	5,000,000 3,000,000 NR	5,000,000 3,000,000 NR	- -	- -
WCU- Expand Engineering to Meet Regional Industrial Needs	3,500,000 3,500,000 NR	3,500,000	- -	- -
ASU- Hickory Campus Building Reserves & Academic Start-Up	3,096,291 2,416,888 NR	4,714,830 1,477,752 NR	3,000,000 1,000,000 NR	3,000,000 1,000,000 NR
ECU- Eastern NC Merit Scholarship Program	2,000,000	2,000,000	-	-
UNCG- Create Prosperity Scholars Program	5,000,000	5,000,000	-	-
UNCSA- Student Mental and Physical Health	1,000,000	1,000,000	-	-
NCSSM- Dining, Housekeeping, and Security Services	1,500,000	1,500,000	1,500,000	1,500,000
PBS NC- Audio/Video Production Systems	3,130,000 NR	-	-	-
<b>Other UNC System Items (Not Requested)</b>				
New Teacher Support Program	-	-	1,500,000	1,500,000
UNC Faculty Recruitment and Retention	-	-	15,000,000	15,000,000
UNC Laboratory Schools	-	-	(500,000)	(500,000)
University Cancer Research Fund	-	-	43,500,000	43,500,000
Healthcare Workforce Programs Expansion - UNC Institutions	-	-	\$20M in receipts NR	\$20M in receipts NR
Athletic Department Operating Support	-	-	10,000,000	10,000,000
Children and Adolescent Mental Health Facility Planning Funds	-	-	\$10M in receipts NR	
UNCCH - School of Civic Life and Leadership	-	-	2,000,000 NR	2,000,000 NR
UNCCH - Gillings School of Global Public Health	-	-	1,000,000 NR	
UNCCH AHEC - Team-Based Clinical Teaching Hubs	-	-	1,000,000	1,000,000
NCSU - Engineering North Carolina's Future	-	-	10,000,000	10,000,000
NCCU/NCSU - Education and Workforce Training Opportunities	-	-	\$3M in receipts NR	\$3M in receipts NR
NCSU - Small Business and Technology Development Center	-	-	1,500,000	1,500,000
NCSU - NC Clean Energy Technology Center	-	-	400,000 NR	-
NCSU - North Carolina Future Farmers of America CTE Grants	-	-	\$2M in receipts NR	\$2M in receipts NR
UNCG - Scholastic Esports League	-	-	1,450,000	1,450,000
	-	-	7,000,000 NR	-

	UNC Budget Priorities		House Budget	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
UNCG - Information Technology Support	-	-	4,000,000 NR	4,000,000 NR
UNCC - Engineering North Carolina's Future	-	-	5,000,000	5,000,000
UNCC - Esports Programming Support	-	-	250,000 NR	250,000 NR
ECU - Mobile Medical Outreach	-	-	\$2.5M in receipts NR	-
N.C. A&T - Engineering North Carolina's Future	-	-	2,500,000	2,500,000
N.C. A&T - Center for Energy Research and Technology	-	-	200,000 NR	-
WCU - Mobile Medical Outreach	-	-	\$2.5M in receipts NR	-
ASU - Beaver College of Health Sciences	-	-	225,000 NR	-
ASU - Appalachian Energy Center	-	-	200,000 NR	-
<b>Total Recurring Operating Changes</b>	<b>63,326,031</b>	<b>90,588,975</b>	<b>285,473,064</b>	<b>441,356,345</b>
<b>Total Nonrecurring Operating Changes</b>	<b>54,289,888</b>	<b>19,170,752</b>	<b>19,525,000</b>	<b>7,250,000</b>
<b>Total Recommended FY 23-25 UNC Budget</b>	<b>3,455,786,335</b>	<b>3,447,907,422</b>	<b>3,643,168,480</b>	<b>3,786,754,040</b>
<b>Total Percent Change</b>	<b>3.5%</b>	<b>3.3%</b>	<b>9.1%</b>	<b>13.4%</b>

<b>SEAA &amp; Aid to Private Institutions Base Budget (Budget Codes 16012 &amp; 16015)</b>	<b>467,548,175</b>	<b>483,548,175</b>	<b>467,548,175</b>	<b>483,548,175</b>
Opportunity Scholarship Reserve	-	-	-	25,000,000
Need-Base Assistance Program Technical Adjustment	-	-	1,237,500	1,237,500
Growing Health Care Workforce Grant to NCICU <sup>3</sup>	-	-	\$10M in receipts NR	\$10M in receipts NR
Longleaf Commitment Community College Grant Program <sup>4</sup>	-	-	\$25M in receipts	\$25M in receipts
State Education Assistance Authority IT Enhancements	-	-	\$15M in receipts NR	-
Children of Wartime Veterans Scholarship Administration <sup>4</sup>	-	-	2,669,504 \$10.9M in receipts	2,669,504 \$10.9M in receipts
North Carolina Need-Based Scholarship	-	-	8,200,000	8,200,000
NCSSM/UNCSA Tuition Grant Scale-up and Private Inst. Inclusion	-	-	2,282,778	4,343,961
Washington Center Internship Scholarship Program	-	-	1,000,000	1,000,000
High Point University Healthcare Start-up Funds	-	-	\$1M in receipts NR	-
<b>Total SEAA and Aid to Private Institutions</b>	<b>467,548,175</b>	<b>483,548,175</b>	<b>482,937,957</b>	<b>525,999,140</b>

\*The House budget includes a \$60 million statewide education enrollment reserve for FY 2024-25.

Note: 1) All items are recurring unless specified as nonrecurring.

2) All receipts supported items funded by ARPA Temporary Savings Fund unless otherwise noted.

3) Receipts budgeted from the Information Technology Reserve.

4) Receipts budgeted from the Escheat Fund.

**The University of North Carolina FY23-25 State Capital and Infrastructure Fund (SCIF) Projects**

NCGA Code	Project Name	Total Project Authorization	UNC Priorities		House	
			FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
UNC/R&R21	UNC R&R PROGRAM		\$250,000,000	\$250,000,000	\$280,503,000	\$250,000,000
<b>TOTAL NAMED PROJECTS</b>		<b>\$2,569,176,222</b>	<b>\$304,302,380</b>	<b>\$299,860,442</b>	<b>\$82,892,380</b>	<b>\$238,012,928</b>
<b>Appalachian State University</b>		<b>\$78,000,000</b>				
	Inflationary Increase for Wey Hall*	\$4,000,000	\$2,000,000	\$2,000,000	<i>Included in UNC/R&amp;R21</i>	
	Inflationary Increase for Duncan Hall*	\$6,000,000	\$3,000,000	\$3,000,000	<i>Included in UNC/R&amp;R21</i>	
UNC/ASU23-1	Walker Hall Interior Renovation	\$18,000,000		\$1,800,000	<i>Allocations scheduled for FY28+</i>	
UNC/ASU22-1	Hickory Campus Phase I (remaining request)	\$50,000,000		\$4,100,000		\$4,100,000
<b>East Carolina University</b>		<b>\$314,900,000</b>				
UNC/ECU21-1	Brody School of Medicine	\$215,000,000	\$86,000,000	\$53,750,000	<i>Allocations scheduled for FY26+</i>	
UNC/ECU23-1	Howell Science Building North - Comp Renovation	\$46,000,000		\$4,600,000	<i>Allocations scheduled for FY27+</i>	
UNC/ECU23-2	Leo Jenkins Building - Health Science Campus - Comp Renovation	\$18,900,000		\$1,890,000	<i>Allocations scheduled for FY28+</i>	
UNC/ECU23-3	Medical Examiner	\$35,000,000			\$8,750,000	\$17,500,000
<b>Elizabeth City State University</b>		<b>\$86,500,000</b>				
UNC/ECS21-4	Flight School	\$54,000,000	\$10,000,000	\$10,000,000		\$30,827,273
UNC/ECS23-1	Infrastructure Repairs - Phase 3	\$20,000,000		\$2,000,000		\$2,000,000
UNC/ECS23-2	Jenkins Hall and Dixon Hall - Lab, Classroom, and Bldg Renovation	\$12,500,000		\$1,250,000	<i>Allocations scheduled for FY28+</i>	
<b>Fayetteville State University</b>		<b>\$133,750,000</b>				
UNC/FSU21-1	Dormitories	\$40,000,000	\$16,000,000	\$10,000,000	\$16,000,000	\$10,000,000
UNC/FSU21-2	College of Education	\$63,000,000	\$27,200,000	\$15,750,000		\$36,376,088
UNC/FSU23-1	Butler Targeted Renovation	\$20,750,000		\$2,075,000	<i>Allocation scheduled for FY28</i>	
UNC/FSU23-2	H.L. Cook Building Renovation and Addition	\$10,000,000	\$1,000,000	\$3,500,000	\$1,000,000	\$3,500,000
<b>North Carolina Agricultural &amp; Technical State University</b>		<b>\$134,700,000</b>				
UNC/A&T23-1	Marteena Hall Renovation Phase 2	\$9,700,000	\$970,000	\$3,395,000	\$970,000	\$3,395,000
UNC/A&T23-2	Health and Human Sciences Building	\$125,000,000		\$2,000,000	<i>Allocations scheduled for FY28+</i>	
<b>North Carolina Central University</b>		<b>\$33,573,222</b>				
UNC/NCC23-1	Dent Building - Comprehensive Renovation	\$12,073,798	\$1,207,380		\$1,207,380	
UNC/NCC23-2	Edmonds Classroom Building - Comprehensive Renovation	\$12,999,424		\$1,299,942		\$1,299,942
UNC/NCC23-3	University Theater Renovation	\$8,500,000		\$850,000	<i>Allocation scheduled for FY28</i>	
<b>North Carolina State University</b>		<b>\$623,000,000</b>				
UNC/NCS20-1	S.T.E.M. Building	\$180,000,000	\$28,250,000			\$6,025,177
UNC/NCS23-1	Mann Hall Renovation - Phase 2	\$30,000,000		\$3,000,000		\$3,000,000
UNC/NCS23-2	Dabney Hall Renovation - Phase 2	\$80,000,000		\$8,000,000		\$8,000,000
UNC/NCS23-3	Polk Hall Renovation - Phase 2	\$63,000,000		\$6,300,000		\$6,300,000
UNC/NCS23-4	Veterinary School - Large Animal Hospital	\$70,000,000			<i>Allocations scheduled for FY26+</i>	
UNC/NCS23-5	Engineering Classroom Building	\$200,000,000			<i>Allocations scheduled for FY27+</i>	
<b>North Carolina School of Science and Mathematics</b>		<b>\$38,250,000</b>				
UNC/SSM23-1	Student Wellness And Activity Center - Morganton Campus	\$12,000,000	\$12,000,000		\$12,000,000	
UNC/SSM23-2	Residence Hall Renovation - Phase 1 (Hill, Reynolds, Royal)	\$9,250,000		\$9,250,000		\$9,250,000
UNC/SSM23-3	Residence Hall Renovation - Phase 1 (Beall, Bryan)	\$7,000,000		\$3,500,000		\$3,500,000
UNC/SSM23-4	Academic Commons Addition - Durham Campus	\$10,000,000		\$1,000,000	<i>Allocation scheduled for FY28</i>	

NCGA Code	Project Name	Total Project Authorization	UNC Priorities		House	
			FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
<b>University of North Carolina at Asheville</b>		<b>\$26,150,000</b>				
UNC/AVL23-1	Lipinsky Hall Comp Modernization/Addition (remaining request)	\$26,150,000	\$2,615,000	\$6,537,500	\$2,615,000	\$6,537,500
	Projects to be identified after new chancellor in place					
<b>University of North Carolina at Chapel Hill</b>		<b>\$432,900,000</b>				
UNC/CH20-1	Business School (McColl Building Addition and Renovation)	\$150,000,000	\$20,000,000	\$19,250,000	\$20,000,000	\$19,250,000
UNC/CH20-2	Nursing School (Carrington Hall Redevelopment)	\$87,900,000	\$19,300,000	\$10,450,000		\$15,756,948
UNC/CH22-1	School of Law	\$160,000,000		\$8,300,000		\$15,800,000
	Campus-wide Demolition - Various Buildings	\$10,000,000	\$5,000,000	\$5,000,000		
UNC/CH23-1	Gardner Hall - Comprehensive Renovation	\$25,000,000		\$2,500,000	<i>Allocations scheduled for FY28+</i>	
<b>University of North Carolina at Charlotte</b>		<b>\$82,500,000</b>				
UNC/CLT23-1	Smith Hall - Comprehensive Renovation	\$36,000,000		\$3,600,000		\$3,600,000
UNC/CLT23-2	Colvard Hall - Comprehensive Renovation	\$45,000,000		\$4,500,000	<i>Allocation scheduled for FY28</i>	
UNC/CLT23-3	Esports	\$1,500,000			\$1,500,000	
<b>University of North Carolina at Greensboro</b>		<b>\$44,703,000</b>				
	Inflationary Increase for Jackson Library Addition and Renovation*	\$17,100,000	\$1,710,000	\$5,985,000	<i>Included in UNC/R&amp;R21</i>	
	Inflationary Inc. for Campus Chilled Water Infrastructure & Equipment*	\$3,403,000		\$3,403,000	<i>Included in UNC/R&amp;R21</i>	
UNC/GB023-1	Moore Building Renovation	\$24,200,000		\$2,420,000		\$2,420,000
<b>University of North Carolina at Pembroke</b>		<b>\$152,000,000</b>				
UNC/PEM21-1	Health Sciences Center	\$91,000,000	\$36,400,000	\$22,750,000	<i>Allocations scheduled for FY28+</i>	
UNC/PEM23-1	Givens Performing Arts Center (GPAC) Renovation	\$61,000,000		\$6,100,000		\$6,100,000
<b>University of North Carolina School of the Arts</b>		<b>\$75,500,000</b>				
UNC/SA23-1	Stevens Center Renovation Phase 2	\$51,000,000	\$5,100,000	\$12,750,000	\$5,100,000	\$12,750,000
UNC/SA23-2	New High School Residence Hall	\$24,500,000		\$2,450,000	<i>Allocations scheduled for FY28+</i>	
<b>University of North Carolina Wilmington</b>		<b>\$80,650,000</b>				
UNC/WIL23-1	Cameron Hall - Comp Renovation/Expansion (90% SCIF/10% Trust)	\$44,500,000		\$4,005,000	<i>Allocations scheduled for FY28+</i>	
UNC/WIL23-2	Kenan Auditorium - Comp Renovation/Expansion (90% SCIF/10% Trust)	\$24,000,000		\$2,160,000		\$2,160,000
UNC/WIL23-3	DeLoach Hall Modernization	\$12,150,000		\$1,215,000		\$1,215,000
<b>Western Carolina University</b>		<b>\$95,300,000</b>				
UNC/WCU23-1	Replacement Engineering Building	\$95,300,000		\$2,000,000		\$2,000,000
<b>Winston-Salem State University</b>		<b>\$83,800,000</b>				
UNC/WSS21-1	K.R. Williams Auditorium	\$57,000,000	\$22,800,000	\$14,250,000	<i>Allocations scheduled for FY28+</i>	
UNC/WSS23-1	Restore the Core III - Eller Hall - Renovation & Elevator Addition	\$10,800,000		\$800,000		\$800,000
UNC/WSS23-2	Restore the Core III - Pegram Hall Renovation & Elevator Addition	\$16,000,000		\$800,000		\$800,000
<b>University of North Carolina System Office</b>		<b>\$25,000,000</b>				
UNC/BOG21-1	UNC Lease Funds	\$15,000,000	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000
UNC/BOG23-1	Athletic Grant Program	\$10,000,000			\$10,000,000	
<b>North Carolina Arboretum</b>		<b>\$28,000,000</b>				
	UNC Mountain Gateway for Science and Art (\$5M from Donations)	\$28,000,000		\$575,000		
<b>NORTH CAROLINA PUBLIC SAFETY COMMUNICATIONS INFRASTRUCTURE</b>						
<b>PBS North Carolina</b>		<b>\$49,500,000</b>				
	PBS North Carolina Public Safety Communications Upgrades	\$49,500,000	\$4,950,000			

\* Additional funding requested to address inflationary increases to major repair and renovation capital projects funded from UNC/R&R21.

Highlighted cells represent new or updated project authorizations in HB 259.

Highlighted cells represent BOG-approved projects that were not included in HB259.

**AGENDA ITEM**

A-3. Authorization of Special Tuition Rate for 2023-24 – UNC Pembroke ..... Aubrey Clark-Brown

- Situation:** The University of North Carolina at Pembroke has received approval for a new Doctor of Nursing Practice (DNP) program that is scheduled to begin enrolling students in AY 2023-2024. The program was approved on February 22, 2023, which was not early enough to be included in the normal FY 2023-2024 tuition and fee process. The proposed special tuition rates for graduate students are recommended for approval.
- Background:** G.S. 116-143 requires that the University of North Carolina Board of Governors fix the tuition and fees, not inconsistent with the actions of the General Assembly, at the constituent institutions of the University of North Carolina System.
- Assessment:** UNC Pembroke has submitted this 2023-24 tuition proposal in accordance with legislative and University of North Carolina System Office guidelines for consideration by the Board.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

A-3. Authorization of Tuition for 2023-24

The following RESOLUTION for the 2023-24 academic year reflects the tuition increase proposed by UNC Pembroke.

RESOLUTION AUTHORIZING SPECIAL TUITION

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

NOW, THEREFORE, BE IT RESOLVED, that, effective with the Fall Term of 2023, UNC Pembroke is authorized to charge and collect the following tuition rates.

**UNC Pembroke**

Doctor of Nursing Practice – \$5,280, residents/\$18,339, nonresidents

UNC Pembroke requests the establishment of a school-based tuition rate of \$1,000 for its Doctor of Nursing Practice (DNP). The revenue generated would be used to support the program’s core operating costs, including faculty salaries, travel, and student research tools.

Institution		North Carolina Residents			Nonresidents	
		From	To		From	To
<b>UNC Pembroke</b>						
Doctor of Nursing Practice (DNP)	<i>Grad</i>	n/a	5,280.00		n/a	18,339.00

## **Doctor of Nursing Practice (DNP) Program Tuition Differential**

The Doctor of Nursing Practice (DNP) program is a new program at UNC Pembroke. The program is planned to start Spring 2024, so there are currently no students enrolled in the program. The DNP program was approved by the Board of Governors in the February 2023 meeting. Included in the program approval was a \$1,000 tuition differential for students in the DNP program. The DNP program in Population Health is designed for nurses who are interested in improving population health, healthcare, and communities as a systems leader in the United States and in the world. The degree is also appropriate for educators with an expertise in leadership and population health.

### **Need for the Increase**

Students will use various means in clinical experiences to work with identified populations. Scholarly data will be collected, and methods will vary as will evidence-based interventions and evaluative criteria. These clinical experiences require intense faculty time, technology equipment (computers, video/audio components), and will involve areas such as remote and regional medical facilities, clinics, mobile units, community organizations, and public health facilities.

### **How the Funds Will Be Used**

The tuition differential revenue generated will help to offset some of the costs for purchasing research tools and academic research databases and data analytics programs such as Qualtrics or SPSS, as well as clinical hour tracking software. The DNP students and faculty may need additional malpractice coverage, travel funds for face-to-face contact with distance-based students, and/or assistance with data collection and dissemination of the DNP project.

### *Faculty Costs*

The tuition differential revenue will also assist with additional faculty costs as well. The DNP program will require three new full-time core faculty accounting for three FTE and an additional total of one reassigned faculty member accounting for 1 FTE for a total of 4 FTE. The proposed DNP program will use salary levels for the Program Director (\$120,000) and full-time faculty (\$85,000) that is consistent with the 2018-19 AOTA Faculty Workforce Survey for twelve-month contracts. At the start of the program in fiscal year 2023-24, in which students are admitted and matriculate into the program, the department plans to reassign an existing faculty member part-time. The program will utilize faculty based on their content expertise as it relates to the curriculum. In addition, the program plans to hire two additional core faculty to meet additional curricular needs of the program. These new faculty lines will add \$232,638 to the cost for faculty, bringing the total cost for full-time core faculty to \$510,541.

### **Impact on Affordability**

A student of nursing at UNCP can enter a clear educational pathway from a directed program in a community college to the Bachelor of Science in Nursing degree, to the Master of Nursing degree, which leads seamlessly to the terminal degree of the Doctor in Nursing Practice in Population Health. The median amount of student loan debt anticipated by graduate nursing students upon program completion is between \$40,000 and \$54,999. The cost of an online DNP degree at a private university in North Carolina is currently \$136,012.00 for the total 74 minimum credit units (Duke University, 2021). Even with the tuition differential, UNCP will be more affordable than other paths to this terminal degree. In addition, federal student loan forgiveness programs for nurses offer financial assistance in exchange for work commitments in underserved communities or in the public sector. The nursing federal loan forgiveness programs will reduce the overall monies owed if a federal loan is taken out and paid back over a 10-year period.

**TUITION INCREASE REQUEST FORM  
FOR PROFESSIONAL SCHOOLS  
2023-24**

**UNCP**

<i>Doctor of Nursing Practice</i>
<b>51.3818</b>

	<b>2023-24 Annual Increment</b>
<b>Requested School-Based Tuition Increase</b>	
Graduate Residents	\$1,000.00
Graduate Nonresidents	\$1,000.00

	<b>FTE</b>
Graduate Residents	4.00
Graduate Nonresidents	0.00
<b>Total</b>	<b>4.00</b>

<b>Projected Revenues</b>	
Graduate Residents	\$4,000.00
Graduate Nonresidents	\$0.00
<b>Total</b>	<b>\$4,000.00</b>

<b>Projected Expenditures</b>	
<i>Research tools and academic research databases and data analytics programs such as Qualtrics or SPSS, as well as clinical hour tracking software</i>	\$500.00
<i>Travel Funds</i>	\$500.00
<i>Faculty Salaries</i>	\$3,000.00
<b>Total</b>	<b>\$4,000.00</b>

Does your campus intend to charge students in this program the requested graduate CITI plus the SBTI? (respond yes or no in the box)

Yes
-----

**AGENDA ITEM**

A-4. Maximum Project Kitty Hawk Per-Credit Hour Tuition Rates .....David Eby

**Situation:** Beginning in 2023-24, universities may partner with Project Kitty Hawk to offer self-supported digital learning programs.

**Background:** Section 1000.1.1-II.E.3 of the UNC Policy Manual, *Policy on Tuition Rates*, requires that the University of North Carolina Board of Governors shall establish a maximum per-credit tuition rate for programs offered through a partnership with Project Kitty Hawk. These programs are “off-model”, so they do not generate enrollment funding. In consultation with the participating constituent institutions and upon the approval of the president, the Project Kitty Hawk, Inc., and board of directors has the flexibility to set tuition rates, provided that they do not exceed the maximum tuition rate established by the Board. The maximum tuition rate established by the Board of Governors shall apply to the 2023-24 academic year.

**Assessment:** Project Kitty Hawk and its board of directors request that the UNC Board of Governors approve a maximum per-credit hour tuition rate of \$500 for undergraduate students and \$800 for graduate students. The proposal also calls for nonresident tuition rates that are 20 percent higher than the rate charged to North Carolina residents for a given academic program.

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



## Maximum Per-Credit Hour Tuition Rates: Supporting Documents

Meeting of the Board of Governors  
Committee on Budget and Finance  
April 2023



# Overview

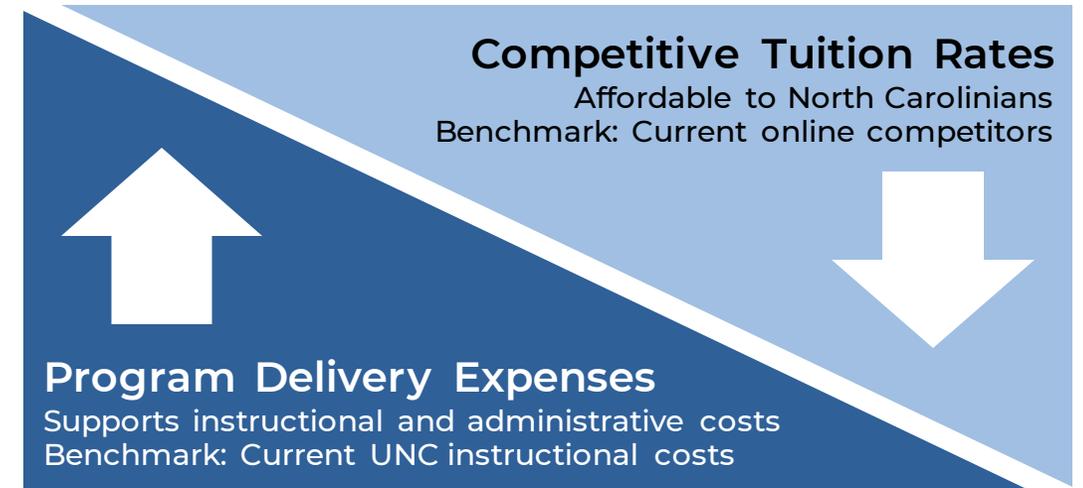
## Project Status

- PKH has signed letters of intent with seven UNC institutions to design online undergraduate degree programs
- Students will enroll in the first PKH-powered programs in October 2023
- The programs will be off-model and will not receive enrollment funding; they must be self-sustaining
- Program design requires that PKH establish tuition rates based on market conditions and program costs

## PKH Request

- Each year, PKH will propose the maximum tuition rate for PKH-powered programs to the UNC Board of Governors for approval
- PKH and its university customers have discretion to set tuition rates by program, up to the approved maximum rate

## PKH-Powered Online Programs: Tuition Rate Market Forces

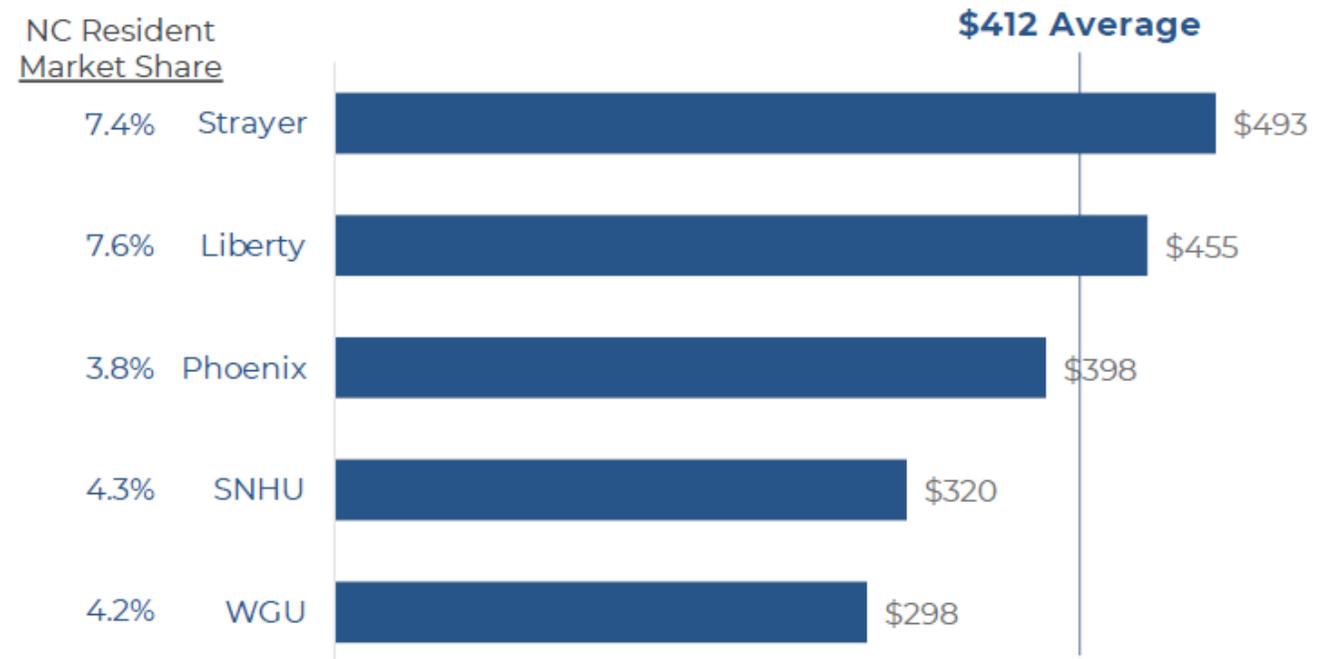


PKH-powered programs must balance affordability against delivery cost

# Competitive Tuition Rates: Market-Based Benchmarks

- Over two-thirds of North Carolina's adults choose out-of-state institutions for online undergraduate studies
- The five largest out-of-state providers enroll over one-fourth of undergraduate North Carolinians studying online
- North Carolinians pay an average of \$412 per SCH at these institutions
- PKH-powered programs will compete on both price and educational quality
- Market benchmarks suggest a maximum tuition rate not to exceed \$500 per SCH for PKH-powered programs

## Undergraduate Tuition per Student Credit Hour, 2022

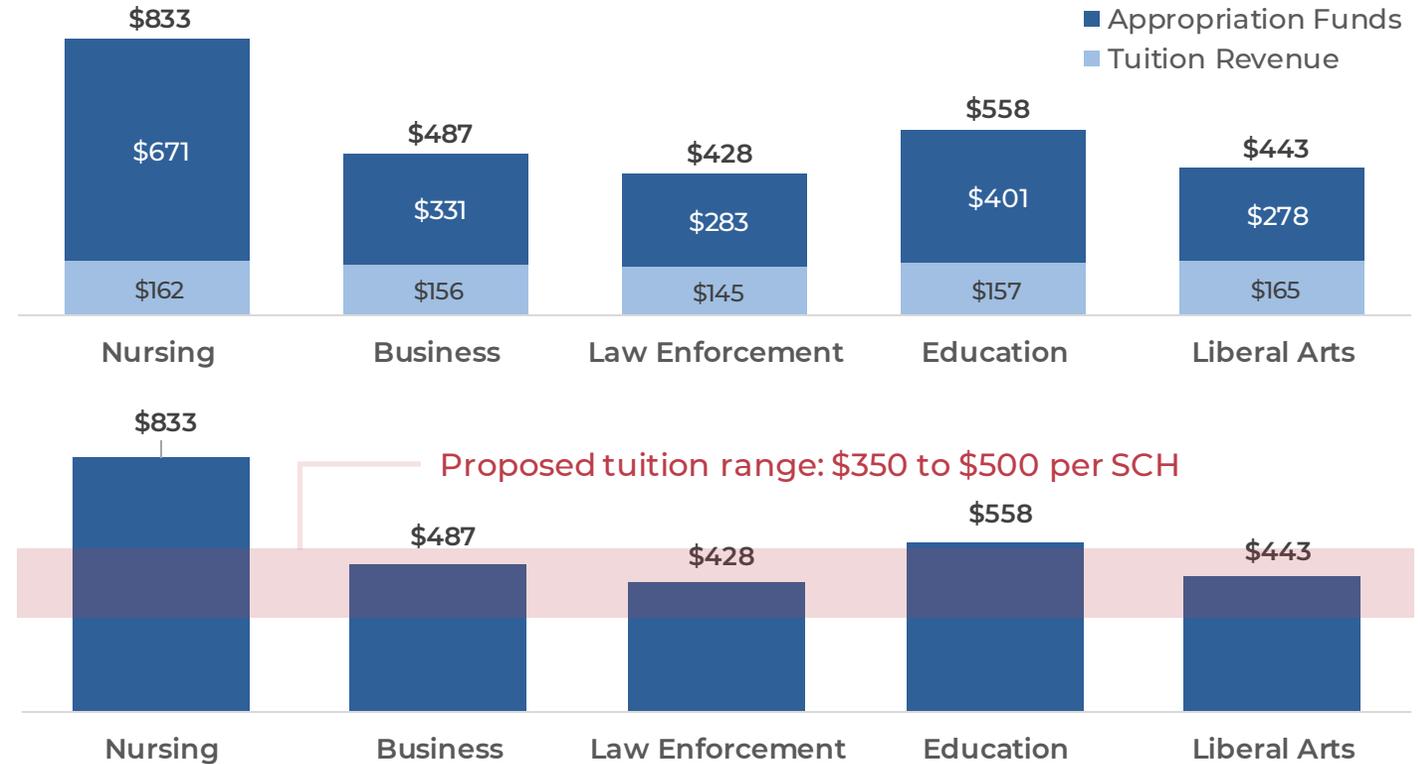


PKH-powered programs must be cost-competitive with large out-of-state institutions

# Program Delivery Costs: Current UNC Program Benchmarks

- UNC revenue varies by subject area; programs with higher operating costs receive more enrollment funding
- UNC's five most popular online undergrad subject areas generate \$428 to \$833 per SCH in tuition and state appropriations
- Major cost drivers are course instruction and learner marketing & recruiting
- PKH-powered programs will be designed to economize these costs while maximizing academic quality and the student experience
- A range of \$350 to \$500 per SCH will provide flexibility at the program level

UNC Tuition and Appropriation Revenue per SCH: Popular Online Subject Areas



PKH proposes a maximum resident undergraduate tuition rate of \$500 per SCH

Appropriation amounts vary by institution and subject area; subject-area appropriations are calculated using the Delaware Study of Instructional Costs and Productivity. Off-model programs do not receive appropriations through enrollment funding.



# Graduate Program and Non-Resident Rates

## Graduate Programs

- PKH's is focusing on undergraduate degree completion programs in 2023-24; however, we may receive requests to design master's programs
- Graduate program tuition is typically 40% to 80% higher than undergraduate rates, reflecting higher earning power of graduates
- Graduate programs also incur higher instructional and marketing costs
- A range of \$500 to \$800 per SCH for master's programs will provide flexibility at the program level

PKH proposes a maximum graduate resident tuition rate of \$800 per SCH

## Non-Resident Tuition Rates

- Non-resident rates for on-model UNC programs are 300% to 400% higher than resident tuition rates
- Tuition from non-resident enrollments will support program's fixed costs and improve affordability for North Carolinians
- To prioritize the education of North Carolina residents, PKH proposes a non-resident rate no less than 20% higher than the resident rate set for each program

PKH proposes a non-resident tuition premium at least 20% higher than the resident rate



# PKH Academic Year 2023-34 Maximum Tuition Rate Proposal

## April 2023

Per G.S. 116-11(9)(e), digital learning student credit hours provided with the support of Project Kitty Hawk (“PKH”) may not be included in the UNC System’s enrollment change request and must therefore be self-supporting. In order to enable universities to offer such programs in partnership with PKH, the Board of Governors approved Section 1000.1.1-II.E.3 of the UNC Policy Manual which states that, on an annual basis, PKH shall request that the Board of Governors establish a maximum per-credit tuition rate for self-supported digital learning programs offered through a partnership with PKH (“Maximum Tuition Rate”). Section 1000.1.1-II.E.3 also requires that the nonresident tuition rate charged for a given academic program exceed the rate charged to North Carolina residents for that program.

For the coming academic year, PKH requests that the Board of Governors approve the Maximum Tuition Rate proposal below that achieves two objectives. First, it will allow constituent institutions the flexibility to set program tuition rates that are cost-competitive with similar online programs in the market, particularly those at out-of-state providers that enroll a large share of North Carolinians today. Second, tuition rates also must support the educational investment required to deliver the world-class educational experiences that the System is known for. Based on a thorough analysis of both objectives,<sup>1</sup> PKH requests that the Board approve the following Maximum Tuition Rate proposal:

Maximum Tuition Rate Proposal for Academic Year 2023-24		
Per University of North Carolina Policy 1000.1.1 and Section 5.18 of the March 2022 Association Agreement between the University of North Carolina (UNC) and Project Kitty Hawk (PKH), PKH shall request that the Board of Governors establish a maximum per-credit tuition rate for programs offered through a partnership with PKH (“Maximum Tuition Rate”).		
For the 2023-2024 academic year, PKH and its Board of Directors request that the University of North Carolina Board of Governors approve a Maximum Tuition Rate of \$500 per student credit hour (“SCH”) for North Carolina residents enrolling in undergraduate programs and a maximum rate of \$800 per SCH for North Carolina residents enrolling in graduate programs. To ensure North Carolinians are the primary beneficiaries of the General Assembly’s investment in PKH, the non-resident tuition rate for each academic program shall be set at a rate no less than 20% higher than a program’s state resident rate.		
	<b>Undergraduate Programs</b>	<b>Graduate Programs</b>
<b>NC Resident</b>	\$500	\$800
<b>Out-of-State Resident</b>	20% higher than NC Resident Rate	

<sup>1</sup> For more information, please see a summary of this analysis included in under “additional information” in your board materials.

Key Factors:

- PKH-powered online degree programs will not be funded through the Enrollment Funding Model and therefore will not receive state appropriations. The programs must be financially self-supporting. PKH-powered programs must be both cost-effective for learners and self-supporting for institutions.
- Tuition generated by PKH-powered programs must support all program operations, including course instruction, program administration, student marketing and recruitment, and student support.
- The target average tuition rate for undergraduate programs powered by Project Kitty Hawk will be \$375 per SCH. Tuition rates will vary by program and will depend on individual programs' costs. Programs with higher-than-average instructional or administrative costs will have higher tuition rates to reflect higher costs.

**AGENDA ITEM**

A-5. 2021-22 UNC System Consolidated Financial Report.....Jennifer Haygood

**Situation:** The University of North Carolina System is presenting a consolidated financial report for the year ended June 30, 2022.

**Background:** Historically, University financial information has been reported in two ways: 1) as a part of each institution's set of audited financial statements and 2) as a part of the greater Annual Consolidated Financial Report (ACFR) for the State of North Carolina. The UNC System Financial Report has been prepared to provide additional information since fiscal year 2015 on the current financial status of the University. This report includes a consolidation of the University of North Carolina System as a whole, a side-by-side comparison of institutional financial statements, selected disclosures, and other financially related information.

**Assessment:** The UNC System, excluding UNC Hospitals, recognized a \$1.4 billion increase in net position during the year, bringing ending net position to \$10.4 billion. Cash increased by \$506.5 million. Sales and Services revenues increased by 41 percent across the System as students returned to campus and in-person operations returned to normal. Expenses due to in-person activity increased commensurately.

**Action:** This item is for information only.



# CONSOLIDATED FINANCIAL REPORT

*Fiscal Year Ended: June 30, 2022*

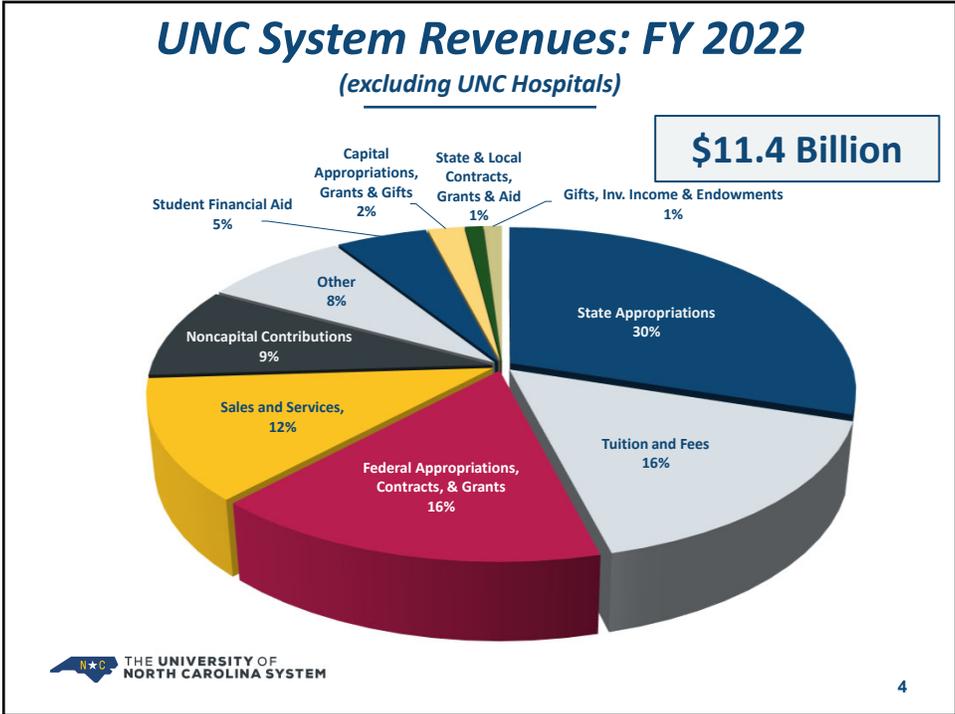
**Board of Governors  
Committee on Budget and Finance**

**April 19, 2023**

## *Presentation Outline*

- Revenues and Expenses
- Balance Sheet Trends
- Cash Position

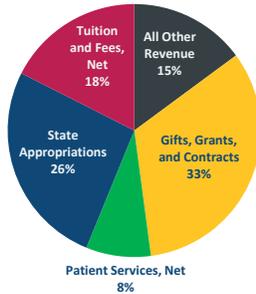
# Revenues and Expenses



## Revenues by Campus Size: FY 2022

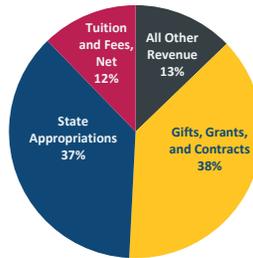
### Large Universities

ASU, ECU, N.C. A&T, NC State, UNC-CH, UNCC, UNCG, UNCW, WCU



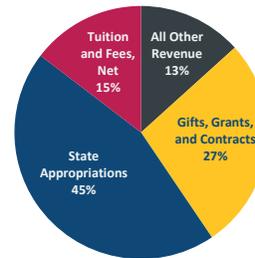
### Medium Universities

FSU, NCCU, UNCP, WSSU



### Small Universities

ECSU, UNCA, UNCSA



The Carnegie Classification has been used for the purpose of classifying the universities as small, medium, and large. The UNC System Office, North Carolina School of Science and Mathematics, and UNC Hospitals are not included in the classifications as these are not considered institutions of higher education. Therefore, these institutions are excluded from the above graphs.

## UNC System Revenues: FY 2021-22

(excluding UNC Hospitals)

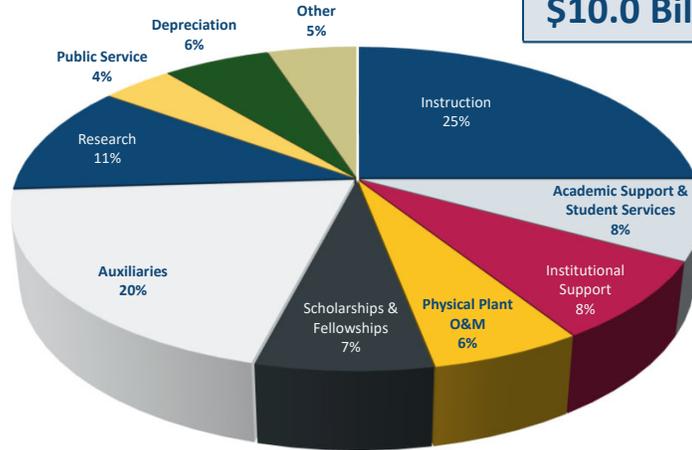
Revenues	FY 2021	FY 2022	Change	
State Appropriations	3,050,008,763	3,460,569,196	410,560,433	13.5%
Tuition and Fees	1,737,617,934	1,870,448,838	132,830,904	7.6%
Federal Approp., Contracts & Grants	1,507,297,329	1,839,465,999	332,168,670	22.0%
Sales and Services	960,412,290	1,353,961,905	393,549,615	41.0%
Noncapital Contributions	1,088,975,650	977,260,107	(111,715,543)	-10.3%
Other Revenue	846,576,608	903,725,736	57,149,128	6.8%
Student Financial Aid	527,209,154	518,411,221	(8,797,933)	-1.7%
Capital Approp., Grants & Gifts	565,090,822	262,227,706	(302,863,116)	-53.6%
State & Local Contracts, Grants & Aid	294,583,349	166,709,778	(127,873,571)	-43.4%
Inv. Income & Additions to Endowments	1,755,796,040	36,440,596	(1,719,355,444)	-97.9%
<b>Total</b>	<b>12,333,567,939</b>	<b>11,389,221,082</b>	<b>(944,346,857)</b>	<b>-7.7%</b>

- Increase in sales and services driven by increase in auxiliaries such as housing, dining, and parking as campuses returned to normal operations.
- Decrease in state aid related to COVID-19 as coronavirus relief funds expired.
- Decrease in investment income as the market returned to historical rates of return following an impressive prior year.

# UNC System Expenditures: FY 2022

(excluding UNC Hospitals)

**\$10.0 Billion**

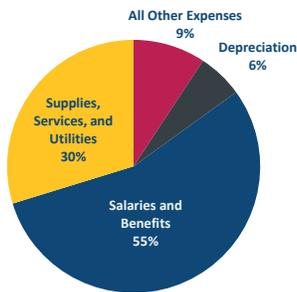


Note: Some research and private/endowment revenues are not available for immediate expenditure.

# Expenses by Campus Size: FY 2022

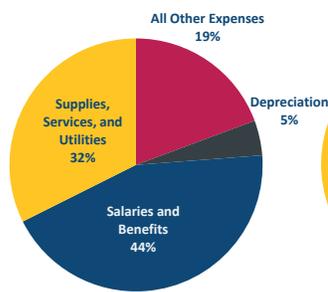
## Large Universities

ASU, ECU, N.C. A&T, NC State, UNC-CH, UNCC, UNCG, UNCW, WCU



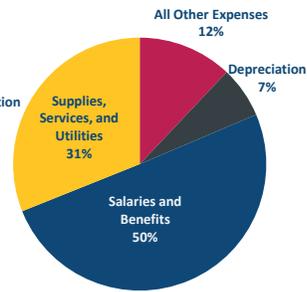
## Medium Universities

FSU, NCCU, UNCP, WSSU



## Small Universities

ECSU, UNCA, UNCSA



The Carnegie Classification has been used for the purpose of classifying the universities as small, medium, and large. The UNC System Office, North Carolina School of Science and Mathematics, and UNC Hospitals are not included in the classifications as these are not considered institutions of higher education. Therefore, these institutions are excluded from the above graphs.

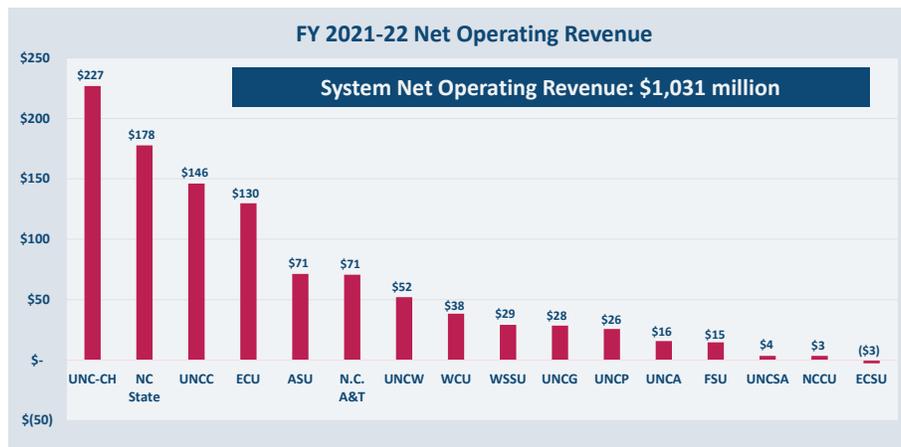
## UNC System Expenses: FY 2021-22

(excluding UNC Hospitals)

Expenses	FY 2021	FY 2022	Change	
Instruction	2,585,251,924	2,544,581,497	(40,670,427)	-1.6%
Academic Support & Student Services	775,554,295	800,163,899	24,609,604	3.2%
Institutional Support	779,347,883	841,946,777	62,598,894	8.0%
Physical Plant O&M	551,157,059	577,097,149	25,940,090	4.7%
Scholarships & Fellowships	548,801,352	676,445,683	127,644,331	23.3%
Auxiliaries	1,724,714,394	1,973,085,426	248,371,032	14.4%
Research	1,095,363,290	1,111,107,343	15,744,053	1.4%
Public Service	368,875,918	396,341,179	27,465,261	7.4%
Depreciation	490,077,484	555,645,180	65,567,696	13.4%
Other Expenses	524,116,261	510,713,656	(13,402,605)	-2.6%
<b>Total</b>	<b>9,443,259,860</b>	<b>9,987,127,789</b>	<b>543,867,929</b>	<b>5.8%</b>

- Decrease in instruction expenses partly due to lower pension and OPEB costs.
- Increase in scholarships & fellowships expenses as a result of HEERF distributions.
- Increase in auxiliaries expenses as campuses resumed normal operations.

## Operating Performance: Net Operating Revenue

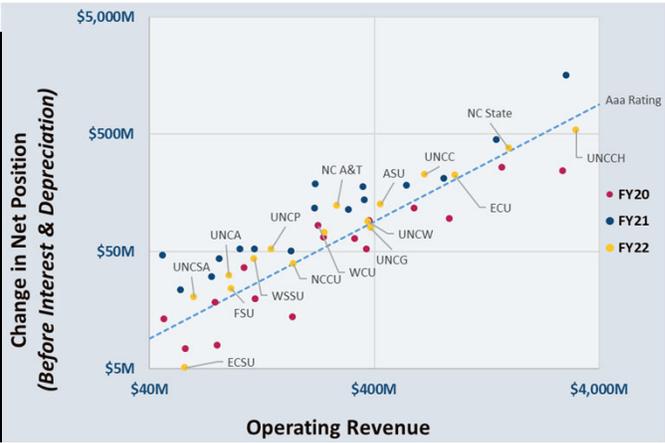


Net Operating Revenue is defined as Net Revenue before Capital Appropriations, Capital Contributions, and Additions to Endowments.

# Operating Performance

## Operating Margin (EBIDA)

	2020	2021	2022
ASU	14%	38%	30%
ECU	11%	26%	24%
ECSU	29%	101%	9%
FSU	10%	53%	26%
NC A&T	28%	86%	45%
NCCU	8%	30%	23%
NC State	17%	32%	24%
UNCA	23%	40%	35%
UNCC	9%	56%	17%
UNCCG	19%	33%	34%
UNCG	24%	50%	21%
UNCP	17%	44%	38%
UNCW	20%	37%	24%
UNCSA	13%	43%	32%
WCU	37%	54%	30%
WSSU	34%	51%	37%



EBIDA = Earnings Before Interest, Depreciation, and Amortization

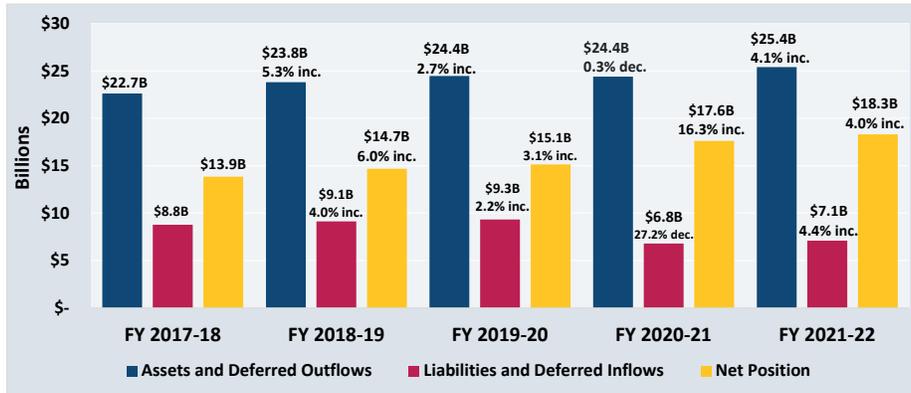
*Investment performance reverted to more normal levels in FY22. Non-investment operating revenues and expenses grew in FY22 due to return to campus.*



# Balance Sheet Trends

## Balance Sheet Trends: FY 2018-22

Overall Balance Sheet Changes (excluding UNC Hospitals)



These balances have been adjusted to remove the effect of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and GASB Statement No. 68, Accounting and Financial Reporting for Pensions. They have been partially adjusted to remove the effect of inter-campus transactions (e.g., inter-institutional transfers).

In FY 2017-18, Capital Assets made up 52.2% of total assets and deferred outflows; in FY 2021-22, they made up 53.7%.

## Operating Performance: Change in Net Position



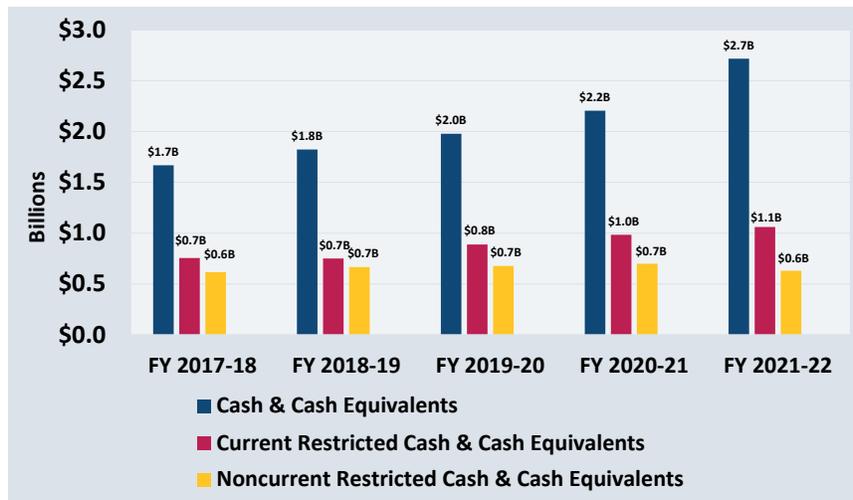
These balances have been adjusted to remove the effect of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

■ 2022 Change in Net Position  
■ Total Net Position (beginning of year)

## Cash Position

15

### UNC System Cash Position: FY 2018-22 (excluding UNC Hospitals)



16

## UNC System Cash Flows: FY 2021-22

(excluding UNC Hospitals)

	FY 2021	FY 2022	Change	
Received from customers	4,950,717,760	5,608,688,549	657,970,789	13.3%
State appropriations	3,060,008,763	3,489,569,196	429,560,433	14.0%
Noncapital grants, gifts, and student aid	1,869,615,380	2,066,307,150	196,691,770	10.5%
Other receipts	3,265,182,273	2,110,080,438	(1,155,101,835)	-35.4%
Payments to employees and fringe benefits	(5,625,531,073)	(5,955,613,577)	(330,082,504)	5.9%
Payments to vendors and suppliers	(2,458,914,404)	(2,863,492,790)	(404,578,386)	16.5%
Payments for grants, gifts, and student aid	(1,072,634,788)	(1,121,809,331)	(49,174,543)	4.6%
Other payments	(3,471,350,422)	(2,827,217,159)	644,133,263	-18.6%
Net Cash Provided by Operating and Noncapital Financing Activities	784,844,811	1,264,618,484	479,773,673	61.1%
Net Cash Used by Capital Financing Activities	(395,954,782)	(692,542,056)	(296,587,274)	74.9%
Net Cash Provided (Used) by Investing Activities	128,203,460	(65,563,952)	(193,767,412)	-151.1%
<b>Net Increase in Cash and Cash Equivalents</b>	<b>517,093,489</b>	<b>506,512,476</b>	<b>(10,581,013)</b>	<b>-2.0%</b>

## Conclusions

## ***Conclusions***

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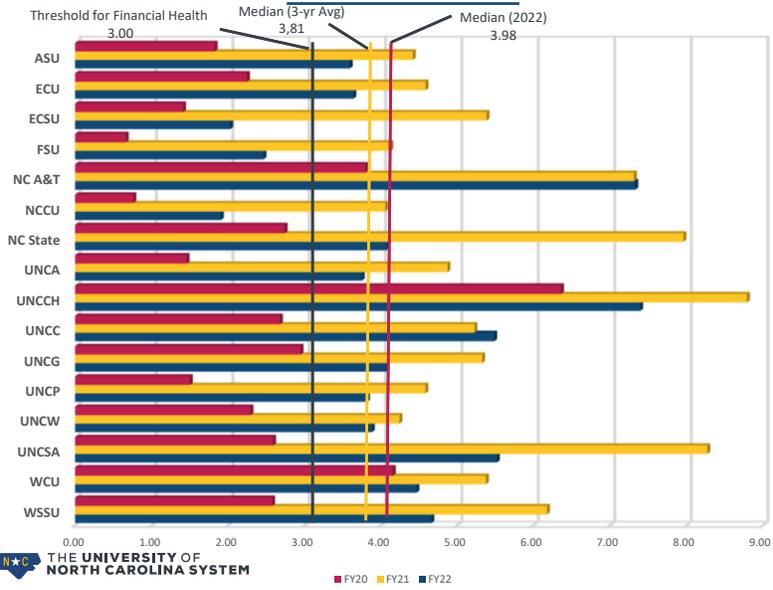
- **As expected, the UNC System's financial position began to stabilize in FY 2022 as campuses returned to normal operations following the COVID-19 pandemic.**
- **Temporary revenue streams associated with state aid for COVID-19 began to decline.**
- **Both auxiliary revenues and expenses increased as enterprises such as student housing, dining, and parking resumed operations.**
- **Investment income fell significantly as unusually robust investment returns in the prior year returned to historical levels.**

## ***Composite Financial Index: FY 2021-22***

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- **University-specific composite measure developed by 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





**THE  
UNIVERSITY OF  
NORTH CAROLINA  
SYSTEM**

**Consolidated Financial Report**

**April 19, 2023**

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## Overview

The University of North Carolina (UNC) System is a multi-campus university dedicated to serving the state and its people through world-class teaching, research and scholarship, and outreach and service. In 1971, the Higher Education Reorganization Act placed the 16 baccalaureate-granting institutions that comprise the University of North Carolina System under one governing board. The act emphasized basic objectives for the University: to foster the development of a well-planned and coordinated system of higher education, to improve the quality of education, to extend educational benefits beyond campus borders, and to encourage economic and effective use of the state's resources.

The following entities are included in this report:

UNC System Office (Sys Ofc)	UNC Charlotte (UNCC)
Appalachian State University (ASU)	UNC Greensboro (UNCG)
East Carolina University (ECU)	UNC Pembroke (UNCP)
Elizabeth City State University (ECSU)	UNC Wilmington (UNCW)
Fayetteville State University (FSU)	UNC School of the Arts (UNCSA)
North Carolina A&T State University (N.C. A&T)	Western Carolina University (WCU)
North Carolina Central University (NCCU)	Winston-Salem State University (WSSU)
North Carolina State University (NC State)	NC School of Science and Mathematics (NCSSM)
UNC Asheville (UNCA)	UNC Hospitals at Chapel Hill (UNCH)
UNC-Chapel Hill (UNC-CH)	

In its efforts to move forward with strategic planning, the University recognized the importance of establishing an overall mission and defining the role each institution would play in fulfilling the mission. In 1992, the Board of Governors adopted a general mission statement, and after some modification, the official statement was given statutory status in 1995.

## Mission Statement

The University of North Carolina System is a public, multi-campus university dedicated to the service of North Carolina and its people. It encompasses the 17 diverse constituent institutions and other educational, research, and public service organizations. Each shares in the overall mission of the University. That mission is to discover, create, transmit, and apply knowledge to address the needs of individuals and society. This mission is accomplished through instruction, which communicates the knowledge and values and imparts the skills necessary for individuals to lead responsible, productive, and personally satisfying lives; through research, scholarship, and creative activities, which advance knowledge and enhance the educational process; and through public service, which contributes to the solution of societal problems and enriches the quality of life in the state. In the fulfillment of this mission, the University shall seek an efficient use of available resources to ensure the highest quality in its service to the citizens of the state.

## Overview (cont.)

### *Classification*

The Carnegie Classification has been used for the purpose of classifying the universities within this report as small, medium, and large. For the past four and a half decades, the Carnegie Classification has been the leading framework for recognizing and describing institutional diversity in U.S. higher education. Starting in 1970, the Carnegie Commission on Higher Education developed a classification of colleges and universities to support its program of research and policy analysis. More information on this classification is available at <http://carnegieclassifications.iu.edu>. Based on these classifications, the universities have been classified as follows:

<u>Large</u>	<u>Medium</u>	<u>Small</u>
Appalachian State University	Fayetteville State University	Elizabeth City State University
East Carolina University	North Carolina Central University	UNC Asheville
North Carolina A&T State University	UNC Pembroke	UNC School of the Arts
North Carolina State University	Winston-Salem State University	
UNC-Chapel Hill		
UNC Charlotte		
UNC Greensboro		
UNC Wilmington		
Western Carolina University		

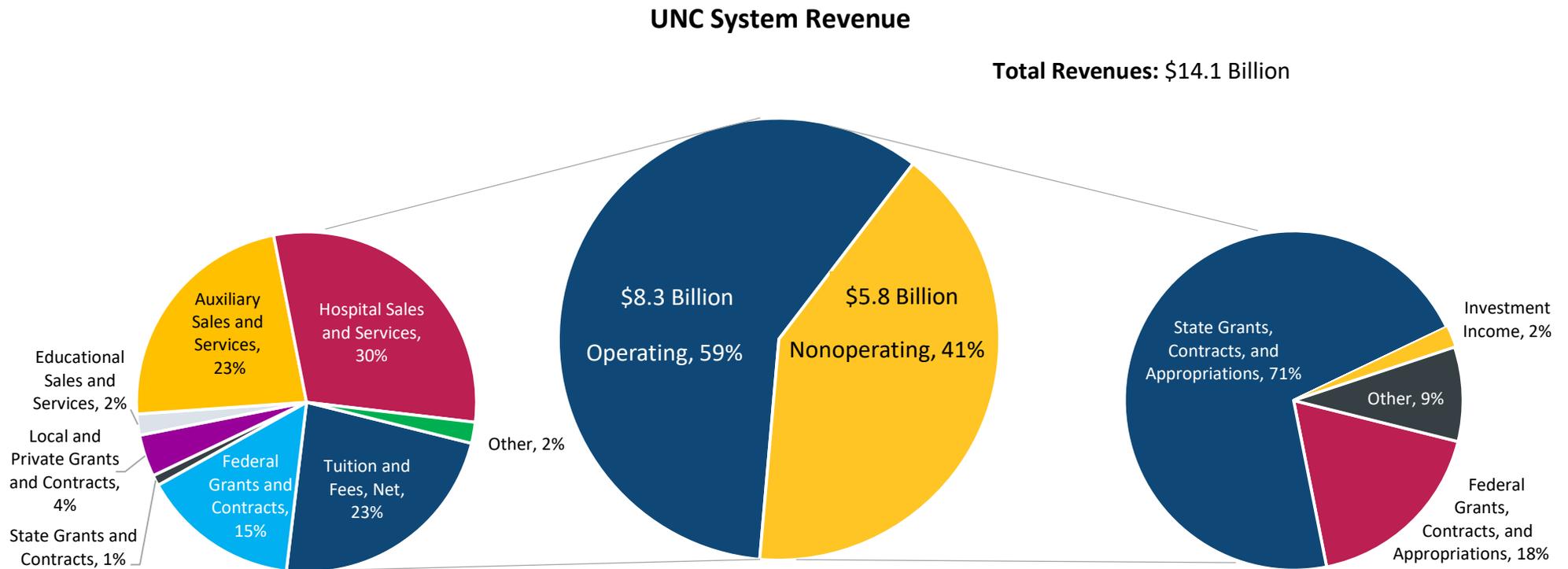
The UNC System Office, North Carolina School of Science and Mathematics, and UNC Hospitals at Chapel Hill are not included in the above classifications as these are not considered institutions of higher education. These institutions do factor into the comprehensive data summaries on the following pages. However, these three institutions are not included when data is categorized as 'Large', 'Medium', or 'Small'.



## Selected Disclosures

## Revenues

A summary of all revenues is shown below:



**Revenues (cont.)**

The UNC System's operating revenues by institution for the year ended June 30, 2022 are presented as follows:

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill	UNC Charlotte
<b>Student Tuition and Fees</b>										
Gross Revenues	\$ 173,659,693	\$ 236,207,946	\$ 10,221,329	\$ 32,681,897	\$ 135,569,640	\$ 64,486,154	\$ 463,157,877	\$ 28,143,975	\$ 608,352,195	\$ 289,398,088
Less Allowance for Uncollectibles	(192,913)	(625,259)	(90,735)	—	(540,819)	(136,156)	187,258	(69,740)	(768,542)	(771,495)
Less Scholarship Discounts	(33,143,373)	(48,797,792)	(3,468,647)	(14,313,976)	(53,006,190)	(24,806,848)	(110,822,439)	(9,075,218)	(143,460,201)	(57,527,972)
<b>Net Revenues</b>	<b>140,323,407</b>	<b>186,784,895</b>	<b>6,661,947</b>	<b>18,367,921</b>	<b>82,022,631</b>	<b>39,543,150</b>	<b>352,522,696</b>	<b>18,999,017</b>	<b>464,123,452</b>	<b>231,098,621</b>
% of Total UNC Institutions and System Office	7.5%	10.0%	0.4%	1.0%	4.4%	2.1%	18.8%	1.0%	24.8%	12.4%
<b>Patient Service Revenue</b>										
Gross Revenues	—	452,638,249	—	—	—	—	—	—	1,337,356,690	—
Less Allowance for Uncollectibles	—	(12,685,225)	—	—	—	—	—	—	(10,202,167)	—
Less Indigent Care and Contractual Adjustments	—	(196,831,051)	—	—	—	—	—	—	(755,806,268)	—
<b>Net Revenues</b>	<b>—</b>	<b>243,121,973</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>571,348,255</b>	<b>—</b>
% of Total UNC Institutions and System Office		29.9%							70.1%	
<b>Sales and Services</b>										
Gross Revenues	116,521,718	95,627,753	11,640,267	14,243,551	42,371,510	36,236,360	301,821,151	17,176,065	521,315,943	106,430,183
Less Allowance for Uncollectibles	(347,155)	—	—	—	(112,748)	—	(351,457)	164,823	—	(152,010)
Less Scholarship Discounts	(11,391,783)	(9,692,686)	(3,767,330)	(4,839,910)	(12,723,195)	(12,495,176)	(23,897,971)	(4,777,961)	(13,014,950)	(15,758,490)
<b>Net Revenues</b>	<b>104,782,780</b>	<b>85,935,067</b>	<b>7,872,937</b>	<b>9,403,641</b>	<b>29,535,567</b>	<b>23,741,184</b>	<b>277,571,723</b>	<b>12,562,927</b>	<b>508,300,993</b>	<b>90,519,683</b>
% of Total UNC Institutions and System Office	7.8%	6.4%	0.6%	0.7%	2.2%	1.8%	20.5%	0.9%	37.6%	6.7%
<b>Other Revenue</b>										
Gross Revenues	13,763,826	67,903,938	572,103	610,978	47,671,724	20,331,884	380,728,209	6,434,534	1,030,292,891	54,063,648
Less Allowance for Uncollectibles	—	—	—	—	—	—	(25,296)	—	—	—
<b>Net Revenues</b>	<b>13,763,826</b>	<b>67,903,938</b>	<b>572,103</b>	<b>610,978</b>	<b>47,671,724</b>	<b>20,331,884</b>	<b>380,702,913</b>	<b>6,434,534</b>	<b>1,030,292,891</b>	<b>54,063,648</b>
% of Total UNC Institutions and System Office	0.8%	4.0%	0.0%	0.0%	2.8%	1.2%	22.3%	0.4%	60.3%	3.2%
<b>Total Net Operating Revenues</b>	<b>\$ 258,870,013</b>	<b>\$ 583,745,873</b>	<b>\$ 15,106,987</b>	<b>\$ 28,382,540</b>	<b>\$ 159,229,922</b>	<b>\$ 83,616,218</b>	<b>\$ 1,010,797,332</b>	<b>\$ 37,996,478</b>	<b>\$ 2,574,065,591</b>	<b>\$ 375,681,952</b>
% of Total UNC Institutions and System Office	4.5%	10.2%	0.3%	0.5%	2.8%	1.5%	17.6%	0.7%	44.8%	6.5%

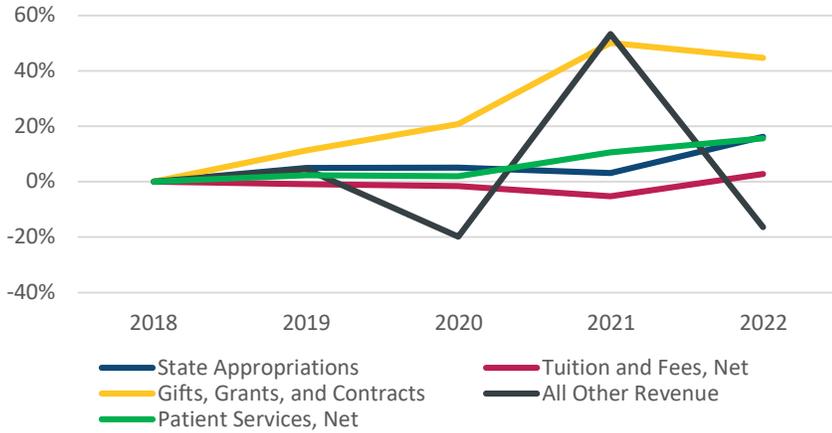
**Revenues (cont.)**

	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total	UNC Hospitals at Chapel Hill
<b>Student Tuition and Fees</b>										
Gross Revenues	\$ 143,937,305	\$ 31,281,996	\$ 148,984,879	\$ 23,219,860	\$ 55,715,922	\$ 33,431,450	\$ 947,832	\$ —	\$ 2,479,398,038	\$ —
Less Allowance for Uncollectibles	(356,267)	(6,784)	(353,010)	(4,775)	(415,806)	(210,634)	—	—	(4,355,677)	—
Less Scholarship Discounts	(46,760,504)	(7,496,306)	(22,891,438)	(5,952,922)	(13,586,905)	(9,570,349)	—	—	(604,681,080)	—
<b>Net Revenues</b>	<b>96,820,534</b>	<b>23,778,906</b>	<b>125,740,431</b>	<b>17,262,163</b>	<b>41,713,211</b>	<b>23,650,467</b>	<b>947,832</b>	<b>—</b>	<b>1,870,361,281</b>	<b>—</b>
% of Total UNC Institutions and System Office	5.1%	1.3%	6.7%	0.9%	2.2%	1.3%	0.1%		100.0%	
<b>Patient Service Revenue</b>										
Gross Revenues	—	—	—	—	—	—	—	—	1,789,994,939	6,189,783,083
Less Allowance for Uncollectibles	—	—	—	—	—	—	—	—	(22,887,392)	(138,799,132)
Less Indigent Care and Contractual Adjustments	—	—	—	—	—	—	—	—	(952,637,319)	(3,536,091,699)
<b>Net Revenues</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>814,470,228</b>	<b>2,514,892,252</b>
% of Total UNC Institutions and System Office									100.0%	
<b>Sales and Services</b>										
Gross Revenues	65,400,947	20,355,862	53,180,654	10,112,973	49,728,022	30,663,696	88,370	13,880,796	1,506,795,821	—
Less Allowance for Uncollectibles	(307,133)	(46,216)	(107,884)	—	(430,464)	—	—	—	(1,690,244)	—
Less Scholarship Discounts	(15,879,581)	(3,834,874)	(4,935,024)	(2,019,196)	(8,903,834)	(5,526,933)	—	—	(153,458,894)	—
<b>Net Revenues</b>	<b>49,214,233</b>	<b>16,474,772</b>	<b>48,137,746</b>	<b>8,093,777</b>	<b>40,393,724</b>	<b>25,136,763</b>	<b>88,370</b>	<b>13,880,796</b>	<b>1,351,646,683</b>	<b>—</b>
% of Total UNC Institutions and System Office	3.5%	1.2%	3.6%	0.6%	3.0%	1.9%	0.0%	1.0%	100.0%	
<b>Other Revenue</b>										
Gross Revenues	50,592,230	2,028,274	21,157,732	685,778	10,315,274	1,225,495	37,122	72,399	1,708,488,039	32,820,836
Less Allowance for Uncollectibles	—	—	—	—	—	—	—	—	(25,296)	—
<b>Net Revenues</b>	<b>50,592,230</b>	<b>2,028,274</b>	<b>21,157,732</b>	<b>685,778</b>	<b>10,315,274</b>	<b>1,225,495</b>	<b>37,122</b>	<b>72,399</b>	<b>1,708,462,743</b>	<b>32,820,836</b>
% of Total UNC Institutions and System Office	3.0%	0.1%	1.2%	0.0%	0.6%	0.1%	0.0%	0.0%	100.0%	
<b>Total Net Operating Revenues</b>	<b>\$ 196,626,997</b>	<b>\$ 42,281,952</b>	<b>\$ 195,035,909</b>	<b>\$ 26,041,718</b>	<b>\$ 92,422,209</b>	<b>\$ 50,012,725</b>	<b>\$ 1,073,324</b>	<b>\$ 13,953,195</b>	<b>\$ 5,744,940,935</b>	<b>\$ 2,547,713,088</b>
% of Total UNC Institutions and System Office	3.3%	0.7%	3.4%	0.5%	1.6%	0.9%	0.0%	0.2%	100.0%	

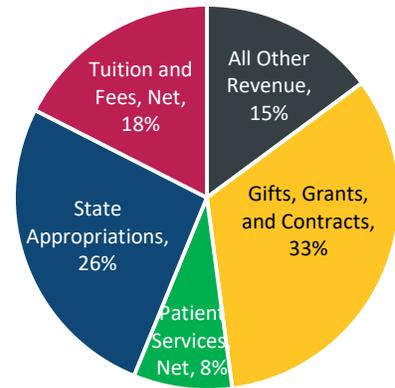
### Revenues (cont.)

A summary of all revenues by Carnegie class is shown below:

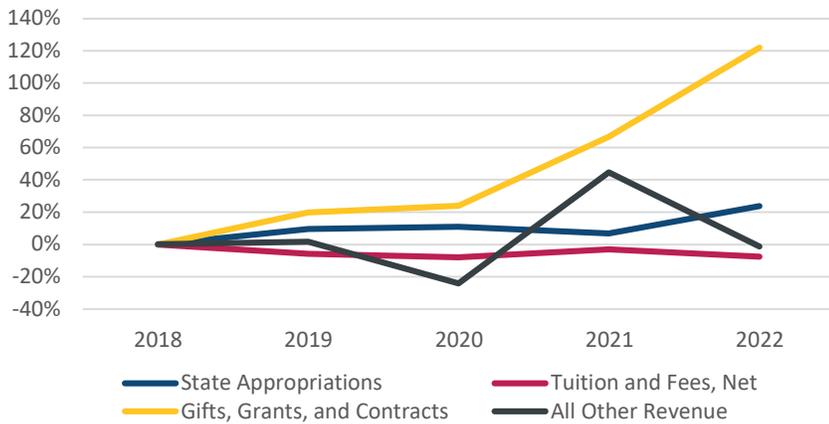
Large Universities - Cumulative % Change



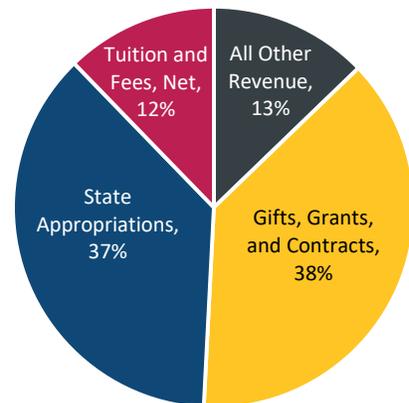
Large Universities 2022



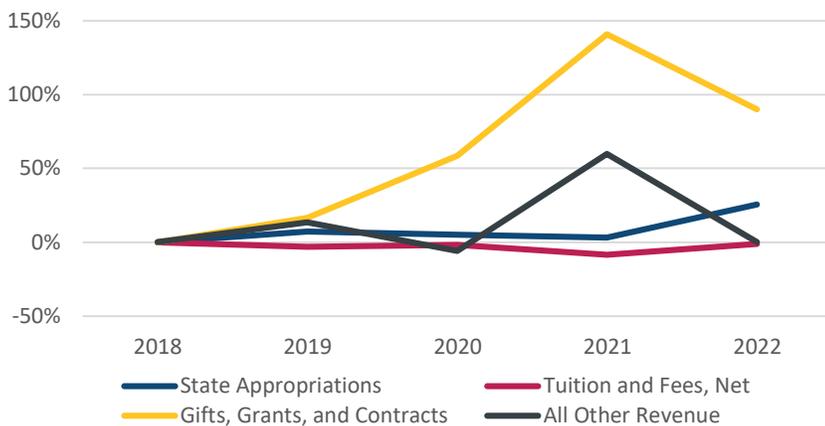
Medium Universities - Cumulative % Change



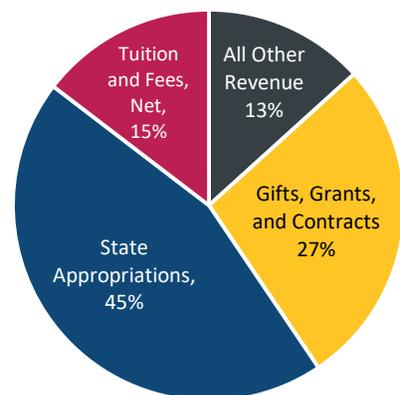
Medium Universities 2022



Small Universities - Cumulative % Change



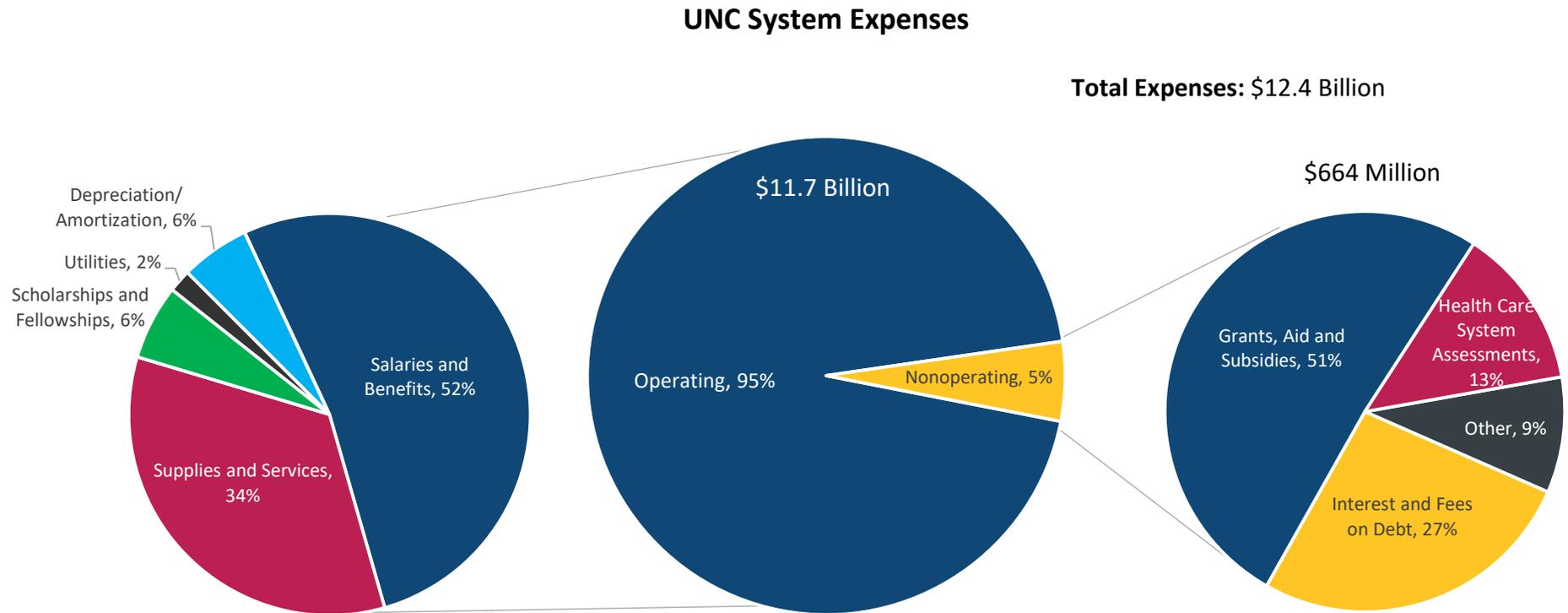
Small Universities 2022



Graphs above do not include UNC System Office, North Carolina School of Science and Mathematics, or UNC Hospitals at Chapel Hill.

## Expenses

A summary of all expenses is shown below:



**Expenses (cont.)**

The UNC System's operating expenses by institution for the year ended June 30, 2022 are presented as follows:

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill	UNC Charlotte
<b>Total Operating Expenses</b>										
Salaries and Benefits	\$ 262,678,458	\$ 542,787,289	\$ 34,014,731	\$ 69,571,459	\$ 177,051,609	\$ 115,664,935	\$ 948,272,061	\$ 54,593,234	\$ 1,806,973,414	\$ 389,461,808
Supplies and Services	121,645,236	219,357,102	34,623,135	40,788,370	96,517,762	92,768,099	415,663,548	20,379,794	1,107,497,548	154,146,451
Scholarships and Fellowships	40,406,522	69,777,378	13,581,866	23,312,169	43,929,545	42,942,600	79,015,639	7,480,472	132,926,511	75,441,677
Utilities	11,447,380	18,028,460	2,727,374	3,150,145	7,325,719	5,063,469	36,356,305	2,799,586	82,906,044	13,025,426
Depreciation/ Amortization	28,989,535	41,821,418	4,748,306	5,353,642	16,621,441	9,069,940	132,763,004	7,644,623	186,182,853	36,921,035
<b>Total</b>	<b>\$ 465,167,131</b>	<b>\$ 891,771,647</b>	<b>\$ 89,695,412</b>	<b>\$ 142,175,785</b>	<b>\$ 341,446,076</b>	<b>\$ 265,509,043</b>	<b>\$ 1,612,070,557</b>	<b>\$ 92,897,709</b>	<b>\$ 3,316,486,370</b>	<b>\$ 668,996,397</b>
<b>% of Total UNC Institutions and System Office</b>	<b>4.9%</b>	<b>9.4%</b>	<b>0.9%</b>	<b>1.5%</b>	<b>3.6%</b>	<b>2.8%</b>	<b>17.0%</b>	<b>1.0%</b>	<b>35.0%</b>	<b>7.1%</b>
Instruction	\$ 138,099,613	\$ 256,162,342	\$ 12,129,188	\$ 37,163,538	\$ 79,361,114	\$ 73,744,541	\$ 453,310,451	\$ 26,283,305	\$ 746,711,777	\$ 242,154,399
Research	7,406,034	35,271,127	944,148	1,296,577	25,029,614	14,604,316	295,915,517	2,001,659	666,600,848	20,584,299
Public Service	10,068,613	28,023,488	829,142	4,609,401	10,611,523	837,776	128,183,431	2,104,054	141,700,015	2,230,385
Academic Support	42,772,315	35,105,392	2,829,973	10,451,469	49,547,016	22,392,638	109,598,710	4,704,403	123,540,723	64,208,641
Student Services	8,634,876	12,491,973	7,171,975	4,858,367	6,568,150	5,532,399	26,155,922	5,378,920	34,881,939	23,303,252
Institutional Support	38,840,153	66,533,314	20,524,305	20,091,094	37,602,427	33,075,181	115,590,651	12,708,959	216,955,798	44,924,546
Operations and Maintenance of Plant	23,689,813	66,115,416	10,266,734	12,846,311	22,073,860	41,059,998	86,022,338	8,708,765	126,886,788	51,521,606
Student Financial Aid	37,222,914	69,777,378	18,377,951	23,312,169	43,929,545	23,944,155	83,720,741	7,584,714	132,926,511	75,441,677
Auxiliary Enterprises	113,753,588	280,469,799	11,873,690	22,193,217	50,101,386	41,208,752	180,809,792	15,778,307	940,099,118	107,706,557
Depreciation/ Amortization	28,989,535	41,821,418	4,748,306	5,353,642	16,621,441	9,069,940	132,763,004	7,644,623	186,182,853	36,921,035
Independent Operations	15,689,677	—	—	—	—	39,347	—	—	—	—
Hospital Services	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>\$ 465,167,131</b>	<b>\$ 891,771,647</b>	<b>\$ 89,695,412</b>	<b>\$ 142,175,785</b>	<b>\$ 341,446,076</b>	<b>\$ 265,509,043</b>	<b>\$ 1,612,070,557</b>	<b>\$ 92,897,709</b>	<b>\$ 3,316,486,370</b>	<b>\$ 668,996,397</b>
<b>% of Total UNC Institutions and System Office</b>	<b>4.9%</b>	<b>9.4%</b>	<b>0.9%</b>	<b>1.5%</b>	<b>3.6%</b>	<b>2.8%</b>	<b>17.0%</b>	<b>1.0%</b>	<b>35.0%</b>	<b>7.1%</b>

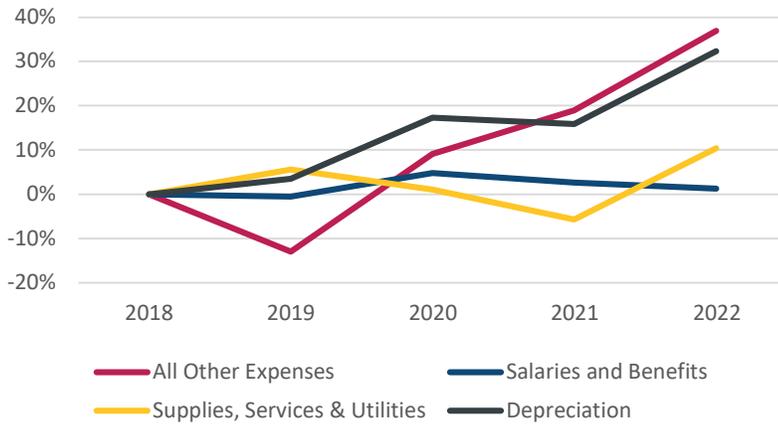
**Expenses (cont.)**

	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total	UNC Hospitals at Chapel Hill
<b>Total Operating Expenses</b>										
Salaries and Benefits	\$ 268,285,900	\$ 76,490,406	\$ 222,181,945	\$ 42,442,017	\$ 136,601,386	\$ 65,165,011	\$ 22,509,856	\$ 43,184,064	\$ 5,277,929,583	\$ 895,484,853
Supplies and Services	92,720,671	43,052,242	91,207,489	18,273,817	70,518,033	50,417,346	5,026,255	44,472,776	2,719,075,674	1,285,125,040
Scholarships and Fellowships	50,480,539	30,474,182	31,147,710	3,080,239	28,843,327	34,442,847	—	—	707,283,223	—
Utilities	9,141,323	3,286,290	8,781,853	2,159,001	3,863,893	3,282,096	1,027,108	1,758,122	216,129,594	—
Depreciation/ Amortization	27,400,550	9,274,269	16,644,614	4,699,371	11,129,272	9,747,207	1,755,570	4,878,530	555,645,180	98,655,540
<b>Total</b>	<b>\$ 448,028,983</b>	<b>\$ 162,577,389</b>	<b>\$ 369,963,611</b>	<b>\$ 70,654,445</b>	<b>\$ 250,955,911</b>	<b>\$ 163,054,507</b>	<b>\$ 30,318,789</b>	<b>\$ 94,293,492</b>	<b>\$ 9,476,063,254</b>	<b>\$ 2,279,265,433</b>
<b>% of Total UNC Institutions and System Office</b>	<b>4.9%</b>	<b>1.7%</b>	<b>3.9%</b>	<b>0.7%</b>	<b>2.6%</b>	<b>1.7%</b>	<b>0.3%</b>	<b>1.0%</b>	<b>100.0%</b>	
Instruction	\$ 149,574,733	\$ 38,826,958	\$ 144,800,855	\$ 18,151,806	\$ 74,289,990	\$ 38,012,423	\$ 15,804,464	\$ —	\$ 2,544,581,497	\$ —
Research	24,944,324	431,219	11,528,399	—	2,009,226	2,540,036	—	—	1,111,107,343	—
Public Service	10,096,908	3,281,476	5,142,996	1,615,805	9,493,475	1,171,166	—	36,341,525	396,341,179	—
Academic Support	43,495,137	18,221,379	34,673,909	6,148,794	18,858,853	10,840,043	350,214	—	597,739,609	—
Student Services	25,439,494	7,716,591	15,960,624	2,122,937	7,225,673	3,393,885	5,587,313	—	202,424,290	—
Institutional Support	39,720,699	19,450,103	32,290,372	16,035,256	41,298,746	30,021,983	3,495,578	52,436,733	841,595,898	—
Operations and Maintenance of Plant	32,483,040	13,940,809	32,382,126	10,412,588	22,249,466	12,475,137	3,325,650	636,704	577,097,149	—
Student Financial Aid	47,640,958	29,745,198	28,300,463	3,080,239	16,267,953	35,173,117	—	—	676,445,683	—
Auxiliary Enterprises	47,233,140	21,689,387	48,239,253	8,387,649	43,126,516	19,679,510	—	—	1,952,349,661	—
Depreciation/ Amortization	27,400,550	9,274,269	16,644,614	4,699,371	11,129,272	9,747,207	1,755,570	4,878,530	555,645,180	98,655,540
Independent Operations	—	—	—	—	5,006,741	—	—	—	20,735,765	—
Hospital Services	—	—	—	—	—	—	—	—	—	2,180,609,893
<b>Total</b>	<b>\$ 448,028,983</b>	<b>\$ 162,577,389</b>	<b>\$ 369,963,611</b>	<b>\$ 70,654,445</b>	<b>\$ 250,955,911</b>	<b>\$ 163,054,507</b>	<b>\$ 30,318,789</b>	<b>\$ 94,293,492</b>	<b>\$ 9,476,063,254</b>	<b>\$ 2,279,265,433</b>
<b>% of Total UNC Institutions and System Office</b>	<b>4.9%</b>	<b>1.7%</b>	<b>3.9%</b>	<b>0.7%</b>	<b>2.6%</b>	<b>1.7%</b>	<b>0.3%</b>	<b>1.0%</b>	<b>100.0%</b>	

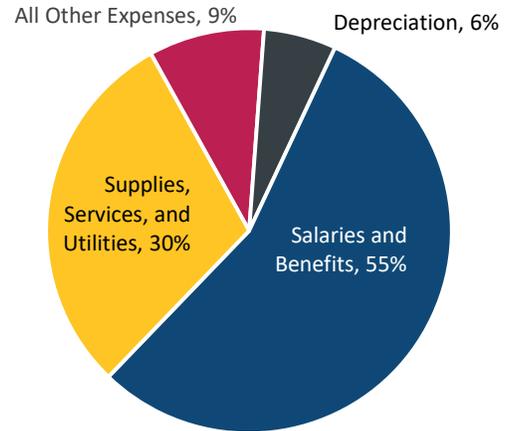
### Expenses (cont.)

A summary of all expenses by Carnegie class is shown below:

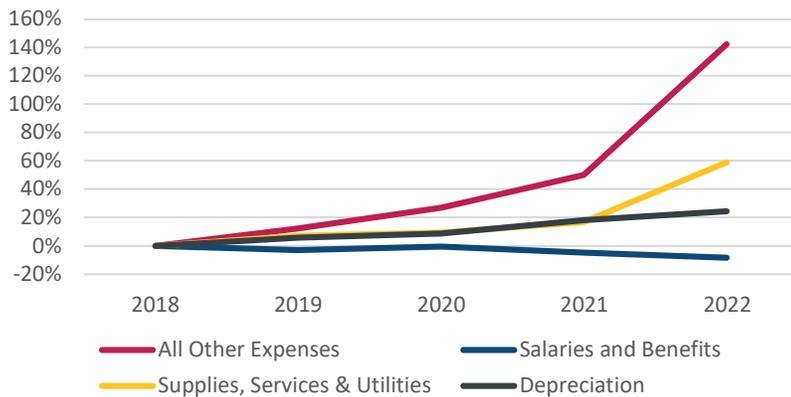
Large Universities - Cumulative % Change



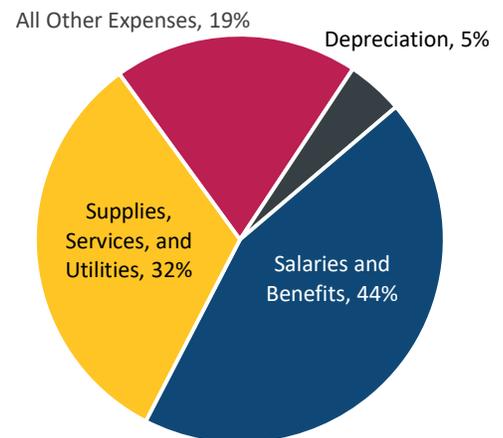
Large Universities 2022



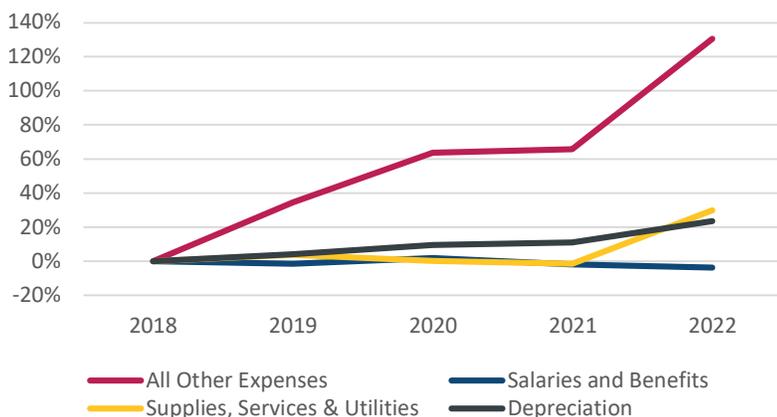
Medium Universities – Cumulative % Change



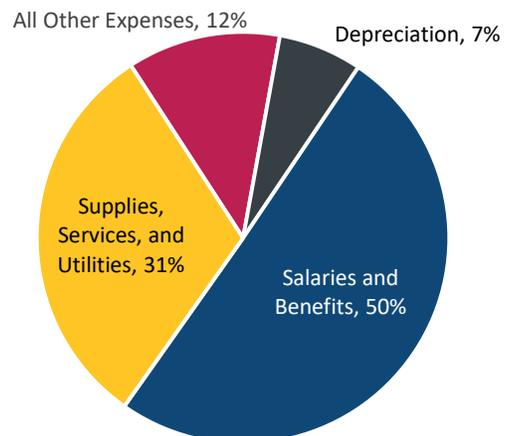
Medium Universities 2022



Small Universities - Cumulative % Change



Small Universities 2022



Graphs above do not include UNC System Office, North Carolina School of Science and Mathematics, or UNC Hospitals at Chapel Hill.

## Long-Term Liabilities

Changes in long-term liabilities for the UNC System - including the 16 universities, UNC System Office, North Carolina School of Science and Mathematics, and UNC Hospitals at Chapel Hill - for the year ended June 30, 2022 are presented as follows:

	Balance June 30, 2021 (As Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion
Revenue Bonds Payable	\$ 4,167,367,100	\$ 172,150,000	\$ 301,118,500	\$ 4,038,398,600	\$ 155,558,700
Revenue Bonds from Direct Placements	200,382,206	16,897,000	16,599,554	200,679,652	81,417,844
Special Indebtedness	46,815,000	—	2,200,000	44,615,000	2,300,000
Limited Obligation Bonds Payable	180,645,000	—	7,780,000	172,865,000	8,285,000
Certificates of Participation	3,518,000	—	346,000	3,172,000	357,000
Plus: Unamortized Premium	284,996,595	6,026,295	24,604,121	266,418,769	—
Less: Unamortized Discount	(3,613,357)	(42,243)	(182,421)	(3,473,179)	—
<b>Total Revenue Bonds and Special Indebtedness, Net</b>	<b>4,880,110,544</b>	<b>195,031,052</b>	<b>352,465,754</b>	<b>4,722,675,842</b>	<b>247,918,544</b>
Notes from Direct Borrowings	377,530,161	—	21,811,145	355,719,016	22,171,362
Leases Payable	397,752,353	19,367,824	56,377,696	360,742,481	57,140,011
Other Liabilities	2,011,039	—	890,569	1,120,470	—
Annuity and Life Income Payable	56,761,309	1,778,112	8,425,799	50,113,622	827,358
Pollution Remediation Payable	4,671,044	7,139	470,291	4,207,892	112,808
Asset Retirement Obligations	14,338,276	764,157	—	15,102,433	—
Compensated Absences	496,928,925	363,256,051	365,709,964	494,475,012	52,686,757
Net Pension Liability	1,736,074,876	—	1,047,929,279	688,145,597	—
Net Other Postemployment Benefit Liability	6,773,728,064	836,595,180	—	7,610,323,244	—
Workers' Compensation Obligation	58,260,574	9,176,254	14,163,616	53,273,212	12,179,477
<b>Total Long-Term Liabilities</b>	<b>\$14,798,167,165</b>	<b>\$ 1,425,975,769</b>	<b>\$1,868,244,113</b>	<b>\$14,355,898,821</b>	<b>\$ 393,036,317</b>

**Long-Term Liabilities (cont.)**

The annual requirements for the UNC System - including the 16 universities, UNC System Office, North Carolina School of Science and Mathematics, and UNC Hospitals at Chapel Hill - to pay principal and interest on the long-term obligations at June 30, 2022 are presented as follows:

**Annual Requirements**

Fiscal Year	Revenue Bonds Payable			Revenue Bonds from Direct Placements	
	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest
2023	141,828,700	135,510,813	9,529,765	21,417,844	4,406,227
2024	145,238,500	130,994,465	9,162,870	20,541,908	3,892,942
2025	150,061,800	126,154,370	8,854,936	17,529,486	3,497,825
2026	157,429,600	121,191,926	8,582,376	17,207,269	3,139,248
2027	161,195,800	116,149,079	8,360,061	13,441,727	2,796,767
2028-2032	872,608,000	497,112,540	39,601,416	38,512,498	10,578,465
2033-2037	1,077,851,200	318,880,014	33,696,547	10,823,920	7,520,513
2038-2042	790,080,000	169,439,091	23,558,235	31,205,000	6,649,204
2043-2047	416,830,000	70,331,498	—	—	3,333,720
2048-2052	125,275,000	8,332,197	—	30,000,000	2,444,728
2053-2057	—	—	—	—	—
<b>Total Requirements</b>	<b>\$4,038,398,600</b>	<b>\$1,694,095,993</b>	<b>\$ 141,346,206</b>	<b>\$ 200,679,652</b>	<b>\$ 48,259,639</b>

**Annual Requirements**

Fiscal Year	Special Indebtedness		Limited Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	2,300,000	1,729,331	8,285,000	7,354,636	357,000	63,440
2024	2,360,000	1,665,331	8,610,000	7,025,319	368,000	56,300
2025	2,465,000	1,561,281	9,015,000	6,605,997	378,000	48,940
2026	2,565,000	1,462,681	9,435,000	6,193,189	390,000	41,380
2027	2,680,000	1,347,525	9,840,000	5,788,345	401,000	33,580
2028-2032	15,240,000	4,894,669	55,885,000	22,229,555	1,278,000	51,640
2033-2037	11,930,000	2,239,675	58,030,000	9,491,774	—	—
2038-2042	5,075,000	306,600	12,695,000	1,427,462	—	—
2043-2047	—	—	1,070,000	53,500	—	—
2048-2052	—	—	—	—	—	—
2053-2057	—	—	—	—	—	—
<b>Total Requirements</b>	<b>\$ 44,615,000</b>	<b>\$ 15,207,093</b>	<b>\$ 172,865,000</b>	<b>\$ 66,169,777</b>	<b>\$ 3,172,000</b>	<b>\$ 295,280</b>

**Long-Term Liabilities (cont.)**

Annual Requirements		
Fiscal Year	Notes from Direct Borrowings	
	Principal	Interest
2023	22,171,362	8,181,261
2024	20,293,472	7,649,050
2025	21,752,212	8,923,387
2026	20,616,781	8,858,295
2027	28,500,863	8,168,576
2028-2032	117,133,451	30,227,337
2033-2037	60,671,928	19,115,641
2038-2042	17,372,561	12,619,459
2043-2047	14,245,092	11,472,928
2048-2052	17,030,119	8,648,801
2053-2057	15,931,175	5,177,216
Total Requirements	<u>\$ 355,719,016</u>	<u>\$ 129,041,951</u>

## UNC System Statement of Net Position with Pension/ OPEB Adjustments

The Governmental Accounting Standards Board (GASB) is charged with setting reporting standards for governmental agencies. The State of North Carolina implemented standards *GASB 68 Accounting and Financial Reporting for Pensions* in fiscal year 2015 and *GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) in fiscal year 2018. Prior to these standards, governmental entities were only required to report contributions to the plan incurred each year as expenses in their financial statements. However, these standards required the net liability (the unfunded portion of the pension/ OPEB plans) to be reported as a liability (or asset if funded in excess) in their financial statements. These standards were created in direct response to several governmental entities going bankrupt due to the burden their pension/ OPEB plans placed on their resources.

The adjustments noted below, remove the impact of these liabilities/ assets from the UNC System Statement of Net Position.

<i>(in billions)</i>	FY 2022		Pension/ OPEB Adjustment		FY 2022 Adjusted	
Assets	\$	29.0	\$	-	\$	29.0
Deferred Outflows of Resources		2.3		(2.2)		0.1
Liabilities		16.0		(8.3)		7.7
Deferred Inflows of Resources		3.6		(3.1)		0.5
Net Position	\$	11.7	\$	9.2	\$	20.9

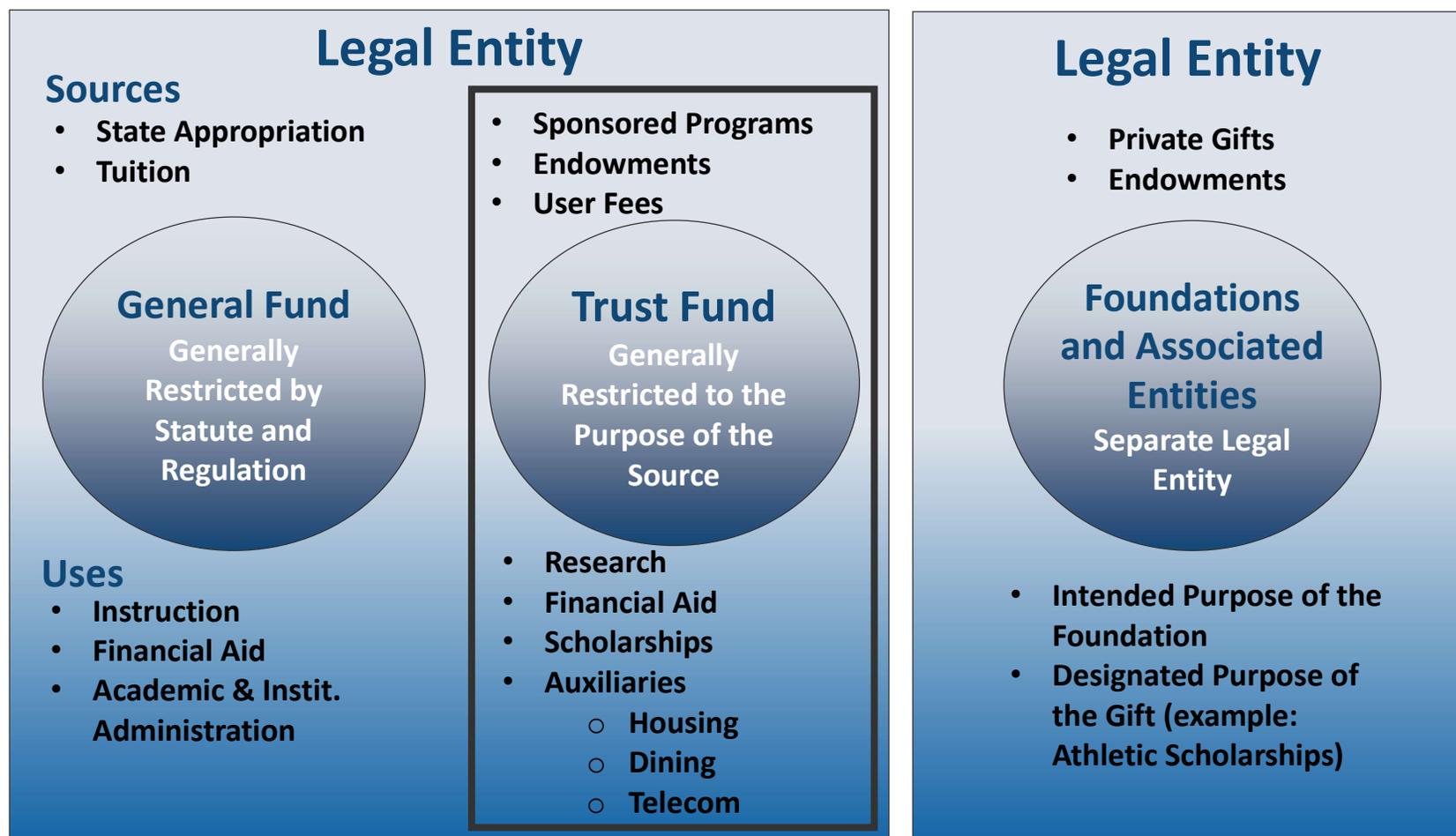
### Adjusted to remove GASB 68/75\*

	Net Position				
	Net investment in capital assets	Restricted nonexpendable	Restricted expendable	Unrestricted	Total
ASU	488,348,948	105,469,257	140,174,176	126,178,090	860,170,471
ECU	871,449,336	48,182,101	92,743,705	318,677,233	1,331,052,375
ECSU	113,342,568	9,528,600	18,668,369	29,652,563	171,192,100
FSU	129,891,687	13,603,753	33,487,350	12,861,329	189,844,119
N.C. A&T	379,163,612	69,262,796	80,152,078	203,302,439	731,880,925
NCCU	222,554,573	16,129,634	40,624,409	7,669,691	286,978,307
NC State	1,672,167,098	184,814,320	500,548,463	408,610,919	2,766,140,800
UNCA	168,894,979	8,136,779	21,790,307	19,344,112	218,166,177
UNC-CH	1,627,310,685	978,689,794	2,298,631,882	1,648,871,229	6,553,503,590
UNCC	953,514,069	51,118,167	89,509,047	436,290,352	1,530,431,635
UNCG	519,606,268	182,180,659	218,159,054	163,144,031	1,083,090,012
UNCP	168,771,796	19,710,641	40,109,749	22,677,317	251,269,503
UNCW	438,537,558	79,402,565	136,143,091	143,095,601	797,178,815
UNCSA	119,881,667	26,645,656	34,690,859	20,906,442	202,124,624
WCU	404,520,958	56,915,004	103,651,567	156,120,546	721,208,075
WSSU	156,938,686	19,058,271	44,749,013	35,392,742	256,138,712
NCSSM	114,800,155	-	1,159,708	2,322,133	118,281,996
Sys Ofc	55,308,659	14,623,191	123,751,076	53,345,060	247,027,986
UNCH	675,531,411	-	465,147,736	1,428,006,345	2,568,685,492
Total	<u>9,280,534,713</u>	<u>1,883,471,188</u>	<u>4,483,891,639</u>	<u>5,236,468,174</u>	<u>20,884,365,714</u>

\*All balances are netted in Unrestricted Net Position for presentation purposes (but other categories could potentially be impacted). Although Unrestricted Net Position is not subject to externally imposed stipulations, much of an institution's Unrestricted Net Position may be designated for various programs and initiatives.

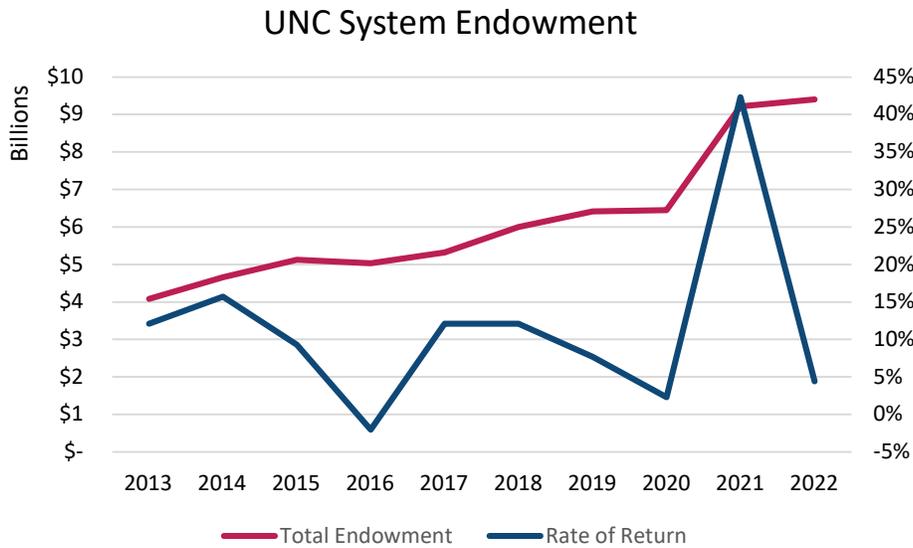
## Overview of Primary Sources and Uses of Funds of UNC System

Each UNC System institution comprises multiple legally-separate entities, each with its own sources of funds. A summary of a standard UNC System institution is shown below, including the primary sources and uses of funds:



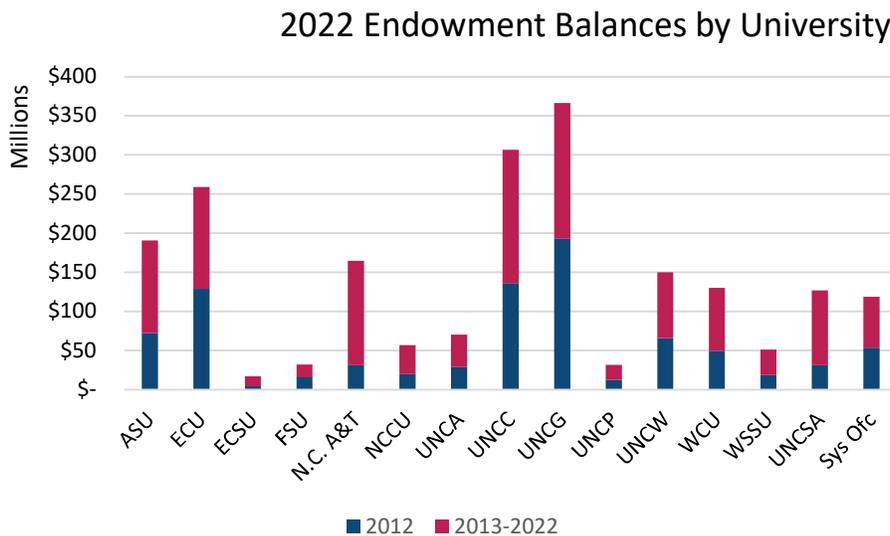
### UNC System Endowment Funds

Endowment funds may be accounted for in institutional trust funds, foundations, or other associated entities based on the nature of the gift and the institutional control over the foundation. Endowment funds within the UNC System have increased 130.1% in the last 10 years. The below graph depicts the growth in total endowment assets as well as the fluctuation in the UNC Investment Fund, LLC’s rate of return. The majority of UNC System endowment assets are invested in the UNC Investment Fund, LLC.



**10.3%** Average Annual Growth in Total Endowment Assets

**11.5%** Average Annual Rate of Return of UNC Investment Fund



The figures above reflected endowment balances reported to IPEDS. North Carolina School of Science and Mathematics and UNC Hospitals at Chapel Hill are excluded from the above graphs as they do not submit IPEDS data.



**Consolidated and Side-By-Side Financial Statements  
with Reconciliation**

# The University of North Carolina System

## Statement of Net Position

June 30, 2022

	UNC System Institutions and UNC System Office	UNC Hospitals at Chapel Hill
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,717,444,115	\$ 120,159,103
Restricted cash and cash equivalents	1,059,566,059	1,427,981
Short-term investments	467,515,036	—
Restricted short-term investments	170,187,668	—
Receivables, net	664,810,259	372,969,977
Due from State of NC component units	54,347,735	174,107,318
Due from University component units	4,211,237	—
Due from primary government	42,642,803	—
Due from UNC System Office fiduciary fund	2,415,101	—
Estimated third party settlements	—	4,051,922
Notes receivable, net	9,611,140	—
Inventories	47,207,150	65,977,582
Leases receivable	6,119,054	628,484
Prepaid items	16,094,345	41,856,571
Other assets	27,863,446	—
<i>Total Current Assets</i>	<u>5,290,035,148</u>	<u>781,178,938</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	629,736,055	38,119,147
Receivables, net	97,324,429	2,114,275
Endowment investments	5,144,611,739	—
Restricted investments	34,025,113	448,113,002
Other investments	307,514,753	—
Investment in joint venture	17,988,753	—
Cash surrender value of life insurance policies	161,640	—
Investments in affiliates	—	29,200,575
Assets limited as to use	—	1,117,243,919
Advanced deposits with LITF	—	13,989,020
Notes receivable, net	42,717,245	—
Leases receivable	55,754,527	2,642,683
Prepaid items	354,792	141,646,050
Beneficial interest in assets held by others	3,712,056	—
Net other postemployment benefits asset	3,399,930	616,246
Other noncurrent assets	1,195,380	—
Capital assets, nondepreciable	1,205,921,000	408,500,535
Capital assets, depreciable	12,442,195,969	723,441,978
<i>Total Noncurrent Assets</i>	<u>19,986,613,381</u>	<u>2,925,627,430</u>
<b>Total Assets</b>	<u>25,276,648,529</u>	<u>3,706,806,368</u>
<b>Deferred Outflows of Resources</b>		
Accumulated decrease in fair value of hedging derivatives	68,532,840	3,042,429
Deferred loss on refunding	52,897,977	4,072,887
Deferred outflows related to asset retirement obligations	13,833,032	—
Deferred outflows related to pensions	558,001,569	153,991,881
Deferred outflows related to other postemployment benefits	1,243,233,891	262,860,420
<b>Total Deferred Outflows of Resources</b>	<u>1,936,499,309</u>	<u>423,967,617</u>

# The University of North Carolina System

## Statement of Net Position

June 30, 2022

	UNC System Institutions and UNC System Office	UNC Hospitals at Chapel Hill
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	395,606,894	131,439,482
Advanced payments	—	38,965,765
Accrued salaries and benefits	—	65,044,887
Estimated third party settlements	—	120,849,340
Due to State of NC component units	13,111,224	73,446,515
Due to primary government	18,586,407	—
Due to patients or third parties	—	17,962,775
Due to University component units	12,701,623	—
Interest payable	29,136,865	5,052,104
Deposits payable	23,292,302	—
U.S. government grants refundable	303,934	—
Funds held for others	2,750,094	—
Unearned revenue	341,845,789	—
Long-term liabilities - current portion	351,952,043	41,084,274
<i>Total Current Liabilities</i>	<u>1,189,287,175</u>	<u>493,845,142</u>
Noncurrent Liabilities:		
Accounts payable and accrued liabilities	49,095,940	—
Estimated third party settlements	—	98,480,390
Hedging derivatives liability	68,532,840	3,042,429
Unearned revenue	101,686,548	—
Deposits payable	7,433,604	—
Funds held for others	15,293,737	—
U.S. government grants refundable	36,782,794	—
Long-term liabilities - noncurrent portion	12,153,680,808	1,809,181,696
<i>Total Noncurrent Liabilities</i>	<u>12,432,506,271</u>	<u>1,910,704,515</u>
<b>Total Liabilities</b>	<u>13,621,793,446</u>	<u>2,404,549,657</u>
<b>Deferred Inflows of Resources</b>		
Deferred gain on refunding	3,291,335	—
Deferred inflows related to pensions	684,793,133	176,200,369
Deferred inflows related to other postemployment benefits	1,964,888,426	298,309,675
Deferred inflows for irrevocable split-interest agreements	21,117,913	—
Deferred inflows for trusts held by others	2,725,494	—
Deferred inflows under service concession arrangement	314,514,241	—
Deferred inflows related to endowments	50,029	—
Deferred inflows for leases	60,910,174	3,158,072
Deferred inflows for state appropriations	103,840,000	—
<b>Total Deferred Inflows of Resources</b>	<u>3,156,130,745</u>	<u>477,668,116</u>
<b>Net Position</b>		
Net investment in capital assets	8,605,003,302	675,531,411
Nonexpendable:		
Restricted nonexpendable	1,883,471,188	—
Expendable:		
Restricted expendable	4,018,743,903	465,147,736
Unrestricted net position	(4,071,994,746)	107,877,065
<b>Total Net Position</b>	<u>\$ 10,435,223,647</u>	<u>\$ 1,248,556,212</u>

# The University of North Carolina System

## Statement of Revenues, Expenses, and Changes in Net Position

For the fiscal year ended June 30, 2022

	UNC System Institutions and UNC System Office	UNC Hospitals at Chapel Hill
<b>Operating Revenues</b>		
Student tuition & fees, net	\$ 1,870,448,838	\$ —
Patient services, net	814,470,228	2,514,892,252
Federal appropriations	32,742,830	—
Federal grants and contracts	1,205,099,533	—
State and local grants and contracts	90,644,229	—
Nongovernmental grants and contracts	309,569,290	—
Sales and services, net	1,353,961,905	—
Interest earnings on loans	2,284,959	—
Lease income	7,142,697	607,554
Other operating revenues, net	57,893,290	32,213,282
<i>Total Operating Revenues</i>	<u>5,744,257,799</u>	<u>2,547,713,088</u>
<b>Operating Expenses</b>		
Salaries and benefits	5,277,929,583	895,484,853
Supplies and services	2,718,649,747	485,875,450
Medical and surgical supplies	—	799,249,590
Scholarships and fellowships	708,060,029	—
Utilities	216,129,594	—
Depreciation/ amortization	555,645,180	98,655,540
<i>Total Operating Expenses</i>	<u>9,476,414,133</u>	<u>2,279,265,433</u>
<b>Operating Loss</b>	<u>(3,732,156,334)</u>	<u>268,447,655</u>
<b>Nonoperating Revenues/ (Expenses)</b>		
State appropriations	3,460,569,196	—
State aid - coronavirus relief fund	76,065,549	32,832,421
Student financial aid	518,411,221	—
Federal aid - COVID-19	601,623,636	70,448,218
Noncapital contributions, net	667,690,817	6,523,325
Interest and fees on debt	(160,704,684)	(15,911,270)
Investment income (loss)	(50,414,909)	47,592,853
Interest earned on leases	3,159,882	114,096
Grants, aid and subsidies	(338,366,268)	—
Federal interest subsidy on debt	1,190,470	—
Loss on disposal of capital assets	—	(16,599)
Hurricane Florence insurance recoveries	2,099,328	—
Hurricane Florence disaster costs	(1,168,586)	—
Other nonoperating revenues	15,484,882	—
Other nonoperating expenses	(10,474,118)	(98,172)
<i>Total Nonoperating Revenues/ (Expenses)</i>	<u>4,785,166,416</u>	<u>141,484,872</u>
<b>Income Before Transfers and Other Items</b>	1,053,010,082	409,932,527
Capital appropriations	19,757,983	—
Capital contributions	242,469,723	—
Additions to endowments	86,855,505	—
Health care system assessments	—	(86,698,197)
<b>Change in Net Position</b>	1,402,093,293	323,234,330
Net position - July 1, as restated	9,033,130,354	925,321,882
<b>Net Position - June 30</b>	<u>\$ 10,435,223,647</u>	<u>\$ 1,248,556,212</u>

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	UNC System Institutions and UNC System Office	UNC Hospitals at Chapel Hill
<b>Cash Flows From Operating Activities</b>		
Received from customers	\$ 5,608,688,549	\$ 2,326,447,198
Payments to employees and fringe benefits	(5,955,613,577)	(972,532,150)
Payments to vendors and suppliers	(2,863,492,790)	(1,292,434,445)
Payments for scholarships and fellowships	(707,268,218)	—
Loans issued	(6,857,841)	—
Collection of loans	10,582,031	—
Interest earned on loans	3,119,897	—
Student deposits received	6,734,232	—
Student deposits returned	(7,187,204)	—
William D. Ford Direct Lending receipts	1,052,698,660	—
William D. Ford Direct Lending disbursements	(1,054,018,436)	—
Related activity agency receipts	150,071,457	—
Related activity agency disbursements	(152,648,023)	—
Other receipts	51,521,215	—
Other payments	(4,145,482)	(21,480,515)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(3,867,815,530)</b>	<b>40,000,088</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
State appropriations	3,489,569,196	—
State aid - coronavirus relief fund	76,331,802	32,213,282
Student financial aid	508,518,657	—
Federal aid - COVID-19	618,779,968	70,448,218
Noncapital contributions, net	770,340,229	—
Payments for annuities and life income payable under split-interest agreements	(8,425,799)	—
Additions to endowments	92,336,494	—
Proceeds from all-risk insurance	2,099,328	—
Hurricane recovery payments to vendors and suppliers	(1,168,586)	—
Grants, aid, and subsidies	(414,541,113)	—
Health care system assessments	—	(165,913,375)
Advances to fiduciary activity	(1,406,162)	—
Principal paid on revenue bonds	—	(1,496,000)
Interest and fees paid on revenue bonds	—	(301,993)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>5,132,434,014</b>	<b>(65,049,868)</b>
<b>Cash Flows from Capital Financing and Related Financing Activities</b>		
Proceeds from capital debt	10,046,277	—
Capital appropriations	19,757,983	—
Capital contributions	244,606,419	—
Proceeds from sale of capital assets	3,266,436	—
Proceeds from insurance on capital assets	384,219	—
Proceeds from lease arrangements	9,128,399	607,554
Acquisition and construction of capital assets	(598,790,735)	(208,484,933)
Principal paid on capital debt and leases	(211,033,276)	(22,543,321)
Interest and fees paid on capital debt and leases	(171,099,700)	(14,734,827)
Federal interest subsidy on debt received	1,191,922	—
<b>Net Cash Used by Capital Financing and Related Financing Activities</b>	<b>(692,542,056)</b>	<b>(245,155,527)</b>

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	UNC System Institutions and UNC System Office	UNC Hospitals at Chapel Hill
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales and maturities of investments	483,815,264	165,000,000
Investment income	60,856,699	4,804,387
Investment in joint ventures	200,000	—
Purchase of investments and related fees	(610,435,915)	—
Investments in and loans to affiliated enterprises	—	(1,886,798)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(65,563,952)</b>	<b>167,917,589</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>506,512,476</b>	<b>(102,287,718)</b>
Cash and cash equivalents - July 1, as restated	3,900,233,753	261,993,949
<b>Cash and Cash Equivalents - June 30</b>	<b>\$ 4,406,746,229</b>	<b>\$ 159,706,231</b>

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	UNC System Institutions and UNC System Office	UNC Hospitals at Chapel Hill
<b>Reconciliation of Net Operating Income</b>		
<b>to Net Cash Provided (Used) by Operating Activities</b>		
Operating income (loss)	\$ (3,731,122,318)	\$ 268,447,655
Adjustments to reconcile operating income (loss) to provided (used) by operating activities:		
Depreciation/ amortization expense	555,645,180	72,364,602
Lease income (amortized deferred inflows of resources)	(7,384,408)	(607,554)
Allowance, write-offs, and amortizations	13,229,835	—
Capital asset impairment losses	4,791,612	—
Nonoperating other income	6,772,753	—
Nonoperating other expenses	(794,902)	—
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables, net	(126,348,078)	(75,576,408)
Due from primary government	(3,971,467)	—
Due from University component units	(166,752)	—
Due from State of NC component units	14,561,040	(35,657,125)
Estimated third party settlements	—	(16,450,663)
Inventories	7,618,341	(145,317)
Notes receivable, net	6,332,833	—
Prepaid items	(552,972)	8,981,702
Net other postemployment benefits asset	6,747,565	1,116,753
Other assets	2,816,829	—
Advanced deposits with Liability Insurance Trust Fund	—	2,724,517
Deferred outflows related to asset retirement obligations	(426,766)	—
Deferred outflows related to pensions	1,755,754	(1,812,931)
Deferred outflows related to other postemployment benefits	(250,228,152)	(54,401,061)
Accounts payable and accrued liabilities	39,914,778	29,797,769
Advanced payments	—	(110,030,110)
Accrued salaries and benefits	—	5,000,606
Due to primary government	1,342,937	—
Due to State of NC component units	524,540	(22,377,138)
Due to patients or third parties	—	(4,424,545)
Funds held for others	(2,888,509)	—
Unearned revenue	22,685,360	—
Pollution remediation	(120,291)	—
Compensated absences	(5,268,743)	2,814,829
Workers' compensation	(4,987,360)	—
Net pension liability	(833,912,898)	(214,016,381)
Net other postemployment benefits liability	736,140,271	146,309,007
Deposits payable	3,542,607	—
Asset retirement obligation	764,157	—
Deferred inflows for pensions	135,867,010	176,200,369
Deferred inflows related to other postemployment benefits	(454,765,230)	(138,258,488)
Deferred inflows under service concession arrangements	(5,930,086)	—
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (3,867,815,530)</b>	<b>\$ 40,000,088</b>

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	UNC System Institutions and UNC System Office	UNC Hospitals at Chapel Hill
<b>Reconciliation of Cash and Cash Equivalents</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,717,444,115	\$ 120,159,103
Restricted cash and cash equivalents	1,059,566,059	1,427,981
Noncurrent Assets:		
Restricted cash and cash equivalents	629,736,055	38,119,147
<b>Total Cash and Cash Equivalents – June 30</b>	<b>\$ 4,406,746,229</b>	<b>\$ 159,706,231</b>
<b>Noncash Investing, Capital, and Financing Activities</b>		
Assets acquired through the assumption of a liability	\$ 35,845,307	\$ 10,632,429
Assets acquired through a gift	16,954,811	—
Assets acquired through a service concession arrangement	150,866,723	—
Change in fair value of investments	(118,419,258)	18,296,541
Reinvested distributions	4,944,085	—
Gain on investment in joint ventures	194,698	—
Gain on exchange of assets	10,941,092	—
Loss on disposal of capital assets	(16,005,188)	(16,599)
Bond issuance cost withheld	344,932	—
Funds escrowed to defease debt	170,879,844	—
Amortization of bond premiums/ discounts and deferred loss on refunding	(21,574,519)	(1,742,764)
Change in receivables related to nonoperating income	13,723,033	—
Payments made on behalf of the University	(118,877)	—
UNC Management Company investment management fees	(242,692)	—
Decrease in net other postemployment benefits liability related to noncapital contributions	(39,330,775)	(6,523,325)

The University of North Carolina System

**Statement of Net Position**

June 30, 2022

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
<b>Assets</b>									
Current Assets:									
Cash and cash equivalents	\$ 149,736,025	\$ 317,809,158	\$ 16,835,359	\$ 10,523,552	\$ 150,392,248	\$ 19,793,754	\$ 195,783,587	\$ 24,987,479	\$ 834,873,760
Restricted cash and cash equivalents	36,975,516	43,676,654	7,407,021	10,951,695	31,360,978	18,348,663	169,063,884	4,265,738	411,356,495
Short-term investments	—	—	—	—	—	—	—	—	467,295,369
Restricted short-term investments	—	—	—	—	91,237	1,712,062	—	—	156,019,756
Receivables, net	28,473,077	63,634,521	3,006,242	12,215,434	18,622,147	13,791,975	114,839,683	1,979,126	332,144,067
Due from State of NC component units	—	—	—	—	—	—	3,914,540	—	50,433,195
Due from University component units	—	2,048,629	—	—	1,059,209	164,395	—	—	—
Due from primary government	—	—	—	159,719	—	—	14,457,115	—	3,703,399
Due from UNC System Office fiduciary fund	—	—	—	—	—	—	—	—	—
Notes receivable, net	555,369	272,456	6,027	58,208	23,321	141,650	2,203,852	294,423	3,873,359
Inventories	5,272,126	3,442,898	81,679	209,013	903,383	614,165	6,570,748	432,142	20,597,120
Leases receivable	344,949	478,683	—	85,356	—	—	2,689,764	256,415	998,917
Prepaid items	—	—	—	—	—	—	—	—	—
Other assets	2,108,214	5,947,174	896,368	—	—	—	—	106,638	18,628,364
<i>Total Current Assets</i>	<i>223,465,276</i>	<i>437,310,173</i>	<i>28,232,696</i>	<i>34,202,977</i>	<i>202,452,523</i>	<i>54,566,664</i>	<i>509,523,173</i>	<i>32,321,961</i>	<i>2,299,923,801</i>
Noncurrent Assets:									
Restricted cash and cash equivalents	34,533,525	57,168,804	6,835,989	10,058,431	29,674,375	269,550	171,049,236	5,261,226	135,963,716
Receivables, net	13,497,939	13,355,244	—	12,032	3,135,272	—	—	—	62,648,824
Endowment investments	164,127,986	65,418,584	16,946,983	30,087,889	142,213,080	55,231,104	531,981,083	21,187,904	3,042,313,675
Restricted investments	22,500,147	30,632	174,499	2,727,033	3,486	—	—	—	—
Other investments	11,508,138	—	14,413,973	—	—	—	222,570,105	—	58,269,537
Investment in joint venture	—	262,413	—	—	—	—	—	—	17,726,340
Cash surrender value									
of life insurance policies	—	—	—	—	—	—	—	—	—
Notes receivable, net	577,494	4,581,055	—	440,074	124,158	448,808	2,237,233	51,015	28,576,724
Leases receivable	3,376,132	1,024,914	—	1,335,036	—	—	28,900,803	337,303	11,109,811
Prepaid items	—	—	—	273,773	—	—	—	—	—
Beneficial interest in assets held by others	1,654,555	—	—	—	—	—	—	—	1,161,184
Net other postemployment benefits asset	172,387	376,175	19,330	42,181	99,464	70,547	612,478	38,587	1,157,640
Other noncurrent assets	1,195,380	—	—	—	—	—	—	—	—
Capital assets, nondepreciable	142,716,955	55,577,988	3,084,432	5,201,267	25,925,547	41,500,184	129,018,720	10,894,014	381,609,670
Capital assets, depreciable	756,056,378	1,206,027,703	148,392,122	179,623,576	452,668,944	376,862,351	2,198,651,878	239,184,098	2,710,022,231
<i>Total Noncurrent Assets</i>	<i>1,151,917,016</i>	<i>1,403,823,512</i>	<i>189,867,328</i>	<i>229,801,292</i>	<i>653,844,326</i>	<i>474,382,544</i>	<i>3,285,021,536</i>	<i>276,954,147</i>	<i>6,450,559,352</i>
<b>Total Assets</b>	<b>1,375,382,292</b>	<b>1,841,133,685</b>	<b>218,100,024</b>	<b>264,004,269</b>	<b>856,296,849</b>	<b>528,949,208</b>	<b>3,794,544,709</b>	<b>309,276,108</b>	<b>8,750,483,153</b>

The University of North Carolina System

**Statement of Net Position**

June 30, 2022

	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
<b>Assets</b>										
Current Assets:										
Cash and cash equivalents	\$ 423,991,721	\$ 154,246,188	\$ 29,874,962	\$ 149,745,175	\$ 26,636,675	\$ 148,608,514	\$ 43,295,082	\$ 4,840,736	\$ 15,470,140	\$ 2,717,444,115
Restricted cash and cash equivalents	38,555,246	31,073,279	13,466,944	31,438,100	12,364,668	31,228,105	8,310,586	444,347	159,278,140	1,059,566,059
Short-term investments	—	219,667	—	—	—	—	—	—	—	467,515,036
Restricted short-term investments	675,000	9,906,983	1,782,623	—	—	—	7	—	—	170,187,668
Receivables, net	19,529,676	23,637,978	3,281,718	13,097,135	64,995	5,263,366	5,019,374	6,584	6,203,161	664,810,259
Due from State of NC component units	—	—	—	—	—	—	—	—	—	54,347,735
Due from University component units	—	—	—	—	52,573	—	—	886,431	—	4,211,237
Due from primary government	—	—	—	22,891,265	30,326	—	—	1,400,979	—	42,642,803
Due from UNC System Office fiduciary fund	—	—	—	—	—	—	—	—	2,415,101	2,415,101
Notes receivable, net	249,425	225,358	53,401	220,361	—	784,504	649,426	—	—	9,611,140
Inventories	229,089	483,241	81,168	594,294	248,766	7,100,344	287,564	37,490	21,920	47,207,150
Leases receivable	225,324	370,414	—	369,203	—	163,816	136,213	—	—	6,119,054
Prepaid items	14,206,482	—	5,000	—	30,061	—	—	1,472	1,851,330	16,094,345
Other assets	—	—	—	—	—	176,688	—	—	—	27,863,446
<i>Total Current Assets</i>	<i>497,661,963</i>	<i>220,163,108</i>	<i>48,545,816</i>	<i>218,355,533</i>	<i>39,428,064</i>	<i>193,325,337</i>	<i>57,698,252</i>	<i>7,618,039</i>	<i>185,239,792</i>	<i>5,290,035,148</i>
Noncurrent Assets:										
Restricted cash and cash equivalents	40,246,033	32,473,102	16,340,226	39,585,383	10,281,965	23,703,652	10,874,944	1,094,211	4,321,687	629,736,055
Receivables, net	—	2,428,278	138,540	485,785	—	1,622,515	—	—	—	97,324,429
Endowment investments	196,585,608	366,330,210	31,763,565	139,974,673	43,709,950	127,016,574	51,098,284	—	118,624,587	5,144,611,739
Restricted investments	1,723,671	—	—	—	—	3,064,412	—	—	3,801,233	34,025,113
Other investments	—	739,500	—	—	—	13,500	—	—	—	307,514,753
Investment in joint venture	—	—	—	—	—	—	—	—	—	17,988,753
Cash surrender value										
of life insurance policies	—	—	161,640	—	—	—	—	—	—	161,640
Notes receivable, net	1,582,315	1,073,439	112,394	1,539,156	—	1,373,380	—	—	—	42,717,245
Leases receivable	1,127,095	1,791,177	—	693,216	—	4,858,094	460,342	—	740,604	55,754,527
Prepaid items	—	—	—	—	—	81,019	—	—	—	354,792
Beneficial interest in assets held by others	—	—	750,000	—	—	—	—	—	146,317	3,712,056
Net other postemployment benefits asset	248,386	168,439	50,181	140,374	24,488	92,074	43,829	13,214	30,156	3,399,930
Other noncurrent assets	—	—	—	—	—	—	—	—	—	1,195,380
Capital assets, nondepreciable	81,726,086	75,909,918	6,876,558	34,496,428	6,166,661	126,974,508	7,480,901	69,958,505	802,658	1,205,921,000
Capital assets, depreciable	1,405,752,575	735,538,256	214,977,091	748,070,195	159,370,278	562,604,826	239,645,497	52,917,877	55,830,093	12,442,195,969
<i>Total Noncurrent Assets</i>	<i>1,728,991,769</i>	<i>1,216,452,319</i>	<i>271,170,195</i>	<i>964,985,210</i>	<i>219,553,342</i>	<i>851,404,554</i>	<i>309,603,797</i>	<i>123,983,807</i>	<i>184,297,335</i>	<i>19,986,613,381</i>
<b>Total Assets</b>	<b>2,226,653,732</b>	<b>1,436,615,427</b>	<b>319,716,011</b>	<b>1,183,340,743</b>	<b>258,981,406</b>	<b>1,044,729,891</b>	<b>367,302,049</b>	<b>131,601,846</b>	<b>369,537,127</b>	<b>25,276,648,529</b>

The University of North Carolina System

**Statement of Net Position**

June 30, 2022

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
<b>Deferred Outflows of Resources</b>									
Accumulated decrease in									
fair value of hedging derivatives	—	—	—	—	—	—	—	—	68,532,840
Deferred loss on refunding	7,884,744	4,925,930	862,508	—	648,677	—	—	80,259	8,565,875
Deferred outflows related									
to asset retirement obligations	—	—	—	—	—	—	13,833,032	—	—
Deferred outflows related to pensions	32,515,896	61,169,566	5,369,718	9,517,970	21,656,191	17,119,733	103,201,438	5,212,927	161,527,209
Deferred outflows related									
to other postemployment benefits	54,754,866	115,985,779	7,372,642	16,008,257	39,624,640	19,423,836	208,058,525	11,247,367	446,085,089
<b>Total Deferred Outflows of Resources</b>	<b>95,155,506</b>	<b>182,081,275</b>	<b>13,604,868</b>	<b>25,526,227</b>	<b>61,929,508</b>	<b>36,543,569</b>	<b>325,092,995</b>	<b>16,540,553</b>	<b>684,711,013</b>
<b>Liabilities</b>									
Current Liabilities:									
Accounts payable and accrued liabilities	14,115,817	29,227,653	2,849,539	7,132,326	6,598,260	12,179,978	53,881,808	1,887,845	211,933,644
Due to State of NC component units	—	—	—	—	—	—	1,554,343	—	11,556,881
Due to primary government	—	6,884,068	—	—	—	—	11,702,339	—	—
Due to University component units	—	—	—	—	—	—	—	—	12,701,623
Interest payable	2,344,145	2,984,489	227,491	483,687	931,071	1,089,364	4,744,452	368,988	3,220,418
Deposits payable	226,470	1,396,390	—	—	—	—	—	30,000	18,489,542
U.S. government grants refundable	—	—	—	—	—	—	—	52,984	—
Funds held for others	781,496	—	—	—	—	164,395	—	650	1,415,901
Unearned revenue	18,395,459	25,650,929	1,716,627	4,249,579	4,899,164	9,580,329	76,397,552	3,116,579	136,558,334
Long-term liabilities - current portion	24,345,000	25,545,653	1,740,637	4,036,730	5,540,041	8,017,351	45,604,446	4,270,734	147,729,783
<i>Total Current Liabilities</i>	<b>60,208,387</b>	<b>91,689,182</b>	<b>6,534,294</b>	<b>15,902,322</b>	<b>17,968,536</b>	<b>31,031,417</b>	<b>193,884,940</b>	<b>9,727,780</b>	<b>543,606,126</b>
Noncurrent Liabilities:									
Accounts payable and accrued liabilities	26,340,832	—	—	—	—	—	—	—	20,860,190
Hedging derivatives liability	—	—	—	—	—	—	—	—	68,532,840
Unearned revenue	—	10,909,634	—	—	—	—	65,910,778	—	—
Deposits payable	253,485	—	—	—	—	400	6,746,909	62,911	—
Funds held for others	2,153,158	135,933	158,172	1,165,337	416,126	784,400	3,092,348	84,150	—
U.S. government grants refundable	1,676,750	6,449,078	—	623,834	—	2,094,774	1,591,298	431,350	15,010,265
Long-term liabilities - noncurrent portion	703,712,063	1,190,597,665	82,788,298	143,534,290	315,094,076	262,657,299	2,025,565,564	159,069,874	3,960,018,921
<i>Total Noncurrent Liabilities</i>	<b>734,136,288</b>	<b>1,208,092,310</b>	<b>82,946,470</b>	<b>145,323,461</b>	<b>315,510,202</b>	<b>265,536,873</b>	<b>2,102,906,897</b>	<b>159,648,285</b>	<b>4,064,422,216</b>
<b>Total Liabilities</b>	<b>794,344,675</b>	<b>1,299,781,492</b>	<b>89,480,764</b>	<b>161,225,783</b>	<b>333,478,738</b>	<b>296,568,290</b>	<b>2,296,791,837</b>	<b>169,376,065</b>	<b>4,608,028,342</b>

The University of North Carolina System

**Statement of Net Position**

June 30, 2022

	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
<b>Deferred Outflows of Resources</b>										
Accumulated decrease in fair value of hedging derivatives	—	—	—	—	—	—	—	—	—	68,532,840
Deferred loss on refunding	14,299,365	4,235,290	922,417	5,743,877	—	4,015,841	713,194	—	—	52,897,977
Deferred outflows related to asset retirement obligations	—	—	—	—	—	—	—	—	—	13,833,032
Deferred outflows related to pensions	36,362,746	27,787,953	10,260,704	23,533,273	4,851,940	17,733,886	9,181,166	3,661,841	7,337,412	558,001,569
Deferred outflows related to other postemployment benefits	92,437,340	69,884,136	18,471,019	67,449,723	9,653,802	34,069,610	12,602,520	5,655,668	14,449,072	1,243,233,891
<b>Total Deferred Outflows of Resources</b>	<b>143,099,451</b>	<b>101,907,379</b>	<b>29,654,140</b>	<b>96,726,873</b>	<b>14,505,742</b>	<b>55,819,337</b>	<b>22,496,880</b>	<b>9,317,509</b>	<b>21,786,484</b>	<b>1,936,499,309</b>
<b>Liabilities</b>										
Current Liabilities:										
Accounts payable and accrued liabilities	8,021,476	12,425,063	4,329,101	4,231,775	2,668,509	12,089,231	761,365	6,482,472	4,761,683	395,577,545
Due to State of NC component units	—	—	—	—	—	—	—	—	—	13,111,224
Due to primary government	—	—	—	—	—	—	—	—	—	18,586,407
Due to University component units	—	—	—	—	—	—	—	—	—	12,701,623
Interest payable	4,792,763	2,891,020	426,389	1,300,585	701,425	1,959,837	667,833	—	2,908	29,136,865
Deposits payable	2,362,296	730,310	3,058	54,236	—	—	—	—	—	23,292,302
U.S. government grants refundable	250,950	—	—	—	—	—	—	—	—	303,934
Funds held for others	—	43,433	—	53,592	—	—	—	290,627	—	2,750,094
Unearned revenue	12,513,890	7,899,729	3,361,744	14,209,978	1,045,890	8,173,473	7,767,498	390,671	5,918,364	341,845,789
Long-term liabilities - current portion	27,078,171	18,524,253	6,943,272	12,180,613	1,498,917	12,711,192	5,286,366	452,694	446,190	351,952,043
<i>Total Current Liabilities</i>	<i>55,019,546</i>	<i>42,513,808</i>	<i>15,063,564</i>	<i>32,030,779</i>	<i>5,914,741</i>	<i>34,933,733</i>	<i>14,483,062</i>	<i>7,616,464</i>	<i>11,129,145</i>	<i>1,189,257,826</i>
Noncurrent Liabilities:										
Accounts payable and accrued liabilities	—	51,564	—	100,853	—	1,742,501	—	—	—	49,095,940
Hedging derivatives liability	—	—	—	—	—	—	—	—	—	68,532,840
Unearned revenue	10,443,359	12,612,833	—	1,809,944	—	—	—	—	—	101,686,548
Deposits payable	—	—	219,710	—	—	83,395	66,794	—	—	7,433,604
Funds held for others	85,348	1,725,738	420,069	658,249	37,342	770,299	3,377,591	229,477	—	15,293,737
U.S. government grants refundable	1,416,880	2,397,899	294,342	788,583	112,405	3,895,336	—	—	—	36,782,794
Long-term liabilities - noncurrent portion	1,156,728,382	640,523,398	158,753,189	512,457,526	102,147,702	452,312,035	185,113,000	33,899,970	68,707,556	12,153,680,808
<i>Total Noncurrent Liabilities</i>	<i>1,168,673,969</i>	<i>657,311,432</i>	<i>159,687,310</i>	<i>515,815,155</i>	<i>102,297,449</i>	<i>458,803,566</i>	<i>188,557,385</i>	<i>34,129,447</i>	<i>68,707,556</i>	<i>12,432,506,271</i>
<b>Total Liabilities</b>	<b>1,223,693,515</b>	<b>699,825,240</b>	<b>174,750,874</b>	<b>547,845,934</b>	<b>108,212,190</b>	<b>493,737,299</b>	<b>203,040,447</b>	<b>41,745,911</b>	<b>79,836,701</b>	<b>13,621,764,097</b>

The University of North Carolina System

**Statement of Net Position**

June 30, 2022

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
<b>Deferred Inflows of Resources</b>									
Deferred gain on refunding	—	—	—	—	—	—	—	61,917	—
Deferred inflows related to pensions	40,397,348	82,830,147	6,104,299	11,954,151	25,361,907	19,878,555	135,253,742	6,844,995	194,421,897
Deferred inflows related to other postemployment benefits	92,405,055	243,878,906	10,897,552	32,264,031	54,931,213	42,492,796	367,414,029	24,387,074	644,415,017
Deferred inflows for irrevocable split-interest agreements	784,542	—	—	—	—	—	—	—	19,348,664
Deferred inflows for trusts held by others	2,725,494	—	—	—	—	—	—	—	—
Deferred inflows under service concession arrangement	73,605,439	—	—	—	—	94,425,971	—	—	—
Deferred inflows related to endowments	—	—	—	—	50,029	—	—	—	—
Deferred inflows for leases	3,710,050	1,484,613	—	1,420,392	—	—	30,918,287	581,239	11,989,636
Deferred inflows for state appropriations	—	—	—	—	—	—	—	—	—
<b>Total Deferred Inflows of Resources</b>	<b>213,627,928</b>	<b>328,193,666</b>	<b>17,001,851</b>	<b>45,638,574</b>	<b>80,343,149</b>	<b>156,797,322</b>	<b>533,586,058</b>	<b>31,875,225</b>	<b>870,175,214</b>
<b>Net Position</b>									
Net investment in capital assets	488,348,948	871,449,336	113,342,568	129,891,687	379,163,612	222,554,573	1,672,167,098	168,894,979	1,627,310,685
Nonexpendable:									
Restricted nonexpendable	105,469,257	48,182,101	9,528,600	13,603,753	69,262,796	16,129,634	184,814,320	8,136,779	978,689,794
Expendable:									
Restricted expendable	140,174,176	92,743,705	18,668,369	33,487,350	80,152,078	40,624,409	500,548,463	21,790,307	2,298,631,882
Unrestricted net position	(271,427,186)	(617,135,340)	(16,317,260)	(94,316,651)	(24,174,016)	(167,181,451)	(1,068,270,072)	(74,256,694)	(947,641,751)
<b>Total Net Position</b>	<b>\$ 462,565,195</b>	<b>\$ 395,239,802</b>	<b>\$ 125,222,277</b>	<b>\$ 82,666,139</b>	<b>\$ 504,404,470</b>	<b>\$ 112,127,165</b>	<b>\$ 1,289,259,809</b>	<b>\$ 124,565,371</b>	<b>\$ 3,956,990,610</b>

The University of North Carolina System

**Statement of Net Position**

June 30, 2022

	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
<b>Deferred Inflows of Resources</b>										
Deferred gain on refunding	23,962	—	—	1,027,079	—	—	2,178,377	—	—	3,291,335
Deferred inflows related to pensions	44,145,682	31,941,811	11,942,731	25,897,185	5,502,849	19,497,345	11,674,913	4,063,624	7,079,952	684,793,133
Deferred inflows related to other postemployment benefits	133,219,477	92,213,822	29,642,808	74,937,947	13,404,283	50,732,830	34,045,473	6,814,434	16,791,679	1,964,888,426
Deferred inflows for irrevocable split-interest agreements	—	88,390	750,000	—	—	—	—	—	146,317	21,117,913
Deferred inflows for trusts held by others	—	—	—	—	—	—	—	—	—	2,725,494
Deferred inflows under service concession arrangement	—	—	—	126,415,295	—	20,067,536	—	—	—	314,514,241
Deferred inflows related to endowments	—	—	—	—	—	—	—	—	—	50,029
Deferred inflows for leases	1,324,350	2,123,584	—	1,072,692	—	5,021,910	551,331	—	712,090	60,910,174
Deferred inflows for state appropriations	—	—	—	—	—	—	—	—	103,840,000	103,840,000
<b>Total Deferred Inflows of Resources</b>	<b>178,713,471</b>	<b>126,367,607</b>	<b>42,335,539</b>	<b>229,350,198</b>	<b>18,907,132</b>	<b>95,319,621</b>	<b>48,450,094</b>	<b>10,878,058</b>	<b>128,570,038</b>	<b>3,156,130,745</b>
<b>Net Position</b>										
Net investment in capital assets	953,514,069	519,606,268	168,771,796	438,537,558	119,881,667	404,520,958	156,938,686	114,800,155	55,308,659	8,605,003,302
Nonexpendable:										
Restricted nonexpendable	51,118,167	182,180,659	19,710,641	79,402,565	26,645,656	56,915,004	19,058,271	—	14,623,191	1,883,471,188
Expendable:										
Restricted expendable	89,509,047	218,159,054	40,109,749	136,143,091	34,690,859	103,651,567	44,749,013	1,159,708	123,751,076	4,018,743,903
Unrestricted net position	(126,795,086)	(207,616,022)	(96,308,448)	(151,211,730)	(34,850,356)	(53,595,221)	(82,437,582)	(27,664,477)	(10,766,054)	(4,071,965,397)
<b>Total Net Position</b>	<b>\$ 967,346,197</b>	<b>\$ 712,329,959</b>	<b>\$ 132,283,738</b>	<b>\$ 502,871,484</b>	<b>\$ 146,367,826</b>	<b>\$ 511,492,308</b>	<b>\$ 138,308,388</b>	<b>\$ 88,295,386</b>	<b>\$ 182,916,872</b>	<b>\$10,435,252,996</b>

The University of North Carolina System

**Statement of Net Position**

June 30, 2022	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
Total Assets	\$ 1,375,382,292	\$ 1,841,133,685	\$ 218,100,024	\$ 264,004,269	\$ 856,296,849	\$ 528,949,208	\$ 3,794,544,709	\$ 309,276,108	\$ 8,750,483,153
Total Deferred Outflows of Resources	95,155,506	182,081,275	13,604,868	25,526,227	61,929,508	36,543,569	325,092,995	16,540,553	684,711,013
Total Liabilities	794,344,675	1,299,781,492	89,480,764	161,225,783	333,478,738	296,568,290	2,296,791,837	169,376,065	4,608,028,342
Eliminations	—	—	—	—	—	—	—	—	—
<b>Adjusted Total Liabilities</b>	<u>794,344,675</u>	<u>1,299,781,492</u>	<u>89,480,764</u>	<u>161,225,783</u>	<u>333,478,738</u>	<u>296,568,290</u>	<u>2,296,791,837</u>	<u>169,376,065</u>	<u>4,608,028,342</u>
Total Deferred Inflows of Resources	213,627,928	328,193,666	17,001,851	45,638,574	80,343,149	156,797,322	533,586,058	31,875,225	870,175,214
Total Net Position	462,565,195	395,239,802	125,222,277	82,666,139	504,404,470	112,127,165	1,289,259,809	124,565,371	3,956,990,610
Eliminations	—	—	—	—	—	—	—	—	—
<b>Adjusted Total Net Position</b>	<u>\$ 462,565,195</u>	<u>\$ 395,239,802</u>	<u>\$ 125,222,277</u>	<u>\$ 82,666,139</u>	<u>\$ 504,404,470</u>	<u>\$ 112,127,165</u>	<u>\$ 1,289,259,809</u>	<u>\$ 124,565,371</u>	<u>\$ 3,956,990,610</u>

The University of North Carolina System

**Statement of Net Position**

June 30, 2022	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
Total Assets	\$ 2,226,653,732	\$ 1,436,615,427	\$ 319,716,011	\$1,183,340,743	\$ 258,981,406	\$1,044,729,891	\$ 367,302,049	\$ 131,601,846	\$ 369,537,127	\$25,276,648,529
Total Deferred Outflows of Resources	143,099,451	101,907,379	29,654,140	96,726,873	14,505,742	55,819,337	22,496,880	9,317,509	21,786,484	1,936,499,309
Total Liabilities	1,223,693,515	699,825,240	174,750,874	547,845,934	108,212,190	493,737,299	203,040,447	41,745,911	79,836,701	13,621,764,097
Eliminations	29,349	—	—	—	—	—	—	—	—	29,349
<b>Adjusted Total Liabilities</b>	<u>1,223,722,864</u>	<u>699,825,240</u>	<u>174,750,874</u>	<u>547,845,934</u>	<u>108,212,190</u>	<u>493,737,299</u>	<u>203,040,447</u>	<u>41,745,911</u>	<u>79,836,701</u>	<u>13,621,793,446</u>
Total Deferred Inflows of Resources	178,713,471	126,367,607	42,335,539	229,350,198	18,907,132	95,319,621	48,450,094	10,878,058	128,570,038	3,156,130,745
Total Net Position	967,346,197	712,329,959	132,283,738	502,871,484	146,367,826	511,492,308	138,308,388	88,295,386	182,916,872	10,435,252,996
Eliminations	(29,349)	—	—	—	—	—	—	—	—	(29,349)
<b>Adjusted Total Net Position</b>	<u>\$ 967,316,848</u>	<u>\$ 712,329,959</u>	<u>\$ 132,283,738</u>	<u>\$ 502,871,484</u>	<u>\$ 146,367,826</u>	<u>\$ 511,492,308</u>	<u>\$ 138,308,388</u>	<u>\$ 88,295,386</u>	<u>\$ 182,916,872</u>	<u>\$ 10,435,223,647</u>

# The University of North Carolina System

## Statement of Revenues, Expenses, and Changes in Net Position

For the fiscal year ended June 30, 2022

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
<b>Operating Revenues</b>									
Student tuition & fees, net	\$ 140,323,407	\$ 186,784,895	\$ 6,661,947	\$ 18,367,921	\$ 82,022,631	\$ 39,543,150	\$ 352,522,696	\$ 18,999,017	\$ 464,123,452
Patient services, net	—	243,121,973	—	—	—	—	—	—	571,348,255
Federal appropriations	—	—	—	—	9,084,397	—	23,658,433	—	—
Federal grants and contracts	6,993,755	44,205,241	—	10,557	27,596,243	13,127,130	191,606,997	2,018,356	833,459,143
State and local grants and contracts	2,829,178	7,450,158	—	—	2,319,934	434,076	44,139,854	1,075,398	13,389,863
Nongovernmental grants and contracts	999,224	14,021,038	—	—	2,498,456	1,174,079	102,401,047	1,779,657	172,871,172
Sales and services, net	104,782,780	85,935,067	7,872,937	9,403,641	29,535,567	23,741,184	277,571,723	12,562,927	508,300,993
Interest earnings on loans	47,293	256,342	—	8,342	—	45,691	191,850	32,903	1,303,898
Lease income	327,202	485,516	—	82,870	—	—	3,578,541	—	1,195,407
Other operating revenues, net	2,567,174	1,485,643	572,103	509,209	6,172,694	5,550,908	15,126,191	1,528,220	8,073,408
<i>Total Operating Revenues</i>	<i>258,870,013</i>	<i>583,745,873</i>	<i>15,106,987</i>	<i>28,382,540</i>	<i>159,229,922</i>	<i>83,616,218</i>	<i>1,010,797,332</i>	<i>37,996,478</i>	<i>2,574,065,591</i>
<b>Operating Expenses</b>									
Salaries and benefits	262,678,458	542,787,289	34,014,731	69,571,459	177,051,609	115,664,935	948,272,061	54,593,234	1,806,973,414
Supplies and services	121,645,236	219,357,102	34,623,135	40,788,371	96,517,761	92,768,099	415,663,548	20,379,793	1,107,497,548
Scholarships and fellowships	40,406,522	69,777,378	13,581,866	23,312,169	43,929,545	42,942,600	79,015,639	7,480,472	132,926,511
Utilities	11,447,380	18,028,460	2,727,374	3,150,145	7,325,719	5,063,469	36,356,305	2,799,586	82,906,044
Depreciation/ amortization	28,989,535	41,821,418	4,748,306	5,353,642	16,621,441	9,069,940	132,763,004	7,644,623	186,182,853
<i>Total Operating Expenses</i>	<i>465,167,131</i>	<i>891,771,647</i>	<i>89,695,412</i>	<i>142,175,786</i>	<i>341,446,075</i>	<i>265,509,043</i>	<i>1,612,070,557</i>	<i>92,897,708</i>	<i>3,316,486,370</i>
<b>Operating Loss</b>	<b>(206,297,118)</b>	<b>(308,025,774)</b>	<b>(74,588,425)</b>	<b>(113,793,246)</b>	<b>(182,216,153)</b>	<b>(181,892,825)</b>	<b>(601,273,225)</b>	<b>(54,901,230)</b>	<b>(742,420,779)</b>
<b>Nonoperating Revenues/ (Expenses)</b>									
State appropriations	167,255,437	329,264,475	42,557,796	63,937,019	114,318,189	90,650,121	578,015,894	52,182,648	587,593,407
State aid - coronavirus relief fund	4,236,407	8,347,432	1,384,607	1,117,758	2,364,532	1,765,347	13,639,175	1,106,725	17,481,402
Student financial aid	40,853,808	54,791,665	7,028,702	17,674,764	48,417,168	20,851,949	53,111,751	8,239,341	42,735,893
Federal aid - COVID-19	36,404,274	45,347,024	11,826,752	25,045,028	61,113,448	61,395,199	42,759,331	7,432,985	91,506,976
Noncapital contributions, net	32,963,541	18,280,895	10,862,222	21,593,481	30,867,347	11,655,593	95,629,443	4,443,685	343,242,418
Interest and fees on debt	(11,804,247)	(12,159,629)	(1,214,798)	(2,080,847)	(3,573,036)	(3,641,935)	(19,496,257)	(3,064,800)	(50,914,931)
Investment income (loss)	8,209,099	(7,005,371)	(520,179)	1,234,628	(151,917)	1,190,617	(15,727)	654,880	(63,588,367)
Interest earned on leases	67,041	22,066	—	—	—	—	2,183,601	—	683,211
Grants, aid and subsidies	—	—	—	—	—	—	—	—	—
Federal interest subsidy on debt	—	—	—	—	—	—	—	—	95,262
Hurricane Florence insurance recoveries	—	—	—	—	—	—	—	—	—
Hurricane Florence disaster costs	—	—	—	—	—	—	—	—	—
Other nonoperating revenues	—	942,611	—	—	—	1,443,607	13,091,115	—	431,030
Other nonoperating expenses	(555,018)	—	(64,094)	(58,893)	(546,909)	—	—	(326,228)	—
<i>Total Nonoperating Revenues/ (Expenses)</i>	<i>277,630,342</i>	<i>437,831,168</i>	<i>71,861,008</i>	<i>128,462,938</i>	<i>252,808,822</i>	<i>185,310,498</i>	<i>778,918,326</i>	<i>70,669,236</i>	<i>969,266,301</i>

# The University of North Carolina System

## Statement of Revenues, Expenses, and Changes in Net Position

For the fiscal year ended June 30, 2022

	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
<b>Operating Revenues</b>										
Student tuition & fees, net	\$ 231,098,621	\$ 96,820,534	\$ 23,778,906	\$ 125,740,431	\$ 17,262,163	\$ 41,713,211	\$ 23,650,467	\$ 947,832	\$ —	\$ 1,870,361,281
Patient services, net	—	—	—	—	—	—	—	—	—	814,470,228
Federal appropriations	—	—	—	—	—	—	—	—	—	32,742,830
Federal grants and contracts	39,265,188	33,682,994	53,476	8,213,704	12,576	4,992,899	—	—	—	1,205,238,259
State and local grants and contracts	4,750,492	11,219,349	610,286	3,769,883	—	1,233,034	—	—	—	93,221,505
Nongovernmental grants and contracts	5,791,201	4,075,034	351,840	2,760,489	—	990,967	—	—	—	309,714,204
Sales and services, net	90,519,683	49,214,233	16,474,772	48,137,746	8,093,777	40,393,724	25,136,763	88,370	13,880,796	1,351,646,683
Interest earnings on loans	114,015	63,916	211,540	—	—	9,169	—	—	—	2,284,959
Lease income	245,327	370,314	—	466,678	—	202,517	162,893	—	25,432	7,142,697
Other operating revenues, net	3,897,425	1,180,623	801,132	5,946,978	673,202	2,886,688	1,062,602	37,122	46,967	58,118,289
<i>Total Operating Revenues</i>	<i>375,681,952</i>	<i>196,626,997</i>	<i>42,281,952</i>	<i>195,035,909</i>	<i>26,041,718</i>	<i>92,422,209</i>	<i>50,012,725</i>	<i>1,073,324</i>	<i>13,953,195</i>	<i>5,744,940,935</i>
<b>Operating Expenses</b>										
Salaries and benefits	389,461,808	268,285,900	76,490,406	222,181,945	42,442,017	136,601,386	65,165,011	22,509,856	43,184,064	5,277,929,583
Supplies and services	154,146,451	92,720,671	43,052,242	91,207,489	18,273,816	70,518,034	50,417,346	5,026,255	44,472,776	2,719,075,673
Scholarships and fellowships	75,441,677	50,480,539	30,474,182	31,147,710	3,080,239	28,843,327	34,442,847	—	—	707,283,223
Utilities	13,025,426	9,141,323	3,286,290	8,781,853	2,159,001	3,863,893	3,282,096	1,027,108	1,758,122	216,129,594
Depreciation/ amortization	36,921,035	27,400,550	9,274,269	16,644,614	4,699,371	11,129,272	9,747,207	1,755,570	4,878,530	555,645,180
<i>Total Operating Expenses</i>	<i>668,996,397</i>	<i>448,028,983</i>	<i>162,577,389</i>	<i>369,963,611</i>	<i>70,654,444</i>	<i>250,955,912</i>	<i>163,054,507</i>	<i>30,318,789</i>	<i>94,293,492</i>	<i>9,476,063,253</i>
<b>Operating Loss</b>	<b>(293,314,445)</b>	<b>(251,401,986)</b>	<b>(120,295,437)</b>	<b>(174,927,702)</b>	<b>(44,612,726)</b>	<b>(158,533,703)</b>	<b>(113,041,782)</b>	<b>(29,245,465)</b>	<b>(80,340,297)</b>	<b>(3,731,122,318)</b>
<b>Nonoperating Revenues/ (Expenses)</b>										
State appropriations	292,421,671	189,186,045	96,532,488	181,222,251	37,216,503	148,483,499	66,938,698	33,245,184	389,547,871	3,460,569,196
State aid - coronavirus relief fund	4,926,924	3,857,662	2,253,775	3,209,461	701,354	2,324,080	1,128,442	1,411,154	6,438,953	77,695,190
Student financial aid	73,582,680	58,832,714	18,352,652	26,396,375	1,875,248	24,560,468	22,503,639	—	—	519,808,817
Federal aid - COVID-19	68,840,374	44,765,756	24,097,673	13,678,372	1,832,816	23,870,951	41,863,441	—	—	601,780,400
Noncapital contributions, net	9,893,107	13,451,193	8,180,598	2,915,112	6,535,117	4,933,518	11,279,803	1,957,334	101,575,816	730,260,223
Interest and fees on debt	(18,197,150)	(10,101,297)	(2,312,065)	(7,624,150)	(1,651,799)	(8,898,095)	(3,838,939)	(62,960)	(67,749)	(160,704,684)
Investment income (loss)	9,630,735	(20,732,280)	(589,623)	5,966,519	1,989,318	5,422,053	2,368,810	—	5,521,896	(50,414,909)
Interest earned on leases	39,437	25,270	—	6,921	—	75,865	4,790	—	51,680	3,159,882
Grants, aid and subsidies	—	—	—	—	—	—	—	—	(414,541,113)	(414,541,113)
Federal interest subsidy on debt	1,095,208	—	—	—	—	—	—	—	—	1,190,470
Hurricane Florence insurance recoveries	—	—	—	2,099,328	—	—	—	—	—	2,099,328
Hurricane Florence disaster costs	—	—	—	(1,168,586)	—	—	—	—	—	(1,168,586)
Other nonoperating revenues	—	570,881	—	279,391	—	—	—	—	—	16,758,635
Other nonoperating expenses	(2,767,047)	—	(521,382)	—	(381,210)	(3,860,024)	—	—	(838,295)	(9,919,100)
<i>Total Nonoperating Revenues/ (Expenses)</i>	<i>439,465,939</i>	<i>279,855,944</i>	<i>145,994,116</i>	<i>226,980,994</i>	<i>48,117,347</i>	<i>196,912,315</i>	<i>142,248,684</i>	<i>36,550,712</i>	<i>87,689,059</i>	<i>4,776,573,749</i>

The University of North Carolina System

**Statement of Revenues, Expenses, and Changes in Net Position**

For the fiscal year ended June 30, 2022

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
<b>Income/ (Loss) Before</b>									
Transfers and Other Items	71,333,224	129,805,394	(2,727,417)	14,669,692	70,592,669	3,417,673	177,645,101	15,768,006	226,845,522
Capital appropriations	—	—	370,931	—	—	11,058,488	—	—	—
Capital contributions	3,293,430	36,255,989	1,000,000	1,513,060	24,213,418	12,352,933	39,359,532	4,578,891	40,433,302
Additions to endowments	10,530,173	3,159,316	484,672	537,790	8,483,978	—	10,709,551	67,131	39,779,484
<b>Change in Net Position</b>	85,156,827	169,220,699	(871,814)	16,720,542	103,290,065	26,829,094	227,714,184	20,414,028	307,058,308
Net position - July 1, as restated	377,408,368	226,019,103	126,094,091	65,945,597	401,114,405	85,298,071	1,061,545,625	104,151,343	3,649,932,302
<b>Net Position - June 30</b>	<u>\$ 462,565,195</u>	<u>\$ 395,239,802</u>	<u>\$ 125,222,277</u>	<u>\$ 82,666,139</u>	<u>\$ 504,404,470</u>	<u>\$ 112,127,165</u>	<u>\$ 1,289,259,809</u>	<u>\$ 124,565,371</u>	<u>\$ 3,956,990,610</u>

The University of North Carolina System

**Statement of Revenues, Expenses, and Changes in Net Position**

For the fiscal year ended June 30, 2022

	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
<b>Income/ (Loss) Before Transfers and Other Items</b>										
Transfers and Other Items	146,151,494	28,453,958	25,698,679	52,053,292	3,504,621	38,378,612	29,206,902	7,305,247	7,348,762	1,045,451,431
Capital appropriations	—	—	8,282,994	—	45,570	—	—	—	—	19,757,983
Capital contributions	21,331,870	7,095,692	6,016,650	10,125,117	6,412,195	11,334,316	694,990	14,735,070	1,723,268	242,469,723
Additions to endowments	3,553,042	6,524,908	673,903	3,299,052	4,150,000	2,420,039	50,000	—	20,466	94,443,505
<b>Change in Net Position</b>	171,036,406	42,074,558	40,672,226	65,477,461	14,112,386	52,132,967	29,951,892	22,040,317	9,092,496	1,402,122,642
Net position - July 1, as restated	796,309,791	670,255,401	91,611,512	437,394,023	132,255,440	459,359,341	108,356,496	66,255,069	173,824,376	9,033,130,354
<b>Net Position - June 30</b>	<u>\$ 967,346,197</u>	<u>\$ 712,329,959</u>	<u>\$ 132,283,738</u>	<u>\$ 502,871,484</u>	<u>\$ 146,367,826</u>	<u>\$ 511,492,308</u>	<u>\$ 138,308,388</u>	<u>\$ 88,295,386</u>	<u>\$ 182,916,872</u>	<u>\$ 10,435,252,996</u>

The University of North Carolina System

**Statement of Revenues, Expenses and Changes in Net Position**

For the fiscal year ended June 30, 2022

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
Total Revenues	\$ 562,683,223	\$ 1,080,157,346	\$ 90,622,669	\$ 161,036,068	\$ 449,008,002	\$ 295,980,072	\$ 1,859,296,725	\$ 116,702,764	\$ 3,738,047,976
Eliminations	(41,126)	1,087,766	(863,627)	(394,313)	(1,269,554)	(1,443,607)	(4,807,616)	(143,561)	(63,708,273)
<b>Total Adjusted Revenues</b>	<u>562,642,097</u>	<u>1,081,245,112</u>	<u>89,759,042</u>	<u>160,641,755</u>	<u>447,738,448</u>	<u>294,536,465</u>	<u>1,854,489,109</u>	<u>116,559,203</u>	<u>3,674,339,703</u>
Total Expenses	(477,526,396)	(910,936,647)	(91,494,483)	(144,315,526)	(345,717,937)	(269,150,978)	(1,631,582,541)	(96,288,736)	(3,430,989,668)
Eliminations	(555,018)	—	—	—	—	—	—	33,610	—
<b>Total Adjusted Expenses</b>	<u>(478,081,414)</u>	<u>(910,936,647)</u>	<u>(91,494,483)</u>	<u>(144,315,526)</u>	<u>(345,717,937)</u>	<u>(269,150,978)</u>	<u>(1,631,582,541)</u>	<u>(96,255,126)</u>	<u>(3,430,989,668)</u>
<b>Adjusted Change in Net Position</b>	<u>\$ 84,560,683</u>	<u>\$ 170,308,465</u>	<u>\$ (1,735,441)</u>	<u>\$ 16,326,229</u>	<u>\$ 102,020,511</u>	<u>\$ 25,385,487</u>	<u>\$ 222,906,568</u>	<u>\$ 20,304,077</u>	<u>\$ 243,350,035</u>

The University of North Carolina System

**Statement of Revenues, Expenses, and Changes in Net Position**

For the fiscal year ended June 30, 2022

	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
Total Revenues	\$ 860,997,000	\$ 520,937,118	\$ 206,672,685	\$ 444,233,808	\$ 86,799,839	\$ 315,846,998	\$ 196,845,338	\$ 52,422,066	\$ 518,833,145	\$ 11,557,122,842
Eliminations	(950,315)	(204,321)	(311,365)	(400,131)	(996,748)	(510,194)	—	(341,311)	—	(75,298,296)
<b>Total Adjusted Revenues</b>	<b>860,046,685</b>	<b>520,732,797</b>	<b>206,361,320</b>	<b>443,833,677</b>	<b>85,803,091</b>	<b>315,336,804</b>	<b>196,845,338</b>	<b>52,080,755</b>	<b>518,833,145</b>	<b>11,481,824,546</b>
Total Expenses	(689,960,594)	(478,862,560)	(166,000,459)	(378,756,347)	(72,687,453)	(263,714,031)	(166,893,446)	(30,381,749)	(509,740,649)	(10,155,000,200)
Eliminations	(350)	(1,221,500)	—	—	75,000	93,495	(442,746)	1,111,611	76,174,845	75,268,947
<b>Total Adjusted Expenses</b>	<b>(689,960,944)</b>	<b>(480,084,060)</b>	<b>(166,000,459)</b>	<b>(378,756,347)</b>	<b>(72,612,453)</b>	<b>(263,620,536)</b>	<b>(167,336,192)</b>	<b>(29,270,138)</b>	<b>(433,565,804)</b>	<b>(10,079,731,253)</b>
<b>Adjusted Change in Net Position</b>	<b>\$ 170,085,741</b>	<b>\$ 40,648,737</b>	<b>\$ 40,360,861</b>	<b>\$ 65,077,330</b>	<b>\$ 13,190,638</b>	<b>\$ 51,716,268</b>	<b>\$ 29,509,146</b>	<b>\$ 22,810,617</b>	<b>\$ 85,267,341</b>	<b>\$ 1,402,093,293</b>

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
<b>Cash Flows From Operating Activities</b>									
Received from customers	\$ 255,153,245	\$ 569,170,375	\$ 14,962,732	\$ 27,452,787	\$ 150,265,507	\$ 82,657,138	\$ 973,098,570	\$ 37,481,207	\$ 2,532,807,278
Payments to employees and fringe benefits	(297,412,818)	(635,396,374)	(38,718,489)	(81,455,697)	(197,325,164)	(135,690,674)	(1,070,744,742)	(62,720,248)	(2,022,830,213)
Payments to vendors and suppliers	(124,460,637)	(234,252,119)	(35,783,745)	(42,883,205)	(101,345,898)	(93,391,988)	(436,448,827)	(23,221,350)	(1,164,320,491)
Payments for scholarships and fellowships	(40,428,722)	(69,777,378)	(13,581,866)	(23,312,169)	(43,906,280)	(42,942,600)	(79,015,639)	(7,480,472)	(132,926,511)
Loans issued	—	(91,500)	—	—	—	60,755	(69,366)	—	(5,366,361)
Collection of loans	421,920	1,098,021	—	102,885	39,796	—	1,497,764	75,297	5,053,858
Interest earned on loans	54,898	744,920	—	8,342	—	45,691	190,734	32,903	1,564,603
Student deposits received	4,358,175	956,225	—	—	—	—	—	—	—
Student deposits returned	(4,859,638)	(1,232,855)	—	—	—	—	—	—	—
William D. Ford Direct Lending receipts	70,306,964	128,213,885	7,742,323	24,962,986	78,663,129	68,342,353	106,928,879	10,247,810	187,136,511
William D. Ford Direct Lending disbursements	(69,899,111)	(128,214,980)	(7,742,323)	(24,951,571)	(78,663,129)	(68,342,353)	(108,666,828)	(10,247,810)	(187,136,511)
Related activity agency receipts	8,013,512	27,331,340	—	357,998	74,245	—	54,348,508	—	1,415,901
Related activity agency disbursements	(8,118,149)	(27,496,783)	(61,203)	—	(35,658)	(256,386)	(54,247,794)	(110,175)	(1,236,692)
Other receipts	1,290,804	—	—	1,240,365	6,172,694	4,915,591	16,629,239	1,263,464	10,449,283
Other payments	—	—	(601,427)	—	—	—	—	—	—
<b>Net Cash Used by Operating Activities</b>	<b>(205,579,557)</b>	<b>(368,947,223)</b>	<b>(73,783,998)</b>	<b>(118,477,279)</b>	<b>(186,060,758)</b>	<b>(184,602,473)</b>	<b>(596,499,502)</b>	<b>(54,679,374)</b>	<b>(775,389,345)</b>
<b>Cash Flows From Noncapital Financing Activities</b>									
State appropriations	167,255,437	329,264,475	42,557,796	63,937,019	114,318,189	90,650,121	578,015,894	52,182,648	587,593,407
State aid - coronavirus relief fund	4,236,407	7,334,498	1,384,607	1,117,758	2,364,532	1,765,347	13,639,175	1,106,725	17,481,402
Student financial aid	40,853,808	51,551,136	7,028,702	17,547,256	47,108,994	20,904,616	53,111,751	8,045,171	39,719,024
Federal aid - COVID-19	36,404,274	45,347,024	10,853,408	25,045,028	60,937,470	64,538,817	42,759,331	7,460,578	91,506,976
Noncapital contributions, net	24,976,461	13,892,340	10,525,833	19,286,863	28,780,835	10,849,062	88,985,437	4,095,934	420,214,605
Payments for annuities and life income payable under split-interest agreements	—	—	—	—	—	—	—	—	(7,286,440)
Additions to endowments	10,530,173	1,159,316	484,672	537,790	8,483,978	—	10,709,551	67,131	39,779,484
Proceeds from all-risk insurance	—	—	—	—	—	—	—	—	—
Hurricane recovery payments to vendors and suppliers	—	—	—	—	—	—	—	—	—
Grants, aid, and subsidies	—	—	—	—	—	—	—	—	—
Advances to fiduciary activity	—	—	—	—	—	—	—	—	—
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>284,256,560</b>	<b>448,548,789</b>	<b>72,835,018</b>	<b>127,471,714</b>	<b>261,993,998</b>	<b>188,707,963</b>	<b>787,221,139</b>	<b>72,958,187</b>	<b>1,189,008,458</b>

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
<b>Cash Flows From Operating Activities</b>										
Received from customers	\$ 368,400,343	\$ 191,590,130	\$ 41,908,182	\$ 186,914,624	\$ 25,650,364	\$ 88,003,914	\$ 50,973,941	\$ 1,059,874	\$ 11,138,338	\$ 5,608,688,549
Payments to employees and fringe benefits	(427,714,454)	(299,237,227)	(87,718,107)	(241,682,699)	(47,530,817)	(156,229,030)	(79,266,179)	(24,858,406)	(49,082,239)	(5,955,613,577)
Payments to vendors and suppliers	(164,917,506)	(100,324,934)	(44,451,953)	(100,345,983)	(20,212,087)	(73,071,624)	(53,815,494)	(5,970,045)	(44,274,904)	(2,863,492,790)
Payments for scholarships and fellowships	(75,441,677)	(50,480,539)	(30,474,182)	(31,147,710)	(3,080,239)	(28,829,387)	(34,442,847)	—	—	(707,268,218)
Loans issued	(38,124)	(91,513)	—	(84,010)	—	(768,758)	(408,964)	—	—	(6,857,841)
Collection of loans	422,835	299,079	11,912	864,731	—	693,933	—	—	—	10,582,031
Interest earned on loans	124,774	63,916	211,540	30,556	—	47,020	—	—	—	3,119,897
Student deposits received	1,164,000	—	—	—	—	189,038	66,794	—	—	6,734,232
Student deposits returned	(725,400)	—	(81,760)	—	—	(237,979)	(49,572)	—	—	(7,187,204)
William D. Ford Direct Lending receipts	115,022,383	72,156,930	33,901,252	65,968,460	7,318,854	45,254,708	30,531,233	—	—	1,052,698,660
William D. Ford Direct Lending disbursements	(115,022,383)	(72,156,930)	(33,901,252)	(65,968,460)	(7,318,854)	(45,254,708)	(30,531,233)	—	—	(1,054,018,436)
Related activity agency receipts	18,571,489	—	4,571	36,770,573	—	3,019,987	163,333	—	—	150,071,457
Related activity agency disbursements	(18,495,363)	(3,059,786)	—	(36,506,709)	(25,987)	(2,997,338)	—	—	—	(152,648,023)
Other receipts	3,155,311	2,716,224	—	—	—	2,449,514	1,062,602	129,157	46,967	51,521,215
Other payments	—	—	(14,721)	(3,529,334)	—	—	—	—	—	(4,145,482)
<b>Net Cash Used by Operating Activities</b>	<b>(295,493,772)</b>	<b>(258,524,650)</b>	<b>(120,604,518)</b>	<b>(188,715,961)</b>	<b>(45,198,766)</b>	<b>(167,730,710)</b>	<b>(115,716,386)</b>	<b>(29,639,420)</b>	<b>(82,171,838)</b>	<b>(3,867,815,530)</b>
<b>Cash Flows From Noncapital Financing Activities</b>										
State appropriations	292,421,671	189,186,045	96,532,488	181,222,251	37,216,503	148,483,499	66,938,698	33,245,184	418,547,871	3,489,569,196
State aid - coronavirus relief fund	4,926,924	3,857,662	2,253,775	3,209,461	701,354	2,342,978	1,128,442	1,411,154	6,069,601	76,331,802
Student financial aid	73,321,342	58,248,537	18,352,652	25,448,163	1,875,248	24,560,468	20,841,789	—	—	508,518,657
Federal aid - COVID-19	77,371,708	44,765,756	24,097,673	20,124,717	1,832,816	23,870,951	41,863,441	—	—	618,779,968
Noncapital contributions, net	5,468,506	11,520,758	6,325,237	2,047,396	6,790,431	2,264,128	10,672,954	2,226,750	101,416,699	770,340,229
Payments for annuities and life income payable under split-interest agreements	—	(1,139,359)	—	—	—	—	—	—	—	(8,425,799)
Additions to endowments	3,553,042	6,524,908	673,903	3,299,052	4,150,000	2,313,028	50,000	—	20,466	92,336,494
Proceeds from all-risk insurance	—	—	—	2,099,328	—	—	—	—	—	2,099,328
Hurricane recovery payments to vendors and suppliers	—	—	—	(1,168,586)	—	—	—	—	—	(1,168,586)
Grants, aid, and subsidies	—	—	—	—	—	—	—	—	(414,541,113)	(414,541,113)
Advances to fiduciary activity	—	—	—	—	—	—	—	—	(1,406,162)	(1,406,162)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>457,063,193</b>	<b>312,964,307</b>	<b>148,235,728</b>	<b>236,281,782</b>	<b>52,566,352</b>	<b>203,835,052</b>	<b>141,495,324</b>	<b>36,883,088</b>	<b>110,107,362</b>	<b>5,132,434,014</b>

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
<b>Cash Flows from Capital Financing and Related Financing Activities</b>									
Proceeds from capital debt	88,957	—	—	—	—	—	—	—	—
Capital appropriations	—	—	370,931	—	—	11,058,488	—	—	—
Capital contributions	3,335,980	36,128,390	1,000,000	1,513,060	23,260,718	12,352,933	42,278,687	2,071,871	29,664,197
Proceeds from sale of capital assets	—	1,878,175	20,533	—	—	—	1,030,730	—	—
Proceeds from insurance on capital assets	—	—	—	—	—	—	384,219	—	—
Proceeds from lease arrangements	368,459	510,663	—	82,870	—	—	5,089,861	10,673	1,548,449
Acquisition and construction									
of capital assets	(60,695,766)	(36,127,512)	(4,326,815)	(7,521,964)	(28,503,491)	(29,282,422)	(121,687,693)	(1,895,571)	(83,838,821)
Principal paid on capital debt and leases	(18,188,253)	(21,488,367)	(881,161)	(2,680,674)	(3,938,037)	(5,851,988)	(38,367,785)	(3,762,886)	(51,682,930)
Interest and fees paid									
on capital debt and leases	(11,210,121)	(12,604,983)	(1,156,546)	(2,210,102)	(3,710,099)	(3,705,085)	(21,165,958)	(3,283,202)	(52,330,558)
Federal interest subsidy on debt received	—	—	—	—	—	—	—	—	95,262
<b>Net Cash Provided (Used) by Capital Financing and Related Financing Activities</b>	<b>(86,300,744)</b>	<b>(31,703,634)</b>	<b>(4,973,058)</b>	<b>(10,816,810)</b>	<b>(12,890,909)</b>	<b>(15,428,074)</b>	<b>(132,437,939)</b>	<b>(6,859,115)</b>	<b>(156,544,401)</b>
<b>Cash Flows From Investing Activities</b>									
Proceeds from sales									
and maturities of investments	3,971,960	2,136,978	9,895,052	150,629	430,791	—	34,149,506	595,408	398,434,032
Investment income	1,254,939	8,309,332	(1,091,678)	147,676	323,534	400,521	885,270	1,130,564	36,775,790
Investment in joint ventures	—	200,000	—	—	—	—	—	—	—
Purchase of investments and related fees	(8,248,175)	(7,893,114)	(12,249,029)	(2,951,271)	—	(301,991)	(103,608,417)	(148,787)	(442,045,928)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(3,021,276)</b>	<b>2,753,196)</b>	<b>(3,445,655)</b>	<b>(2,652,966)</b>	<b>754,325)</b>	<b>98,530)</b>	<b>(68,573,641)</b>	<b>1,577,185)</b>	<b>(6,836,106)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(10,645,017)</b>	<b>50,651,128)</b>	<b>(9,367,693)</b>	<b>(4,475,341)</b>	<b>63,796,656)</b>	<b>(11,224,054)</b>	<b>(10,289,943)</b>	<b>12,996,883)</b>	<b>250,238,606)</b>
Cash and cash equivalents - July 1, as restated	231,890,083	368,003,488	40,446,062	36,009,019	147,630,945	49,636,021	546,186,650	21,517,560	1,131,955,365
<b>Cash and Cash Equivalents - June 30</b>	<b>\$ 221,245,066</b>	<b>\$ 418,654,616</b>	<b>\$ 31,078,369</b>	<b>\$ 31,533,678</b>	<b>\$ 211,427,601</b>	<b>\$ 38,411,967</b>	<b>\$ 535,896,707</b>	<b>\$ 34,514,443</b>	<b>\$ 1,382,193,971</b>

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
<b>Cash Flows from Capital Financing and Related Financing Activities</b>										
Proceeds from capital debt	—	—	—	9,957,320	—	—	—	—	—	10,046,277
Capital appropriations	—	—	8,282,994	—	45,570	—	—	—	—	19,757,983
Capital contributions	20,303,656	19,475,136	6,016,650	10,106,812	6,412,195	11,102,468	694,990	17,165,408	1,723,268	244,606,419
Proceeds from sale of capital assets	8,800	13,895	11,757	210,328	—	71,801	—	—	20,417	3,266,436
Proceeds from insurance on capital assets	—	—	—	—	—	—	—	—	—	384,219
Proceeds from lease arrangements	253,612	357,577	—	483,872	—	264,267	122,458	—	35,638	9,128,399
Acquisition and construction										
of capital assets	(37,141,738)	(5,236,560)	(23,536,850)	(17,397,230)	(23,341,214)	(91,788,932)	(5,167,237)	(20,372,624)	(928,295)	(598,790,735)
Principal paid on capital debt and leases	(22,330,833)	(16,174,055)	(3,133,822)	(10,736,869)	(646,501)	(7,354,393)	(3,480,879)	(239,235)	(94,608)	(211,033,276)
Interest and fees paid										
on capital debt and leases	(20,480,485)	(12,074,813)	(2,286,936)	(8,624,126)	(1,754,407)	(9,494,522)	(4,879,589)	(62,957)	(65,211)	(171,099,700)
Federal interest subsidy on debt received	1,096,660	—	—	—	—	—	—	—	—	1,191,922
<b>Net Cash Provided (Used) by Capital Financing and Related Financing Activities</b>	<b>(58,290,328)</b>	<b>(13,638,820)</b>	<b>(14,646,207)</b>	<b>(15,999,893)</b>	<b>(19,284,357)</b>	<b>(97,199,311)</b>	<b>(12,710,257)</b>	<b>(3,509,408)</b>	<b>691,209</b>	<b>(692,542,056)</b>
<b>Cash Flows From Investing Activities</b>										
Proceeds from sales										
and maturities of investments	3,429,070	17,213,417	1,807,301	570,947	2,472,454	2,403,676	1,692,820	—	4,461,223	483,815,264
Investment income	3,741,182	1,509,726	94,651	501,216	75,450	1,733,373	4,755,752	—	309,401	60,856,699
Investment in joint ventures	—	—	—	—	—	—	—	—	—	200,000
Purchase of investments and related fees	(6,399,076)	(11,521,310)	(1,824,779)	(453,710)	(3,933,138)	(4,214,258)	(4,607,932)	—	(35,000)	(610,435,915)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>771,176</b>	<b>7,201,833</b>	<b>77,173</b>	<b>618,453</b>	<b>(1,385,234)</b>	<b>(77,209)</b>	<b>1,840,640</b>	<b>—</b>	<b>4,735,624</b>	<b>(65,563,952)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>104,050,269</b>	<b>48,002,670</b>	<b>13,062,176</b>	<b>32,184,381</b>	<b>(13,302,005)</b>	<b>(61,172,178)</b>	<b>14,909,321</b>	<b>3,734,260</b>	<b>33,362,357</b>	<b>506,512,476</b>
Cash and cash equivalents - July 1, as restated	398,742,731	169,789,899	46,619,956	188,584,277	62,585,313	264,712,449	47,571,291	2,645,034	145,707,610	3,900,233,753
<b>Cash and Cash Equivalents - June 30</b>	<b>\$ 502,793,000</b>	<b>\$ 217,792,569</b>	<b>\$ 59,682,132</b>	<b>\$ 220,768,658</b>	<b>\$ 49,283,308</b>	<b>\$ 203,540,271</b>	<b>\$ 62,480,612</b>	<b>\$ 6,379,294</b>	<b>\$ 179,069,967</b>	<b>\$ 4,406,746,229</b>

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
<b>Reconciliation of Net Operating Loss</b>									
<b>to Net Cash Used by Operating Activities</b>									
Operating loss	\$ (206,297,118)	\$ (308,025,774)	\$ (74,588,425)	\$ (113,793,246)	\$ (182,216,153)	\$ (181,892,825)	\$ (601,273,225)	\$ (54,901,230)	\$ (742,420,779)
Adjustments to reconcile operating income (loss) to provided (used) by operating activities:									
Depreciation/ amortization expense	28,989,535	41,821,418	4,748,306	5,353,642	16,621,441	9,069,940	132,763,004	7,644,623	186,182,853
Lease income (amortized deferred inflows of resources)	(327,202)	(485,516)	—	(82,870)	—	—	(3,578,541)	(244,796)	(1,195,407)
Allowance, write-offs, and amortizations	101,567	1,239,211	(88,001)	(704,137)	5,679	190,667	—	(170,598)	12,883,621
Capital asset impairment losses	—	1,917,923	1,274,823	—	—	—	—	—	—
Nonoperating other income	1,516,466	258,650	—	—	—	—	3,035,858	—	1,616,875
Nonoperating other expenses	—	—	—	(58,893)	—	—	—	(349,380)	—
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:									
Receivables, net	(4,576,337)	(16,314,599)	(144,255)	(1,085,696)	(3,048,071)	2,614,272	(25,090,132)	519,609	(67,785,524)
Due from primary government	—	—	—	—	—	—	(2,904,962)	—	(1,066,505)
Due from University component units	—	(762)	—	—	(165,990)	—	—	—	—
Due from State of NC component units	—	—	—	—	—	—	—	—	14,561,040
Inventories	7,267,565	(702,594)	13,164	2,781	(200,287)	198,451	207,197	(22,024)	919,178
Notes receivable, net	421,921	1,006,521	—	834,041	24,925	60,755	1,362,497	75,297	356,724
Prepaid items	—	(1,631,330)	—	20,756	—	—	—	—	—
Net other postemployment benefits asset	360,202	845,189	38,709	90,776	203,965	149,355	1,333,902	82,110	2,331,489
Other assets	628,037	—	(516,800)	—	—	—	—	329,420	2,376,172
Deferred outflows related to asset retirement obligations	—	—	—	—	—	—	(426,766)	—	—
Deferred outflows related to pensions	1,308,919	3,104,108	(55,269)	217,486	599,516	636,169	4,271,813	130,198	(8,709,475)
Deferred outflows related to other postemployment benefits	(9,019,460)	(19,126,993)	(2,632,120)	(934,618)	(11,177,149)	(4,801,603)	(26,138,287)	(2,109,864)	(121,761,332)
Accounts payable and accrued liabilities	652,353	539,150	208,835	1,492,994	2,552,132	4,604,826	15,149,702	571,794	13,774,689
Due to primary government	—	518,478	—	—	—	—	824,459	—	—
Due to State of NC component units	—	—	—	—	—	—	505,642	—	—
Funds held for others	(606,100)	(71,020)	(61,203)	369,413	38,587	(256,386)	100,714	(110,175)	179,209
Unearned revenue	3,025,000	2,885,349	—	1,216,799	970,035	2,469,656	4,292,457	132,381	9,452,675
Pollution remediation	—	—	—	—	—	—	(120,291)	—	—
Compensated absences	52,252	(2,474,959)	224,994	(242,717)	(630,875)	(591,626)	1,623,232	(278,013)	1,230,850
Workers' compensation	(929)	(266,783)	(263,300)	(804,008)	(457,443)	(196,877)	977,641	26,787	(463,531)
Net pension liability	(50,616,125)	(103,195,611)	(7,427,580)	(14,900,424)	(31,207,616)	(25,489,234)	(171,032,750)	(8,373,243)	(225,855,599)
Net other postemployment benefits liability	34,562,521	55,851,544	5,155,488	5,074,398	25,705,859	13,841,507	107,281,132	7,155,734	295,486,620
Deposits payable	25,660	(276,631)	—	—	—	—	1,463,477	29,185	1,945,041
Asset retirement obligation	—	—	—	—	—	—	764,157	—	—

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
<b>Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities</b>										
Operating loss	\$ (293,314,445)	\$ (251,401,986)	\$ (120,295,437)	\$ (174,927,702)	\$ (44,612,726)	\$ (158,533,703)	\$ (113,041,782)	\$ (29,245,465)	\$ (80,340,297)	\$ (3,731,122,318)
Adjustments to reconcile operating income (loss) to provided (used) by operating activities:										
Depreciation/ amortization expense	36,921,035	27,400,550	9,274,269	16,644,614	4,699,371	11,129,272	9,747,207	1,755,570	4,878,530	555,645,180
Lease income (amortized deferred inflows of resources)	(242,242)	(370,314)	—	(466,678)	—	(202,517)	(162,893)	—	(25,432)	(7,384,408)
Allowance, write-offs, and amortizations	923,873	(70,246)	419,040	164,527	4,775	(353,091)	(1,317,052)	—	—	13,229,835
Capital asset impairment losses	—	—	1,598,866	—	—	—	—	—	—	4,791,612
Nonoperating other income	109,884	—	—	170,699	(335,568)	348,864	—	51,025	—	6,772,753
Nonoperating other expenses	—	(13,895)	(372,734)	—	—	—	—	—	—	(794,902)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:										
Receivables, net	(5,726,110)	(3,334,760)	616,227	(3,815,712)	(30,281)	425,949	1,304,070	48,737	(925,465)	(126,348,078)
Due from primary government	—	—	—	—	—	—	—	—	—	(3,971,467)
Due from University component units	—	—	—	—	—	—	—	—	—	(166,752)
Due from State of NC component units	—	—	—	—	—	—	—	—	—	14,561,040
Inventories	148,057	99,330	(45,657)	(139,567)	(109,614)	23,348	(54,787)	3,806	9,994	7,618,341
Notes receivable, net	399,657	460,500	(431,207)	870,076	—	648,224	242,902	—	—	6,332,833
Prepaid items	(186,824)	—	(5,000)	56,371	(1,779)	(20,067)	—	(770)	1,215,671	(552,972)
Net other postemployment benefits asset	539,072	346,411	107,407	275,576	52,909	(191,610)	96,856	28,389	56,858	6,747,565
Other assets	—	—	—	—	—	—	—	—	—	2,816,829
Deferred outflows related to asset retirement obligations	—	—	—	—	—	—	—	—	—	(426,766)
Deferred outflows related to pensions	2,162,510	654,912	460,469	(1,268,261)	(9,244)	(888,353)	573,828	(84,518)	(1,349,054)	1,755,754
Deferred outflows related to other postemployment benefits	(9,239,579)	(8,024,983)	(2,132,623)	(14,733,381)	(563,384)	(5,667,049)	(2,749,175)	(1,603,573)	(7,812,979)	(250,228,152)
Accounts payable and accrued liabilities	1,738,910	569,650	42,597	381,173	260,235	(3,375,999)	(85,321)	124,515	712,543	39,914,778
Due to primary government	—	—	—	—	—	—	—	—	—	1,342,937
Due to State of NC component units	—	—	—	—	—	18,898	—	—	—	524,540
Funds held for others	3,422	(3,059,786)	4,571	263,864	(25,987)	49,877	163,333	129,158	—	(2,888,509)
Unearned revenue	1,789,088	1,231,954	—	(5,799,226)	—	1,253,070	1,547,828	35,288	(1,816,994)	22,685,360
Pollution remediation	—	—	—	—	—	—	—	—	—	(120,291)
Compensated absences	(1,052,739)	(1,850,279)	(107,415)	(224,557)	(141,632)	(56,999)	(609,605)	141,959	(280,614)	(5,268,743)
Workers' compensation	(580,206)	(1,001,933)	(300,858)	(67,914)	(1,321,682)	60,592	(16,435)	(153,624)	(156,857)	(4,987,360)
Net pension liability	(55,058,729)	(38,772,939)	(15,010,300)	(29,844,600)	(6,665,864)	(23,782,080)	(14,512,616)	(5,088,096)	(7,079,492)	(833,912,898)
Net other postemployment benefits liability	53,261,102	37,610,455	9,792,497	38,126,910	4,521,062	20,235,395	8,166,350	3,481,886	10,829,811	736,140,271
Deposits payable	449,773	47,600	(81,760)	(792)	—	(76,168)	17,222	—	—	3,542,607
Asset retirement obligation	—	—	—	—	—	—	—	—	—	764,157

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	Appalachian State University	East Carolina University	Elizabeth City State University	Fayetteville State University	North Carolina A&T State University	North Carolina Central University	North Carolina State University	UNC Asheville	UNC-Chapel Hill
Deferred inflows for pensions	40,397,348	80,922,416	6,104,299	11,215,496	25,361,907	19,878,555	135,253,742	6,590,868	(343,119,717)
Deferred inflows related to other postemployment benefits	(52,205,848)	(107,284,608)	(5,775,663)	(11,759,252)	(29,041,220)	(23,009,151)	(177,145,174)	(11,408,057)	193,691,488
Deferred inflows under service concession arrangements	(1,239,784)	—	—	—	—	(2,078,924)	—	—	—
<b>Net Cash Used by Operating Activities</b>	<b>\$ (205,579,557)</b>	<b>\$ (368,947,223)</b>	<b>\$ (73,783,998)</b>	<b>\$ (118,477,279)</b>	<b>\$ (186,060,758)</b>	<b>\$ (184,602,473)</b>	<b>\$ (596,499,502)</b>	<b>\$ (54,679,374)</b>	<b>\$ (775,389,345)</b>

### Reconciliation of Cash and Cash Equivalents

Current Assets:

Cash and cash equivalents	\$ 149,736,025	\$ 317,809,158	\$ 16,835,359	\$ 10,523,552	\$ 150,392,248	\$ 19,793,754	\$ 195,783,587	\$ 24,987,479	\$ 834,873,760
Restricted cash and cash equivalents	36,975,516	43,676,654	7,407,021	10,951,695	31,360,978	18,348,663	169,063,884	4,265,738	411,356,495
Noncurrent Assets:									
Restricted cash and cash equivalents	34,533,525	57,168,804	6,835,989	10,058,431	29,674,375	269,550	171,049,236	5,261,226	135,963,716
<b>Total Cash and Cash Equivalents - June 30</b>	<b>\$ 221,245,066</b>	<b>\$ 418,654,616</b>	<b>\$ 31,078,369</b>	<b>\$ 31,533,678</b>	<b>\$ 211,427,601</b>	<b>\$ 38,411,967</b>	<b>\$ 535,896,707</b>	<b>\$ 34,514,443</b>	<b>\$ 1,382,193,971</b>

### Noncash Investing, Capital, and Financing Activities

Assets acquired through the assumption of a liability	\$ 3,173,641	\$ 3,608,669	\$ —	\$ 1,318,640	\$ 759,193	\$ —	\$ 2,165,174	\$ 228,611	\$ 7,480,885
Assets acquired through a gift	217,237	133,005	—	—	952,700	—	754,895	2,507,020	10,769,105
Assets acquired through a service concession arrangement	59,170,296	—	—	—	—	30,682,394	—	—	—
Change in fair value of investments	7,520,857	(15,314,703)	571,499	1,241,352	(4,498,771)	790,096	985,288	(488,092)	(98,412,321)
Reinvested distributions	(811,676)	—	—	—	3,993,722	—	—	—	—
Gain on investment in joint ventures	—	194,698	—	—	—	—	—	—	—
Gain on exchange of assets	—	—	—	—	—	—	10,941,092	—	—
Loss on disposal of capital assets	(1,682,847)	—	59,533	—	(546,909)	(996,641)	(1,385,489)	—	(4,119,840)
Bond issuance cost withheld	—	—	—	—	—	—	—	—	—
Funds escrowed to defease debt	16,765,800	—	—	—	—	—	—	—	—
Amortization of bond premiums/ discounts and deferred loss on refunding	(1,000,314)	(821,104)	83,439	(235,979)	(166,642)	(878,392)	(2,080,110)	335,416	(1,334,123)
Change in receivables related to nonoperating income	4,209,939	2,000,000	993,929	(1,753,745)	2,399,194	—	1,015,625	326,228	—
Payments made on behalf of the University UNC Management Company	(118,877)	—	—	—	—	—	—	—	—
investment management fees	(242,692)	—	—	—	—	—	—	—	—
Decrease in net other postemployment benefit liability related to noncapital contributions	(1,938,891)	(4,383,149)	(223,147)	(481,675)	(1,139,952)	(806,531)	(7,156,041)	(444,836)	(13,384,263)

# The University of North Carolina System

## Statement of Cash Flows

For the fiscal year ended June 30, 2022

	UNC Charlotte	UNC Greensboro	UNC Pembroke	UNC Wilmington	UNC School of the Arts	Western Carolina University	Winston-Salem State University	North Carolina School of Science and Mathematics	UNC System Office	Total
Deferred inflows for pensions	44,145,682	31,941,811	11,942,731	25,897,185	5,502,849	19,497,345	10,807,518	(3,327,331)	6,854,306	135,867,010
Deferred inflows related to other postemployment benefits	(72,684,963)	(50,986,702)	(16,080,201)	(37,667,188)	(6,422,206)	(28,273,908)	(15,833,834)	4,063,624	(6,942,367)	(454,765,230)
Deferred inflows under service concession arrangements	—	—	—	(2,611,378)	—	—	—	—	—	(5,930,086)
<b>Net Cash Used by Operating Activities</b>	<b>\$ (295,493,772)</b>	<b>\$ (258,524,650)</b>	<b>\$ (120,604,518)</b>	<b>\$ (188,715,961)</b>	<b>\$ (45,198,766)</b>	<b>\$ (167,730,710)</b>	<b>\$ (115,716,386)</b>	<b>\$ (29,639,420)</b>	<b>\$ (82,171,838)</b>	<b>\$ (3,867,815,530)</b>

### Reconciliation of Cash and Cash Equivalents

Current Assets:										
Cash and cash equivalents	\$ 423,991,721	\$ 154,246,188	\$ 29,874,962	\$ 149,745,175	\$ 26,636,675	\$ 148,608,514	\$ 43,295,082	\$ 4,840,736	\$ 15,470,140	\$ 2,717,444,115
Restricted cash and cash equivalents	38,555,246	31,073,279	13,466,944	31,438,100	12,364,668	31,228,105	8,310,586	444,347	159,278,140	1,059,566,059
Noncurrent Assets:										
Restricted cash and cash equivalents	40,246,033	32,473,102	16,340,226	39,585,383	10,281,965	23,703,652	10,874,944	1,094,211	4,321,687	629,736,055
<b>Total Cash and Cash Equivalents - June 30</b>	<b>\$ 502,793,000</b>	<b>\$ 217,792,569</b>	<b>\$ 59,682,132</b>	<b>\$ 220,768,658</b>	<b>\$ 49,283,308</b>	<b>\$ 203,540,271</b>	<b>\$ 62,480,612</b>	<b>\$ 6,379,294</b>	<b>\$ 179,069,967</b>	<b>\$ 4,406,746,229</b>

### Noncash Investing, Capital, and Financing Activities

Assets acquired through the assumption of a liability										
	\$ 2,947,311	\$ 95,692	\$ —	\$ —	\$ 1,892,586	\$ 9,363,225	\$ —	\$ 2,811,680	\$ —	\$ 35,845,307
Assets acquired through a gift										
	1,028,214	233,389	109,093	18,305	—	231,848	—	—	—	16,954,811
Assets acquired through a service concession arrangement										
	—	—	—	61,014,033	—	—	—	—	—	150,866,723
Change in fair value of investments	6,221,711	(30,474,675)	(723,590)	5,465,303	373,119	3,912,041	(1,183,802)	—	5,595,430	(118,419,258)
Reinvested distributions	—	—	—	120,565	—	1,641,474	—	—	—	4,944,085
Gain on investment in joint ventures	—	—	—	—	—	—	—	—	—	194,698
Gain on exchange of assets	—	—	—	—	—	—	—	—	—	10,941,092
Loss on disposal of capital assets	(1,561,188)	(582,655)	(155,405)	—	(45,643)	(4,379,110)	—	—	(608,994)	(16,005,188)
Bond issuance cost withheld	—	—	—	—	—	—	344,932	—	—	344,932
Funds escrowed to defease debt	127,450,000	—	—	—	—	—	26,664,044	—	—	170,879,844
Amortization of bond premiums/ discounts and deferred loss on refunding										
	(10,033,604)	(2,667,695)	(156,555)	(815,194)	(100,690)	(1,039,252)	(663,720)	—	—	(21,574,519)
Change in receivables related to nonoperating income										
	1,121,094	—	—	—	—	1,383,798	1,614,988	—	411,983	13,723,033
Payments made on behalf of the University	—	—	—	—	—	—	—	—	—	(118,877)
UNC Management Company investment management fees										
	—	—	—	—	—	—	—	—	—	(242,692)
Decrease in net other postemployment benefit liability related to noncapital contributions										
	(2,902,053)	(1,930,326)	(585,011)	(1,597,298)	(284,408)	(1,064,141)	(514,718)	(152,536)	(341,799)	(39,330,775)

## The University of North Carolina System

### Reconciliation of the Statement of Net Position for Individual UNC System Institutions and UNC System Office to the Consolidated Statement

June 30, 2022

	Total of UNC System Institutions and UNC System Office	Eliminations	Consolidated UNC System Institutions and UNC System Office
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 2,717,444,115	\$ —	\$ 2,717,444,115
Restricted cash and cash equivalents	1,059,566,059	—	1,059,566,059
Short-term investments	467,515,036	—	467,515,036
Restricted short-term investments	170,187,668	—	170,187,668
Receivables, net	664,810,259	—	664,810,259
Due from State of NC component units	54,347,735	—	54,347,735
Due from University component units	4,211,237	—	4,211,237
Due from primary government	42,642,803	—	42,642,803
Due from UNC System Office fiduciary fund	2,415,101	—	2,415,101
Notes receivable, net	9,611,140	—	9,611,140
Inventories	47,207,150	—	47,207,150
Leases receivable	6,119,054	—	6,119,054
Prepaid items	16,094,345	—	16,094,345
Other assets	27,863,446	—	27,863,446
<i>Total Current Assets</i>	<u>5,290,035,148</u>	<u>—</u>	<u>5,290,035,148</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	629,736,055	—	629,736,055
Receivables, net	97,324,429	—	97,324,429
Endowment investments	5,144,611,739	—	5,144,611,739
Restricted investments	34,025,113	—	34,025,113
Other investments	307,514,753	—	307,514,753
Investment in joint venture	17,988,753	—	17,988,753
Cash surrender value of life insurance policies	161,640	—	161,640
Notes receivable, net	42,717,245	—	42,717,245
Leases receivable	55,754,527	—	55,754,527
Prepaid items	354,792	—	354,792
Beneficial interest in assets held by others	3,712,056	—	3,712,056
Net other postemployment benefits asset	3,399,930	—	3,399,930
Other noncurrent assets	1,195,380	—	1,195,380
Capital assets, nondepreciable	1,205,921,000	—	1,205,921,000
Capital assets, depreciable	12,442,195,969	—	12,442,195,969
<i>Total Noncurrent Assets</i>	<u>19,986,613,381</u>	<u>—</u>	<u>19,986,613,381</u>
<b>Total Assets</b>	<u>25,276,648,529</u>	<u>—</u>	<u>25,276,648,529</u>
<b>Deferred Outflows of Resources</b>			
Accumulated decrease in fair value of hedging derivatives	68,532,840	—	68,532,840
Deferred loss on refunding	52,897,977	—	52,897,977
Deferred outflows related to asset retirement obligations	13,833,032	—	13,833,032
Deferred outflows related to pensions	558,001,569	—	558,001,569
Deferred outflows related to other postemployment benefits	1,243,233,891	—	1,243,233,891
<b>Total Deferred Outflows of Resources</b>	<u>1,936,499,309</u>	<u>—</u>	<u>1,936,499,309</u>

The University of North Carolina System

**Reconciliation of the Statement of Net Position for  
Individual UNC System Institutions and UNC System Office to the Consolidated Statement**

June 30, 2022

	Total of UNC System Institutions and UNC System Office	Eliminations	Consolidated UNC System Institutions and UNC System Office
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	395,577,545	29,349	395,606,894
Due to State of NC component units	13,111,224	—	13,111,224
Due to primary government	18,586,407	—	18,586,407
Due to University component units	12,701,623	—	12,701,623
Interest payable	29,136,865	—	29,136,865
Deposits payable	23,292,302	—	23,292,302
U.S. government grants refundable	303,934	—	303,934
Funds held for others	2,750,094	—	2,750,094
Unearned revenue	341,845,789	—	341,845,789
Long-term liabilities - current portion	351,952,043	—	351,952,043
<i>Total Current Liabilities</i>	<u>1,189,257,826</u>	<u>29,349</u>	<u>1,189,287,175</u>
Noncurrent Liabilities:			
Accounts payable and accrued liabilities	49,095,940	—	49,095,940
Hedging derivatives liability	68,532,840	—	68,532,840
Unearned revenue	101,686,548	—	101,686,548
Deposits payable	7,433,604	—	7,433,604
Funds held for others	15,293,737	—	15,293,737
U.S. government grants refundable	36,782,794	—	36,782,794
Long-term liabilities - noncurrent portion	12,153,680,808	—	12,153,680,808
<i>Total Noncurrent Liabilities</i>	<u>12,432,506,271</u>	<u>—</u>	<u>12,432,506,271</u>
<b>Total Liabilities</b>	<u>13,621,764,097</u>	<u>29,349</u>	<u>13,621,793,446</u>
<b>Deferred Inflows of Resources</b>			
Deferred gain on refunding	3,291,335	—	3,291,335
Deferred inflows related to pensions	684,793,133	—	684,793,133
Deferred inflows related to other postemployment benefits	1,964,888,426	—	1,964,888,426
Deferred inflows for irrevocable split-interest agreements	21,117,913	—	21,117,913
Deferred inflows for trusts held by others	2,725,494	—	2,725,494
Deferred inflows under service concession arrangement	314,514,241	—	314,514,241
Deferred inflows related to endowments	50,029	—	50,029
Deferred inflows for leases	60,910,174	—	60,910,174
Deferred inflows for state appropriations	103,840,000	—	103,840,000
<b>Total Deferred Inflows of Resources</b>	<u>3,156,130,745</u>	<u>—</u>	<u>3,156,130,745</u>
<b>Net Position</b>			
Net investment in capital assets	8,605,003,302	—	8,605,003,302
Nonexpendable:			
Restricted nonexpendable	1,883,471,188	—	1,883,471,188
Expendable:			
Restricted expendable	4,018,743,903	—	4,018,743,903
Unrestricted net position	(4,071,965,397)	(29,349)	(4,071,994,746)
<b>Total Net Position</b>	<u>\$ 10,435,252,996</u>	<u>\$ (29,349)</u>	<u>\$ 10,435,223,647</u>

The University of North Carolina System

**Reconciliation of the Statement of Revenues, Expenses, and Changes in Net Position for Individual UNC System Institutions and UNC System Office to the Consolidated Statement**

For the fiscal year ended June 30, 2022

	UNC System Institutions and UNC System Office	Eliminations	Consolidated UNC System Institutions and UNC System Office
<b>Operating Revenues</b>			
Student tuition & fees, net	\$ 1,870,361,281	\$ 87,557	\$ 1,870,448,838
Patient services, net	814,470,228	—	814,470,228
Federal appropriations	32,742,830	—	32,742,830
Federal grants and contracts	1,205,238,259	(138,726)	1,205,099,533
State and local grants and contracts	93,221,505	(2,577,276)	90,644,229
Nongovernmental grants and contracts	309,714,204	(144,914)	309,569,290
Sales and services, net	1,351,646,683	2,315,222	1,353,961,905
Interest earnings on loans	2,284,959	—	2,284,959
Lease income	7,142,697	—	7,142,697
Other operating revenues, net	58,118,289	(224,999)	57,893,290
<i>Total Operating Revenues</i>	<u>5,744,940,935</u>	<u>(683,136)</u>	<u>5,744,257,799</u>
<b>Operating Expenses</b>			
Salaries and benefits	5,277,929,583	—	5,277,929,583
Supplies and services	2,719,075,673	(425,926)	2,718,649,747
Scholarships and fellowships	707,283,223	776,806	708,060,029
Utilities	216,129,594	—	216,129,594
Depreciation/ amortization	555,645,180	—	555,645,180
<i>Total Operating Expenses</i>	<u>9,476,063,253</u>	<u>350,880</u>	<u>9,476,414,133</u>
<b>Operating Loss</b>	<u>(3,731,122,318)</u>	<u>(1,034,016)</u>	<u>(3,732,156,334)</u>
<b>Nonoperating Revenues/ (Expenses)</b>			
State appropriations	3,460,569,196	—	3,460,569,196
State aid - coronavirus relief fund	77,695,190	(1,629,641)	76,065,549
Student financial aid	519,808,817	(1,397,596)	518,411,221
Federal aid - COVID-19	601,780,400	(156,764)	601,623,636
Noncapital contributions, net	730,260,223	(62,569,406)	667,690,817
Interest and fees on debt	(160,704,684)	—	(160,704,684)
Investment income (loss)	(50,414,909)	—	(50,414,909)
Interest earned on leases	3,159,882	—	3,159,882
Grants, aid and subsidies	(414,541,113)	76,174,845	(338,366,268)
Federal interest subsidy on debt	1,190,470	—	1,190,470
Hurricane Florence insurance recoveries	2,099,328	—	2,099,328
Hurricane Florence disaster costs	(1,168,586)	—	(1,168,586)
Other nonoperating revenues	16,758,635	(1,273,753)	15,484,882
Other nonoperating expenses	(9,919,100)	(555,018)	(10,474,118)
<i>Total Nonoperating Revenues/ (Expenses)</i>	<u>4,776,573,749</u>	<u>8,592,667</u>	<u>4,785,166,416</u>
<b>Income Before Transfers and Other Items</b>	<u>1,045,451,431</u>	<u>7,558,651</u>	<u>1,053,010,082</u>
Capital appropriations	19,757,983	—	19,757,983
Capital contributions	242,469,723	—	242,469,723
Additions to endowments	94,443,505	(7,588,000)	86,855,505
<b>Change in Net Position</b>	<u>1,402,122,642</u>	<u>(29,349)</u>	<u>1,402,093,293</u>
Net position - July 1, as restated	9,033,130,354	—	9,033,130,354
<b>Net Position - June 30</b>	<u>\$ 10,435,252,996</u>	<u>\$ (29,349)</u>	<u>\$ 10,435,223,647</u>

# The University of North Carolina System

## Reconciliation of the Statement of Cash Flows for Individual UNC System Institutions and UNC System Office to the Consolidated Statement

For the fiscal year ended June 30, 2022

	Total of UNC System Institutions and UNC System Office	Eliminations	Consolidated UNC System Institutions and UNC System Office
<b>Cash Flows From Operating Activities</b>			
Received from customers	\$ 5,608,688,549	\$ —	\$ 5,608,688,549
Payments to employees and fringe benefits	(5,955,613,577)	—	(5,955,613,577)
Payments to vendors and suppliers	(2,863,492,790)	—	(2,863,492,790)
Payments for scholarships and fellowships	(707,268,218)	—	(707,268,218)
Loans issued	(6,857,841)	—	(6,857,841)
Collection of loans	10,582,031	—	10,582,031
Interest earned on loans	3,119,897	—	3,119,897
Student deposits received	6,734,232	—	6,734,232
Student deposits returned	(7,187,204)	—	(7,187,204)
William D. Ford Direct Lending receipts	1,052,698,660	—	1,052,698,660
William D. Ford Direct Lending disbursements	(1,054,018,436)	—	(1,054,018,436)
Related activity agency receipts	150,071,457	—	150,071,457
Related activity agency disbursements	(152,648,023)	—	(152,648,023)
Other receipts	51,521,215	—	51,521,215
Other payments	(4,145,482)	—	(4,145,482)
<b>Net Cash Used by Operating Activities</b>	<b>(3,867,815,530)</b>	<b>—</b>	<b>(3,867,815,530)</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
State appropriations	3,489,569,196	—	3,489,569,196
State aid - coronavirus relief fund	76,331,802	—	76,331,802
Student financial aid	508,518,657	—	508,518,657
Federal aid - COVID-19	618,779,968	—	618,779,968
Noncapital contributions, net	770,340,229	—	770,340,229
Payments for annuities and life income payable under split-interest agreements	(8,425,799)	—	(8,425,799)
Additions to endowments	92,336,494	—	92,336,494
Proceeds from all-risk insurance	2,099,328	—	2,099,328
Hurricane recovery payments to vendors and suppliers	(1,168,586)	—	(1,168,586)
Grants, aid, and subsidies	(414,541,113)	—	(414,541,113)
Advances to fiduciary activity	(1,406,162)	—	(1,406,162)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>5,132,434,014</b>	<b>—</b>	<b>5,132,434,014</b>
<b>Cash Flows from Capital Financing and Related Financing Activities</b>			
Proceeds from capital debt	10,046,277	—	10,046,277
Capital appropriations	19,757,983	—	19,757,983
Capital contributions	244,606,419	—	244,606,419
Proceeds from sale of capital assets	3,266,436	—	3,266,436
Proceeds from insurance on capital assets	384,219	—	384,219
Proceeds from lease arrangements	9,128,399	—	9,128,399
Acquisition and construction of capital assets	(598,790,735)	—	(598,790,735)
Principal paid on capital debt and leases	(211,033,276)	—	(211,033,276)
Interest and fees paid on capital debt and leases	(171,099,700)	—	(171,099,700)
Federal interest subsidy on debt received	1,191,922	—	1,191,922
<b>Net Cash Used by Capital Financing and Related Financing Activities</b>	<b>(692,542,056)</b>	<b>—</b>	<b>(692,542,056)</b>

The University of North Carolina System

**Reconciliation of the Statement of Cash Flows for  
Individual UNC System Institutions and UNC System Office to the Consolidated Statement**

For the fiscal year ended June 30, 2022

	Total of UNC System Institutions and UNC System Office	Eliminations	Consolidated UNC System Institutions and UNC System Office
<b>Cash Flows From Investing Activities</b>			
Proceeds from sales and maturities of investments	483,815,264	—	483,815,264
Investment income	60,856,699	—	60,856,699
Investment in joint ventures	200,000	—	200,000
Purchase of investments and related fees	(610,435,915)	—	(610,435,915)
<b>Net Cash Used by Investing Activities</b>	(65,563,952)	—	(65,563,952)
<b>Net Increase in Cash and Cash Equivalents</b>	506,512,476	—	506,512,476
Cash and cash equivalents - July 1, as restated	3,900,233,753	—	3,900,233,753
<b>Cash and Cash Equivalents - June 30</b>	\$ 4,406,746,229	\$ —	\$ 4,406,746,229

The University of North Carolina System

**Reconciliation of the Statement of Cash Flows for  
Individual UNC System Institutions and UNC System Office to the Consolidated Statement**

For the fiscal year ended June 30, 2022

	Total of UNC System Institutions and UNC System Office	Eliminations	Consolidated UNC System Institutions and UNC System Office
<b>Reconciliation of Cash and Cash Equivalents</b>			
Current Assets:			
Cash and cash equivalents	\$ 2,717,444,115	\$ —	\$ 2,717,444,115
Restricted cash and cash equivalents	1,059,566,059	—	1,059,566,059
Noncurrent Assets:			
Restricted cash and cash equivalents	629,736,055	—	629,736,055
<b>Total Cash and Cash Equivalents – June 30</b>	<b>\$ 4,406,746,229</b>	<b>\$ —</b>	<b>\$ 4,406,746,229</b>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Assets acquired through the assumption of a liability	\$ 35,845,307	\$ —	\$ 35,845,307
Assets acquired through a gift	16,954,811	—	16,954,811
Assets acquired through a service concession arrangement	150,866,723	—	150,866,723
Change in fair value of investments	(118,419,258)	—	(118,419,258)
Reinvested distributions	4,944,085	—	4,944,085
Gain on investment in joint ventures	194,698	—	194,698
Gain on exchange of assets	10,941,092	—	10,941,092
Loss on disposal of capital assets	(16,005,188)	—	(16,005,188)
Bond issuance cost withheld	344,932	—	344,932
Funds escrowed to defease debt	170,879,844	—	170,879,844
Amortization of bond premiums/ discounts and deferred loss on refunding	(21,574,519)	—	(21,574,519)
Change in receivables related to nonoperating income	13,723,033	—	13,723,033
Payments made on behalf of the University	(118,877)	—	(118,877)
UNC Management Company investment management fees	(242,692)	—	(242,692)
Decrease in net other postemployment benefits liability related to noncapital contributions	(39,330,775)	—	(39,330,775)

# The University of North Carolina System

## Reconciliation of the Statement of Cash Flows for Individual UNC System Institutions and UNC System Office to the Consolidated Statement

For the fiscal year ended June 30, 2022

	Total of UNC System Institutions and UNC System Office	Eliminations	Consolidated UNC System Institutions and UNC System Office
<b>Reconciliation of Net Operating Loss</b>			
<b>to Net Cash Used by Operating Activities</b>			
Operating loss	\$ (3,731,122,318)	\$ —	\$ (3,731,122,318)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation/ amortization expense	555,645,180	—	555,645,180
Lease income (amortized deferred inflows of resources)	(7,384,408)	—	(7,384,408)
Allowance, write-offs, and amortizations	13,229,835	—	13,229,835
Capital asset impairment losses	4,791,612	—	4,791,612
Nonoperating other income	6,772,753	—	6,772,753
Nonoperating other expenses	(794,902)	—	(794,902)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Receivables, net	(126,348,078)	—	(126,348,078)
Due from primary government	(3,971,467)	—	(3,971,467)
Due from University component units	(166,752)	—	(166,752)
Due from State of NC component units	14,561,040	—	14,561,040
Inventories	7,618,341	—	7,618,341
Notes receivable, net	6,332,833	—	6,332,833
Prepaid items	(552,972)	—	(552,972)
Net other postemployment benefits asset	6,747,565	—	6,747,565
Other assets	2,816,829	—	2,816,829
Deferred outflows related to asset retirement obligations	(426,766)	—	(426,766)
Deferred outflows related to pensions	1,755,754	—	1,755,754
Deferred outflows related to other postemployment benefits	(250,228,152)	—	(250,228,152)
Accounts payable and accrued liabilities	39,914,778	—	39,914,778
Due to primary government	1,342,937	—	1,342,937
Due to State of NC component units	524,540	—	524,540
Funds held for others	(2,888,509)	—	(2,888,509)
Unearned revenue	22,685,360	—	22,685,360
Pollution remediation	(120,291)	—	(120,291)
Compensated absences	(5,268,743)	—	(5,268,743)
Workers' compensation	(4,987,360)	—	(4,987,360)
Net pension liability	(833,912,898)	—	(833,912,898)
Net other postemployment benefits liability	736,140,271	—	736,140,271
Deposits payable	3,542,607	—	3,542,607
Asset retirement obligation	764,157	—	764,157
Deferred inflows for pensions	135,867,010	—	135,867,010
Deferred inflows related to other postemployment benefits	(454,765,230)	—	(454,765,230)
Deferred inflows under service concession arrangements	(5,930,086)	—	(5,930,086)
<b>Net Cash Used by Operating Activities</b>	<b>\$ (3,867,815,530)</b>	<b>\$ —</b>	<b>\$ (3,867,815,530)</b>

## The University of North Carolina System

### Reconciliation of the Statement of Cash Flows for Individual UNC System Institutions and UNC System Office to the Consolidated Statement

For the fiscal year ended June 30, 2022

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**Caption Variances**

Certain captions vary from institution to institution. Certain common captions have been combined for presentation in the consolidated financial statements. All receivable captions have been combined and are presented as Receivables, net. Also, several universities use various captions for prepaid items. All references to prepaid assets, prepaid expense, prepaid insurance, and prepaid bond insurance are shown under the caption prepaid items. The following is a list of other captions that are presented with a different title in the consolidated University statements.

**UNC Hospitals at Chapel Hill**

Net patient service revenue

Contracted services

**UNC System Consolidation**

Patent services, net

Services

## Glossary<sup>1</sup>

**Instruction** - A functional expense category that includes expenses of the colleges, schools, departments, and other instructional divisions of the institution and expenses for departmental research and public service that are not separately budgeted. Includes general academic instruction, occupational and vocational instruction, community education, preparatory and adult basic education, and regular, special, and extension sessions. Also includes expenses for both credit and non-credit activities. Excludes expenses for academic administration where the primary function is administration (e.g., academic deans).

**Research** - A functional expense category that includes expenses for activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organizational unit within the institution. The category includes institutes and research centers, and individual and project research. This function does not include nonresearch sponsored programs (e.g., training programs).

**Public service** - A functional expense category that includes expenses for activities established primarily to provide noninstructional services beneficial to individuals and groups external to the institution. Examples are conferences, institutes, general advisory service, reference bureaus, and similar services provided to particular sectors of the community. This function includes expenses for community services, cooperative extension services, and public broadcasting services.

**Academic support** - A functional expense category that includes expenses of activities and services that support the institution's primary missions of instruction, research, and public service. It includes the retention, preservation, and display of educational materials (for example, libraries, museums, and galleries); organized activities that provide support services to the academic functions of the institution (such as a demonstration school associated with a college of education or veterinary and dental clinics if their primary purpose is to support the instructional program); media such as audiovisual services; academic administration (including academic deans but not department chairpersons); and formally organized and separately budgeted academic personnel development and course and curriculum development expenses.

**Student services** - A functional expense category that includes expenses for admissions, registrar activities, and activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instructional program. Examples include student activities, cultural events, student newspapers, intramural athletics, student organizations, supplemental instruction outside the normal administration, and student records. Intercollegiate athletics and student health services may also be included except when operated as self-supporting auxiliary enterprises.

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<sup>1</sup> These definitions are based on those used by the Integrated Postsecondary Education Data System (IPEDS).

## Glossary (cont.)

**Institutional support** - A functional expense category that includes expenses for the day-to-day operational support of the institution. Includes expenses for general administrative services, central executive-level activities concerned with management and long-range planning, legal and fiscal operations, space management, employee personnel and records, logistical services such as purchasing and printing, and public relations and development.

**Operation and maintenance of plant** - A functional expense category that includes expenses for operations established to provide service and maintenance related to campus grounds and facilities used for educational and general purposes. Specific expenses include utilities, fire protection, property insurance, and similar items. This function does include amounts charged to auxiliary enterprises, hospitals, and independent operations.

**Student financial aid** - Outright grants-in-aid, trainee stipends, tuition and fee waivers, and prizes awarded to students by the institution, including Pell grants. Awards to undergraduate students are most commonly referred to as "scholarships" and those to graduate students as "fellowships." These awards do not require the performance of services while a student (such as teaching) or subsequently as a result of the scholarship or fellowship. The term does not include loans to students (subject to repayment), College Work-Study Program (CWS), or awards granted to a parent of a student because of the parent's faculty or staff status. Also not included are awards to students where the selection of the student recipient is not made by the institution.

**Auxiliary enterprises** - Expenses for essentially self-supporting operations of the institution that exist to furnish a service to students, faculty, or staff, and that charge a fee that is directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services, student health services, intercollegiate athletics (only if essentially self-supporting), college unions, college stores, faculty and staff parking, and faculty housing.

**Depreciation** - The allocation or distribution of the cost of capital assets, less any salvage value, to expenses over the estimated useful life of the asset in a systematic and rational manner. Depreciation for the year is the amount of the allocation or distribution for the year involved.

**Independent operations** - Expenses associated with operations that are independent of or unrelated to the primary missions of the institution (i.e., instruction, research, public service), although they may contribute indirectly to the enhancement of these programs. This category is generally limited to expenses of a major federally funded research and development center. Expenses of operations owned and managed as investments of the institution's endowment funds are excluded.

**Hospital services** - Expenses associated with a hospital operated by the postsecondary institution (but not as a component unit) and reported as a part of the institution. This classification includes nursing expenses, other professional services, general services, administrative services, and fiscal services.

**AGENDA ITEM**

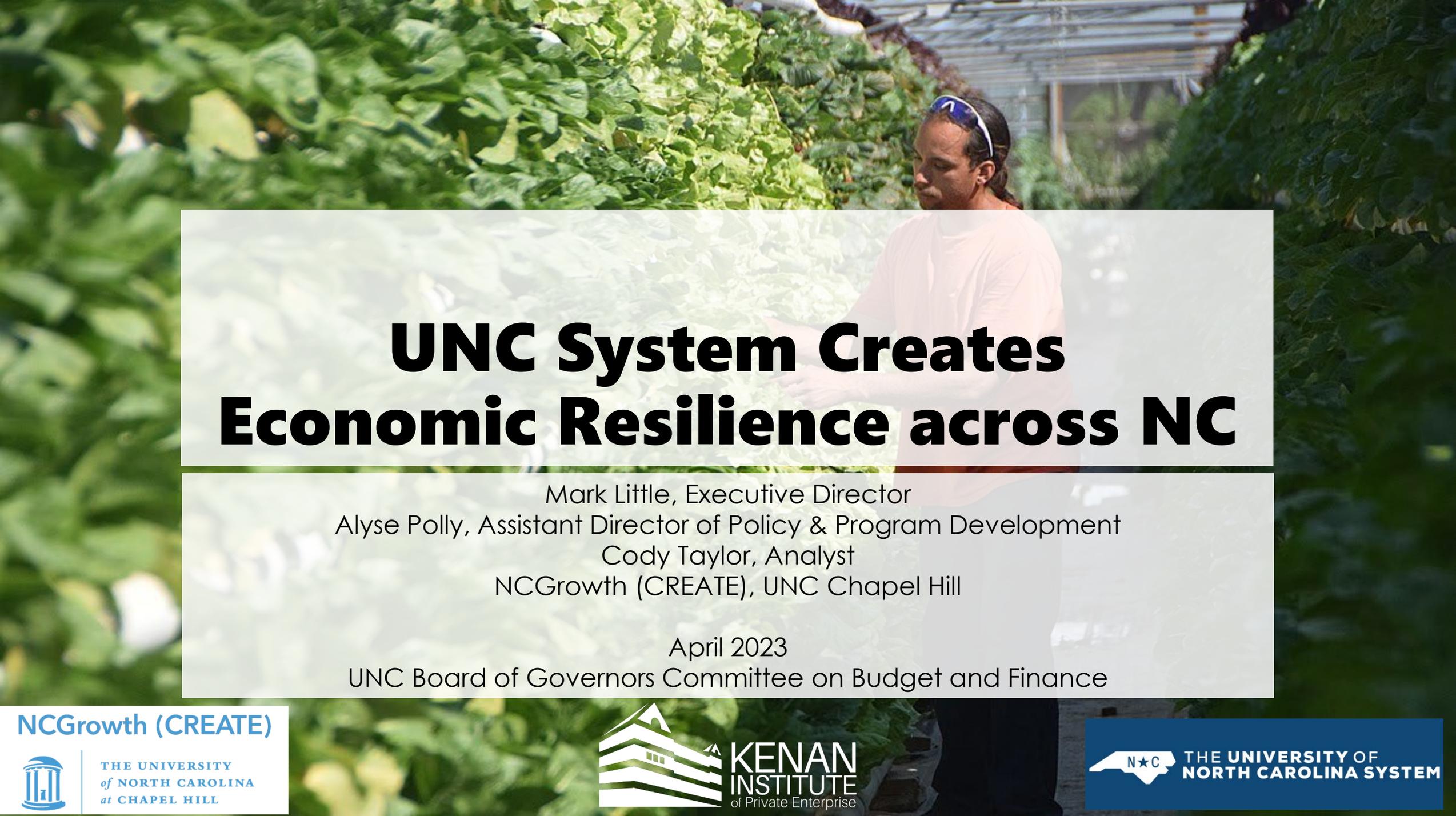
A-6. HUB Procurement AICER Partnership Update ..... Mark Little and Alyse Polly, CREATE/NCGrowth

**Situation:** The University of North Carolina System is evaluating strategies for increasing the use of historically underutilized businesses (HUB), particularly as it relates to the purchase of goods and services.

**Background:** It is the policy of the State to encourage and promote the use of HUB vendors in State purchasing of goods and services and the construction of State building projects. G.S. 143-128.2 establishes a 10 percent goal for HUB participation for State building projects, and the State is considering adopting a similar goal for the purchase of goods and services. State agencies, including UNC System institutions, are required to report HUB utilization to the NC Department of Administration on a quarterly basis. While institutions have a consistent methodology for reporting HUB design and construction expenditures, they use different methodologies to report HUB purchasing data, undermining the consistency and utility of these reports.

**Assessment:** The UNC System needs to develop and implement a strategy to improve its HUB participation rate and associated reporting. The University of North Carolina System Office is partnering with the Anchor Institutions Create Economic Resilience (AICER) – a program developed by CREATE, an affiliated center of the University of North Carolina at Chapel Hill Kenan Institute of Private Enterprise – to develop a detailed strategic plan for increasing utilization of North Carolina-based HUB firms.

**Action:** This item is for information only.



# UNC System Creates Economic Resilience across NC

Mark Little, Executive Director  
Alyse Polly, Assistant Director of Policy & Program Development  
Cody Taylor, Analyst  
NCGrowth (CREATE), UNC Chapel Hill

April 2023  
UNC Board of Governors Committee on Budget and Finance

NCGrowth (CREATE)



THE UNIVERSITY  
of NORTH CAROLINA  
at CHAPEL HILL



THE UNIVERSITY OF  
NORTH CAROLINA SYSTEM

# NCGrowth Team

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Top Row: Mark Little, Elizabeth Basnight, Carolyn Fryberger, Kellye Whitaker, Alyse Polly

Middle Row: Jessica Wilkinson, Nicole Outlaw, Christina Theodorou, Stacy Guffey

Bottom Row: Jessamyn Tracy, Camelia Kuhnen, Zulekia Atkinson, Cody Taylor (Project Analyst)



# Fayetteville-Cumberland Regional Entrepreneur and Business HUB + AICER Partnership.mov

Kenan Institute



# UNC System Strategic Plan

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- NCGrowth developed UNC System Strategic Plan to Increase HUB Utilization:

*The System has the power to transform North Carolina's economy and create a brighter future for all its residents. By fostering robust local supply chains and talent pipelines, promoting entrepreneurial activity, and empowering thriving homegrown HUB businesses, the System can truly become a national leader in higher education utilization of local and diverse suppliers. With the right strategy, resources, and staffing dedicated to this mission, we have the opportunity to create a brighter and more prosperous future for the people of North Carolina. This aspirational vision guided NCGrowth's development of this strategic plan.*

# UNC System Strategic Plan: Goals

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- HUB Goals
- Local Economic Impact
- Community Resilience
- Moving towards Parity
- Decreasing Administrative Burden
- Innovation and Cost Reduction



# UNC System Strategic Plan: Recommendations

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1. Provide explicit, enthusiastic, and evergreen top-down support
2. Establish, and track progress on, goals and relevant metrics
3. Conduct regular trainings and outreach events
4. Engage in Collaborative Partnerships
5. Dedicate staffing and resources to supplier diversity
6. Advocate for state policy changes
7. Implement online tools that support purchasing from diverse vendors
8. Create a system-wide Supplier Diversity Council to help guide this work
9. Develop clear, detailed, and easy-to-navigate websites
10. Start with easy-to-accomplish opportunities and build momentum
11. Leverage the contracting process
12. Celebrate successes

NCGrowth (CREATE)



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# Acknowledgments

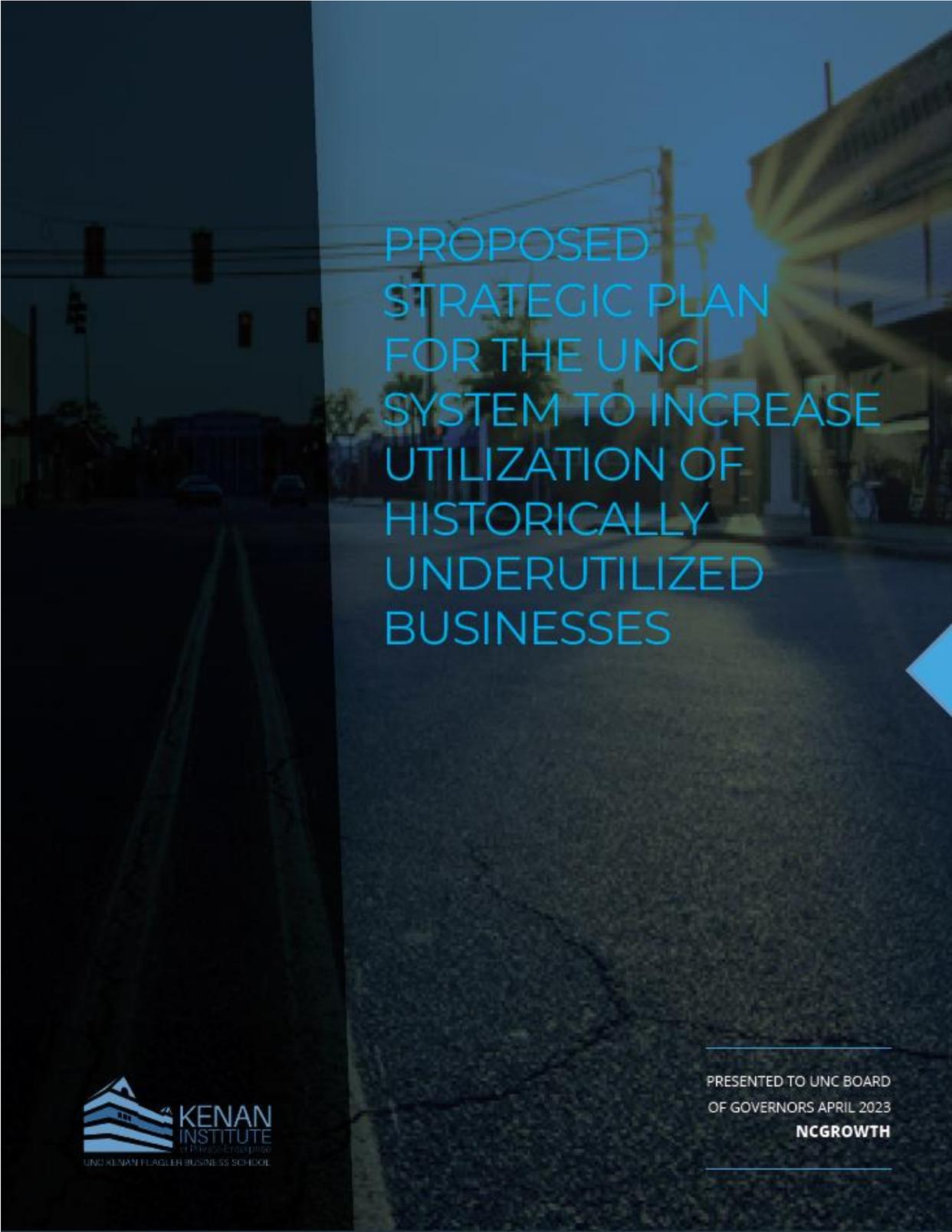
Contributions and feedback from Norma Houston, Jennifer Haygood, Katherine Lynn, and Robby Terry of the UNC System Office have been invaluable. We would like to especially thank Norma Houston for her detailed and comprehensive feedback during the writing process. We also wish to thank Secretary Pearl Burris-Floyd, Governor Sonja Nichols, and Chancellor Cummings for their support, as well as Budget and Finance Committee Chair Lee Roberts, Vice Chair Jimmy Clark, Secretary Reginald Holley, Governor Hutchens, Governor Murphy, Governor Pope, and Former Chair Jim Holmes for their helpful feedback during our presentation to their Committee in September 2022. The development of this strategy benefitted from extensive research into best practices by Shannon Wells (an NCSU International Studies graduate student). We also extend our gratitude to the purchasing professionals from the following universities who spoke with us about their supplier diversity programs: the University of Connecticut, Johns Hopkins University, Cornell University, the University of Richmond, the University of California-Davis, the University of Tennessee System, the University of South Florida, and the University of California System.

## **Contact:**

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PROPOSED  
STRATEGIC PLAN  
FOR THE UNC  
SYSTEM TO INCREASE  
UTILIZATION OF  
HISTORICALLY  
UNDERUTILIZED  
BUSINESSES



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PRESENTED TO UNC BOARD  
OF GOVERNORS APRIL 2023  
**NCGROWTH**

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## **NCGrowth**

NCGrowth is a national center focused on building an economy with opportunities for all to prosper. We provide technical assistance to businesses, governments, and other organizations to create good jobs and new wealth in economically distressed communities. We produce applied research and develop innovative policies that promote equitable development. We host unique, cross-sector convenings to bring together diverse perspectives. NCGrowth is part of UNC-Chapel Hill and affiliated with the Frank Hawkins Kenan Institute of Private Enterprise and the Kenan-Flagler Business School. With staff in North Carolina, South Carolina, and Washington, DC, our work and thought leadership range from hyper-local to international.

This project is made possible thanks to generous support from the Truist Foundation, Golden Leaf Foundation, JPMorgan Chase, the U.S. Economic Development Administration, and the Frank Hawkins Kenan Institute of Private Enterprise.

## **About the Authors**

### **Cody Taylor, MPA**

Cody is a second-year PhD student in the Department of Public Administration at North Carolina State University, and is an NCGrowth analyst.

### **Alyse Polly, MSPH**

Alyse is the Assistant Director of Policy and Program Development at NCGrowth, leading the Anchor Institutions Create Economic Resilience (AICER) program.

### **Mark Little, PhD**

Mark is the Executive Director and Founder of NCGrowth, where he leads a team working to build new wealth and good jobs in distressed communities.

## **Acknowledgments**

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## Executive Summary

The University of North Carolina System (“the System”) seeks to increase utilization of North Carolina-based historically underutilized businesses (HUBs) across all 17 constituent institutions. With more than \$2.9 billion spent on goods, services, and construction in 2022 alone, the System recognizes that a strategic approach to procurement of goods and services, construction, and small purchases can lead to transformational economic growth in the state.<sup>1</sup>

The System commissioned NCGrowth, a national economic development center based at UNC Chapel Hill, to develop a strategic plan for increasing NC-based HUB utilization. This partnership comes at a critical time when our state is still navigating complex economic challenges caused by the COVID-19 pandemic, which disproportionately impacted HUBs. Rebuilding these businesses is key to more equitable employment, new wealth generation, and the state economy’s long-term resilience.

The plan is also crucial to helping the System meet the State’s goal for governmental agencies and institutions to purchase 10% of goods, services, and construction from HUBs. Many of the System’s campuses struggle to meet this mark. Achieving the goal could infuse an annual ongoing investment of \$293 million into the state’s HUBs, according to 2022 spend reporting from the N.C. Department of Administration (Appendix I).

This strategic plan is informed by a review of best practices in anchor institutions’ utilization of local HUBs, and semi-structured interviews with procurement professionals leading exemplary supplier diversity programs. Our research revealed several essential elements for a successful supplier diversity initiative, the foremost of which is the establishment of a strategic plan. Another critical element is a user-friendly HUB vendor database, which the State does not currently have. Though improving the database requires action from the North Carolina Department of Administration, we included recommendations to advocate for this update in this report.

By utilizing local HUBs, the System can access the ingenuity and flexibility of the diverse business owners in their communities to address supply chain gaps, increase competition, potentially save money, and receive better quality products and services. Furthermore, utilizing these businesses can have a transformational impact on the regional economy. The National Minority Supplier Diversity Council found that for every \$1 spent with MWBEs, \$1.517 of economic activity was generated.<sup>2</sup> This number is conservative as can be seen in a 2016 MWBE economic impact study by Dallas Fort Worth Airport, which found that for every \$1 spent with MWBEs, \$2.99 of economic activity was generated.<sup>3</sup> In addition to increasing regional economic activity and creating more local jobs, by expanding the pool of potential UNC school vendors the schools will increase competition, thereby allowing for additional cost savings, improved quality, and increased innovation. Lastly, by improving transparency about the process

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<sup>1</sup> North Carolina Department of Administration, n.d.

<sup>2</sup> National Minority Supplier Development Council, 2021

<sup>3</sup> The Perryman Group, 2016

of becoming a vendor, the UNC schools will also garner increased public trust among North Carolina citizens.

## Summary of Recommendations

We recommend the System:

- Provide explicit, enthusiastic, and evergreen top-down support
- Establish, and track progress on, goals and relevant metrics
- Conduct regular trainings and outreach events
- Engage in Collaborative Partnerships
- Dedicate staffing and resources to supplier diversity
- Advocate for state policy changes
- Empower purchasers as economic changemakers
- Implement online tools that support purchasing from diverse vendors
- Create a system-wide Supplier Diversity Council
- Develop clear, detailed, and easy-to-navigate websites
- Start with easy-to-accomplish opportunities and build momentum
- Leverage the contracting process
- Celebrate successes

## Vision

The System has the power to transform North Carolina's economy and create a brighter future for all its residents. By fostering robust local supply chains and talent pipelines, promoting entrepreneurial activity, and empowering thriving homegrown HUB businesses, the System can truly become a national leader in higher education utilization of local and diverse suppliers.

With the right strategy, resources, and staffing dedicated to this mission, we have the opportunity to create a brighter and more prosperous future for the people of North Carolina. This aspirational vision guided NCGrowth's development of this strategic plan.

## Introduction

The System's institutions have a remarkable impact on their local economies through their hiring practices, provision of higher education, and community service activities. This impact is further increased through intentional purchasing from local and diverse businesses.

On average, the 17 System institutions collectively spend more than \$1.67 billion every year on goods and services and \$194.3 million on construction (Appendix I). In 2022 alone, this totaled \$2,933,073,408.

Where and how these significant public university dollars are spent can lead to the development of a more resilient and inclusive state economy. To realize this vision, the System's 17 constituent institutions must work to meet or exceed the state's goal of utilizing state-based HUBs for at least 10% of their spend on construction, goods, and other services.

By shifting the out-of-state procurement of goods, services, and construction contracts to North Carolina-based HUBs, UNC institutions will help build a stronger middle class and greater tax base for public services in the state of North Carolina.

The availability of HUBs operating in North Carolina can easily accommodate the 10% goal (see Table 1 on page 11). Further, research shows that rates of entrepreneurship among Black and Hispanic founders are typically the same or greater than the rate for White founders, thereby increasing firm availability within these demographics.<sup>4</sup>

## Strategic Plan Creation Process

This strategic plan was a collaborative effort among UNC System Office Staff, UNC Board of Governors members, North Carolina's Department of Administration (DOA), and Historically Underutilized Business (HUB) office, and NCGrowth. Initial discussions began in early summer of 2020, when Interim System President William Roper provided

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<sup>4</sup> Chmura, 2019; Statista Research Department, 2022

a signed letter of support to NCGrowth as part of a grant application to the Economic Development Administration (EDA). Discussions picked up again in early Fall of 2021, with a first meeting in November 2021, after NCGrowth received EDA funding in support of AICER. Following this meeting, NCGrowth developed a proposal outlining their work, which then underwent review, edits, and feedback from the System Office before being shared with relevant agency leadership from the NC Department of Administration as well as their Historically Underutilized Business Office. Once finalized, the plan was presented to the Board of Governors' Finance & Budget Committee in September 2022. The proposal was positively received, with former Chair Holmes later reporting back to the full Board of Governors with the following, "if you did not get to see this presentation, I think there was more enthusiasm in our committee about this particular presentation than any I've witnessed in recent time. They'll be coming forward with a plan and when they do, I encourage all members to sit through their operation plan. It's really exciting stuff and will hopefully be really good for the state of North Carolina."<sup>5</sup> Since the presentation, NCGrowth shared their initial strategic plan draft with the System Office in the beginning of February, then responded to and incorporated all System Office feedback before finalizing this strategic plan in time for the April Board of Governors Meeting.

To identify and catalogue best practices, the authors conducted a literature review of universities excelling in their use of local and diverse suppliers, then followed up with interviews of the individuals leading these programs to develop a more nuanced understanding of the elements that were critical to the success of these programs. Literature was sourced from anchor institution case studies, peer-reviewed articles, published reports, and news articles.

After identifying multiple exemplar institutions, NCGrowth conducted 10 interviews with university officials affiliated with existing diversity procurement programs to obtain a deeper understanding of best practices, challenges, lessons learned, critical partners, and outcomes.

In the long term, the practices documented herein have the potential to grow and expand more North Carolina businesses, create more NC jobs, generate new wealth, and support economic resilience for generations to come. This report is intended to be updated and expanded in future years, building on lessons learned and successes gained.

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<sup>5</sup> <https://www.pbsnc.org/watch/unc-board-of-governors-meetings/>

## Motivation

To fully benefit from this report, it is essential to comprehend the driving force and historical background that underpins this undertaking.

Executive Order 150, which created the HUB Office in 1999, states: “it is North Carolina’s collective expectation that all citizens of the state will be given equal opportunities to participate in providing State government with the goods and services it requires... without regard to race, gender or disabling condition.” The order also recognizes that businesses owned by Black, Hispanic, Asian American, Native American, female, or disabled individuals have been underutilized compared to those owned by white, non-disabled males.<sup>6</sup>

Unfortunately, suppliers from HUB groups often face many more barriers than their non-HUB counterparts, including access to capital, limited experience as a supplier to a public entity, smaller professional networks, and fewer and less-successful bids.

Thus, targeted interventions and strong community partnerships are essential to leveraging these regional business assets. In order to comprehensively address the issue of our state’s historical underutilization of various demographic groups, it is imperative that we actively engage and utilize businesses from all HUB demographic groups. By ensuring inclusivity and representation of all HUB groups, we can effectively address the challenges faced by each group and create a more equitable and prosperous future for all. This detailed data collection clarifies challenges and opportunities, below are two examples:

- If we see that a campus is reaching the 10% HUB benchmark but zero is going to women-owned firms, then we know we need to improve engagement with that group.
- If an institution meets or exceeds HUB spending goals for Hispanic-owned businesses, we can share its programmatic or staffing strategies, such as prioritizing multi-lingual hires for the procurement department, for other schools to consider implementing.

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<sup>6</sup> § 143-128.4. To qualify as a historically underutilized business under this section, a business must be owned and controlled as set forth in subsection (a) of this section by one or more citizens or lawful permanent residents of the United States who are members of one or more of the following groups:

(1) Black. - A person having origins in any of the black racial groups of Africa.

(2) Hispanic. - A person of Spanish or Portuguese culture having origins in Mexico, South or Central America, or the Caribbean islands, regardless of race.

(3) Asian American. - A person having origins in any of the original peoples of the Far East, Southeast Asia, Asia, Indian continent, or Pacific islands.

(4) American Indian. - A person having origins in any of the original Indian peoples of North America.

(5) Female.

(6) Disabled. - A person with a disability as defined in G.S. 168-1 or G.S. 168A-3.

(7) Disadvantaged. - A person who is socially and economically disadvantaged as defined in 15 U.S.C. § 637.

Supplier diversity programs are an important example of tangible acts that can address the historical harms faced by Black, Hispanic, Native, Asian, Female and Disabled people. By creating targeted outreach programs, training initiatives, and policies that prioritize the use of diverse suppliers, we can proactively engage and support underrepresented groups. These actions help to build capacity and skills, while also providing opportunities for diverse businesses to participate in procurement processes. Through these tangible acts, we can promote a more equitable economic landscape and foster a culture of inclusivity and opportunity for all.

## HUB Goals

The System is well-positioned to increase HUB utilization for university purchasing needs. Currently, all institutions follow state-issued goals and regulations that influence their purchasing practices; however, it has been difficult for UNC institutions to consistently meet these goals.

### State-Directed HUB Goals

NC § 143-128.2(a) establishes a 10% goal for participation by minority businesses for all state building projects. North Carolina Executive Orders 150,<sup>7</sup> 13,<sup>8</sup> and 25,<sup>9</sup> set a 10% goal for the procurement of goods and services.

The NCDOA's 2021 Disparity Report shows sufficient market capacity for vendor and contract expansion based on the availability of diverse businesses across many industries in the state. Other researchers suggest anchor institutions seeking to increase their utilization of HUBs should begin in areas such as construction, facility services, janitorial services, distribution, printing, food, information technology, advertising/graphic design, and sustainable development/renewable energy.<sup>10</sup>

North Carolina has a thriving small business culture and an ample supply of HUBs across multiple categories (Table 1). During fiscal year 2022, the median percentage of UNC institutions' goods and services spend with HUBs was only 3.5%. During the same period, the median construction spend with HUBs was 16% (Tables 2 and 3). Of the 11 public institutions that submitted annual HUB reports in 2021-2022 (FY22) for construction, NCDOA data show nine met the 10% goal.<sup>11</sup> However, none of the 17 public institutions met the 10% goal for HUB utilization in goods and services spend during FY22.<sup>12</sup>

Tables 2 and 3 display the percent of university spend on HUBs longitudinally and present a more accurate depiction of HUB utilization.

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<sup>7</sup> North Carolina Executive Order No. 150, 1999

<sup>8</sup> North Carolina Executive Order No. 13, 2009

<sup>9</sup> North Carolina Executive Order No. 25, 2017

<sup>10</sup> UT Health San Antonio, n.d; Zuckerman & Parker, 2019

<sup>11</sup> North Carolina Department of Administration, n.d.

<sup>12</sup> North Carolina Department of Administration, n.d.

These data should be viewed with two important considerations:

- Data for fiscal year 2020 through present took place during the COVID-19 pandemic, and as such these years may not be representative of traditional HUB utilization.
- While the tables below do not provide a granular level of industry detail for North Carolina business data, they still offer insight into areas where our universities can make a significant impact.

Further complicating reporting, each System institution collects and reports data using a range of methodologies, compromising the validity and comprehensiveness of reported HUB utilization. To remediate this, the System is now partnering with the NC HUB office to develop and deliver trainings for reporters at all schools across the system. This training, the first of many, will ensure more consistent reporting and greater clarity about rules and best practices. Additionally, they are interested in bringing together purchasers from the institutions more regularly so they can share ideas and lessons learned, ask questions, and identify topics for future trainings.

TABLE 1. MINORITY AND WOMAN-OWNED BUSINESS ENTERPRISE (MWBE) AVAILABILITY IN NC<sup>13</sup>

Construction Firms		
Business Ownership Classification	Number of Firms	Percent of Firms
Black American	552	14.65%
Asian American	40	1.12%
Hispanic American	156	4.38%
American Indian	85	2.39%
<b>Total MBE</b>	<b>803</b>	<b>22.54%</b>
Nonminority Female	486	13.64%
<b>Total M/WBE</b>	<b>1,289</b>	<b>36.19%</b>
Non-M/WBE	2,273	63.81%
<b>Total Firms</b>	<b>3,562</b>	<b>100%</b>
Architecture and Engineering		
Business Ownership Classification	Number of Firms	Percent of Firms
Black American	53	6.41%
Asian American	20	2.42%
Hispanic American	20	2.42%
American Indian	10	1.21%
<b>Total MBE</b>	<b>103</b>	<b>12.45%</b>
Nonminority Female	87	10.52%
<b>Total M/WBE</b>	<b>190</b>	<b>22.97%</b>
Non-M/WBE	637	77.03%
<b>Total Firms</b>	<b>827</b>	<b>100%</b>
Professional Services		
Business Ownership Classification	Number of Firms	Percent of Firms
Black American	332	18.42%
Asian American	50	2.86%
Hispanic American	35	2.00%
American Indian	26	1.49%
<b>Total MBE</b>	<b>433</b>	<b>24.77%</b>
Nonminority Female	167	9.55%
<b>Total M/WBE</b>	<b>600</b>	<b>34.32%</b>
Non-M/WBE	1,148	65.68%
<b>Total Firms</b>	<b>1,748</b>	<b>100%</b>
Prime Data, Other Services		
Business Ownership Classification	Number of Firms	Percent of Firms
Black American	878	15.86%
Asian American	72	1.30%
Hispanic American	95	1.72%
American Indian	38	0.69%
<b>Total MBE</b>	<b>1,083</b>	<b>19.57%</b>
Nonminority Female	501	9.05%
<b>Total M/WBE</b>	<b>1,584</b>	<b>28.62%</b>

<sup>13</sup> Griffin & Strong, P.C., 2020

Non-M/WBE	3,951	71.38%
<b>Total Firms</b>	<b>5,535</b>	<b>100%</b>
<b>Prime Data, Goods</b>		
<b>Business Ownership Classification</b>		
	<b>Number of Firms</b>	<b>Percent of Firms</b>
Black American	254	8.18%
Asian American	34	1.09%
Hispanic American	53	1.71%
American Indian	21	0.68%
<b>Total MBE</b>	<b>362</b>	<b>11.65%</b>
Nonminority Female	288	9.27%
<b>Total M/WBE</b>	<b>650</b>	<b>20.93%</b>
Non-M/WBE	2,456	79.07%
<b>Total Firms</b>	<b>3,106</b>	<b>100%</b>

TABLE 2. PERCENT HUB UTILIZATION OUT OF TOTAL SPEND FOR GOODS AND SERVICES<sup>14</sup>

UNC School	FY 22	FY 21	FY 20	FY 19	FY 18	FY 17	FY 16	FY 15
ASU	0.25%	0.31%	1.28%	0.23%	0.35%	1.18%	2.07%	0.68%
ECU	7.76%	9.20%	6.94%	9.07%	6.05%	5.35%	6.12%	7.29%
ECSU	2.34%	2.68%	0.56%	3.68%	2.16%	3.81%	1.80%	1.93%
FSU	5.26%	5.57%	23.95%	41.02%	11.97%	35.24%	5.39%	5.77%
NC A&T	3.53%	4.12%	4.73%	3.94%	7.33%	10.63%	8.37%	0.00%*
NCCU	7.07%	6.93%	6.94%	4.37%	2.12%	1.27%	2.65%	0.55%
NCSU	1.52%	1.38%	1.19%	1.87%	2.15%	2.10%	1.84%	2.30%
UNCA	4.83%	7.44%	8.93%	5.80%	10.30%	10.35%	10.16%	19.34%
UNCCH	1.33%	1.72%	2.19%	2.88%	40.87%	37.56%	38.98%	20.84%
UNCC	4.96%	9.09%	14.40%	9.94%	10.04%	9.58%	10.25%	5.44%
UNCG	2.47%	4.49%	3.72%	10.84%	9.00%	16.37%	8.69%	11.85%
UNCP	8.26%	17.54%	7.74%	7.54%	7.95%	4.68%	12.57%	0.00%*
UNC School of the Arts	3.48%	1.35%	8.56%	5.32%	5.84%	13.54%	8.76%	7.87%
UNCW	1.75%	5.50%	2.60%	1.11%	3.92%	6.35%	5.34%	3.55%
WCU	3.42%	7.65%	6.44%	8.95%	6.15%	10.00%	6.91%	8.74%
WSSU	8.62%	11.59%	6.50%	8.23%	5.72%	4.81%	4.36%	3.42%
NCSS&M	1.47%	0.68%	1.68%	4.13%	3.51%	2.94%	23.73%	3.91%

\* Not reported.

TABLE 3. PERCENT HUB UTILIZATION OUT OF TOTAL SPEND FOR CONSTRUCTION<sup>15</sup>

UNC School	FY 22	FY 21	FY 20	FY 19	FY 18	FY 17	FY 16	FY 15
ASU	0.00%*	12.63%	8.96%	75.81%	0.00%*	13.17%	9.54%	59.17%
ECU	3.91%	21.18%	24.10	18.83%	78.56%	18.41%	9.54%	21.10%
ECSU	0.00%*	0.00%*	100%	0.00%*	100.00	41.23%	0.00%*	0.00%*
FSU	17.92%	0.00%*	46.19%	0.00%*	0.00%*	4.65%	46.45%	0.00%*
NC A&T	0.00%*	96.91%	37.89	0.00%*	0.00%*	0.00%*	0.00%*	0.00%*
NCCU	40.35%	20.72%	27.33%	10.97%	39.73%	0.00%*	0.00%*	0.00%*
NCSS&M	0.00%*	0.00%*	0.00%*	0.00%*	0.00%*	0.00%*	0.00%*	0.00%*
NCSU	28.70%	55.22%	18.91	29.24%	17.87%	46.99%	32.20%	19.17%
UNCA	34.79%	20.22%	69.64%	0.00%*	6.27%	0.00%*	NA	NA
UNCCH	16.37%	15.57%	12.19	12.22%	11.90%	9.34%	7.49%	0.00%*
UNCC	20.92%	60.07%	34.13	32.64%	94.15%	36.20%	45.07%	40.01%
UNCG	28.19%	28.20%	22.73	86.50%	39.83%	46.94%	44.15%	40.99%
UNCP	19.42%	38.08%	3.00%	0.00%*	0.00%*	0.00%*	100.00	NA

<sup>14</sup> NC Department of Administration, n.d.

<sup>15</sup> NC Department of Administration, n.d.

UNC School of the Arts	0.00%*	22.92%	15.28	0.00%*	0.00%*	0.00%*	0.00%*	0.00%*
UNCW	29.90%	19.55%	6.63%	22.36%	16.33%	0.00%*	0.00%*	17.62%
WCU	0.00%*	3.53%	0.00%*	0.00%*	9.25%	0.31%	0.00%*	0.00%*
WSSU	9.96%	0.00%*	0.00%*	85.06%	32.50%	12.31%	71.07%	60.81%

\* Not reported or no construction spend that year.

## Additional Goals

Beyond clear System-level goals for procurement diversity, it is important to consider complementary yet interdependent goals at the institution and community levels.

### Local Economic Impact

The Federal Reserve Bank of Philadelphia developed the Anchor Economy Dashboard to provide insight into the impact that hospitals and higher education institutions have on regional economies.

In a study of 524 regions in the United States, researchers found that on average anchor institutions contribute 8.1% to the U.S. Gross Value Added (GVA). That is an amount equivalent to \$1.7 trillion in economic productivity.<sup>16</sup> The data also shows considerable variation in regions' economic dependence on anchor institutions as their economic engines. This unique role makes universities key drivers of economic growth, innovation, and resiliency. By documenting GVA of the communities in which a UNC institution presides now and into the future, the System can track the extent to which the communities in which they reside rely on their anchor institutions (including the UNC schools).

### Community Resilience

Resiliency is defined by the U.S. Economic Development Administration (EDA) as, "the ability to recover quickly from a shock, the ability to withstand a shock, and the ability to avoid the shock altogether."<sup>17</sup> Additionally, the Department of Housing and Urban Development (HUD) notes that key action items for building economic resiliency include addressing racial/ethnic disparities, leveraging assets and public resources for private investment, connecting communities to larger economies, establishing collaborative private-public partnerships, and fostering state-level policy reform.<sup>18</sup>

Resilience is critical to the state's economy, and local economies, because it enables them to better withstand and recover from unexpected shocks (i.e., global pandemics, natural disasters, etc.), promotes inclusivity and equity by creating opportunities for all members of the community to participate in and benefit from economic growth, and encourages innovation and entrepreneurship, which can lead to the creation of new businesses, industries, and jobs, which in turn further drive economic growth and increased prosperity.

<sup>16</sup> Harker et al., 2022

<sup>17</sup> U.S. Economic Development Administration, n.d.

<sup>18</sup> U.S. Department of Housing and Urban Development, n.d.

Since anchor institutions are generally stable organizations that endure economic downturns, they can buffer negative market forces by focusing their contract awards and procurement practices on local businesses and investing in HUBs with training and development opportunities.<sup>19</sup>

### Moving Towards Parity

To make meaningful progress on economic impact, resilience, and social equity, the System must set and track goals for gender, racial, and ethnic HUB spend at the University and System levels. Focusing solely on broad categories and aggregated metrics such as overall diversity spend hides disparities within specific demographic groups and obscures progress.

For example, an institution could achieve an overall HUB utilization of 10% with most of its spend going to firms owned by men of color, which perpetuates the existing gender disparity. Specific targets should be ambitious, legally grounded, and based on the latest disparity study demographics of the North Carolina business community (Table 1).

Some North Carolina universities have already chosen to pursue more local and equitable practices. For example, in FY22 NCGrowth partners UNC Pembroke and Fayetteville State University dedicated nearly 20% of their construction spend to HUBs, according to data reported to the NCDOA. According to NCDOA reports, several other universities had great success regarding their HUB utilization for construction spend in FY22: North Carolina Central University dedicated nearly 40% of construction spend toward HUB utilization, and UNC Asheville reached approximately 34% HUB utilization for construction spend. North Carolina State University, UNC Charlotte, and UNC Greensboro each dedicated over 20% of their construction spend to HUBs in FY22 as well.<sup>20</sup> Elsewhere, Case Western Reserve's University Hospital (UH) system set 5-year socially equitable goals for local and diverse procurement - and surpassed them. UH awarded 7% of contracts to women-owned enterprises in that time (goal: 5%) and 17% of contracts to minority-owned businesses (goal: 15%). This pushed overall procurement allocations to local and regional businesses to 92% (goal: 80%).<sup>21</sup> Toronto's York University Since 2019, York University has spent \$5,554,322 on communities and Indigenous people in their local neighborhoods.<sup>22</sup>

It is also important to recognize the need to promote firm growth in underrepresented industries.<sup>23</sup> Women and minorities are currently underrepresented as business owners in STEM industries, which can make it difficult for universities to reach ambitious diverse supplier goals in these fields. Supporting entrepreneurship, especially in the development and expansion of minority and women-owned STEM businesses is, therefore, a necessity for long-term success.<sup>24</sup> There are many programs on System campuses and programs in the private and non-profit sectors designed to increase

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<sup>19</sup> Schildt & Rubin, 2015

<sup>20</sup> North Carolina Department of Administration, n.d.

<sup>21</sup> Serang et al., 2013

<sup>22</sup> York University, n.d.; Buy Social Canada, 2020

<sup>23</sup> Little, 2022

<sup>24</sup> Fry, Kennedy, & Funk, 2021; Little, 2022

underrepresented minority entrepreneurs in STEM industries. Good communication among these programs and supplier diversity staff at the university and system level benefits the long-term needs for STEM-related goods and services.

### Decreasing Administrative Burden

Procurement policies and procedures can be complex and difficult to understand.<sup>25</sup> Highly technical legal language and complicated processes common in government business are unfamiliar and frustrating to most business owners, and require significant time away from day-to-day business that many cannot afford. Several researchers (Loader as well as Zuckerman and Parker) identified other barriers for HUBs, including confusing and overly prescriptive requirements, lack of standardization, and unnecessarily large (or bundled) contracts that prohibit smaller businesses from participating.<sup>26</sup>

Commonly cited avenues for overcoming these barriers include identifying and removing unnecessary requirements in the request for proposals, establishing a centralized procurement system, allowing small firms to co-produce joint bids, and removing all bonding requirements for bids under \$175,000.<sup>27</sup> Additional information about barriers and solutions is included in the recommendation section of this report.

The State and state organizations should set a goal to simplify procurement processes and reduce red tape to decrease the administrative burden and encourage participation for HUBs seeking to conduct business with public institutions.

### Innovation and Cost Reduction

Studies have demonstrated that supplier diversity programs can lead to cost savings. A survey of procurement officials in US corporations found that utilization of minority and woman-owned businesses produced 8.5% cost savings for purchasers each year.<sup>28</sup> Additionally, The Department of Defense (DoD) recognized that unnecessary requirements stifle competition, lead to increased costs and lack of creativity, and create a vulnerable supply chain reliant on very few suppliers.<sup>29</sup> To overcome these challenges DoD diversified its supply chain with small business outreach, and use of federal regulations allowing increased flexibility in acquiring new vendors. The Department conducts monthly calls and co-hosts quarterly meetings with industry associations with small business memberships, utilizes the Procurement Technical Assistance Program, and holds industry days and matchmaking events.<sup>30</sup> As a result, DoD has received recognition from the Small Business Administration for meeting its

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<sup>25</sup> Loader, 2015

<sup>26</sup> Loader, 2015; Zuckerman & Parker, 2019

<sup>27</sup> St. Paul Minnesota Procurement and Contract Services, n.d.; Loader, 2015; Zuckerman & Parker, 2019; Little, 2022

<sup>28</sup> Prilepok et al., 2022

<sup>29</sup> Office of the Undersecretary of Defense for Acquisition and Sustainment, 2022

<sup>30</sup> <https://www.acquisition.gov/content/procurement-technical-assistance-program-ptap#:~:text=The%20Procurement%20Technical%20Assistance%20Program%20was%20established%20to,cooperation%20with%20states%2C%20local%20governments%20and%20nonprofit%20organization S.>

contracting goals for the last seven years, with a one-year high of 45% of contract awards going to disadvantaged or woman-owned businesses.

## Best Practices

Our research revealed key elements of successful university supplier diversity programs (Table 4). More detailed narratives of each practice listed below are available in Appendix J.

TABLE 4 BEST PRACTICES AND UNIVERSITY EXAMPLES

Best Practice	University Examples
<p><b>Provide explicit, enthusiastic, and evergreen top-down support</b></p>	<ul style="list-style-type: none"> <li>• <b>The University of Connecticut</b> Chancellor explains the importance of HUB utilization and the university’s commitment to purchasing from these firms in a training video that all P-Card holders are required to view. The program has remained a priority, supported by a series of chancellors over time.</li> <li>• <b>The University of South Florida</b> incorporated supplier diversity into its leadership structure by creating an Assistant Vice President of the Office of Supplier Diversity responsible for developing and managing the University's Supplier Diversity program.</li> </ul>
<p><b>Develop a strategic plan</b></p>	<ul style="list-style-type: none"> <li>• <b>The University of South Florida’s (USF)</b> in-depth plan includes objectives; desired outcomes; short-, mid-, and long-term goals; a SWOT analysis; recommendations for an advisory committee; a marketing and communications plan; a data analytics system; and draft budgets and contract language.</li> <li>• <b>Northwestern University</b> established a strategic framework to buy, engage and develop local and diverse suppliers in its procurement and contracting ecosystem, and to recognize the role of anchor institutions in regional economies.</li> <li>• <b>Boston University</b> aligned its strategic plan with the institutional mission and actively seeks RFP participation from diverse suppliers and arranges meetings between HUB suppliers and university purchasers.</li> </ul>
<p><b>Establish, and track progress on, goals and relevant metrics</b></p>	<ul style="list-style-type: none"> <li>• <b>Johns Hopkins University</b> establishes utilization targets every three years and evaluates past diversity performance to set targets for increasing diversity spend by a certain percentage.</li> <li>• <b>University of South Florida’s</b> Advisory Council reviews metrics, makes recommendations for improvement each quarter, and is now working on an updated strategic plan to guide the next five years.</li> </ul>

<p><b>Conduct regular trainings and outreach events</b></p>	<ul style="list-style-type: none"> <li>• <b>Arizona State University's</b> Diverse &amp; Small Business Program staff encourages participation from HUBs and informs the business community of university needs. Additionally, Arizona State University administers the Supplier Leadership Program, a series of online and one in-person workshops aimed at educating interested suppliers on how to conduct business with the university, improve networking skills, and provide the opportunity to attend a supplier showcase.<sup>31</sup></li> <li>• <b>The University of Tennessee System</b> conducts outreach to potential suppliers, provides supplier orientation trainings, and delivers a series of short workshops on the bid submission process.</li> <li>• <b>Johns Hopkins University's</b> supplier diversity team visits local and diverse businesses, advises and mentors them on university procurement requirements, and hosts seminars and</li> </ul>
<p><b>Engage in collaborative partnerships</b></p>	<ul style="list-style-type: none"> <li>• <b>Northwestern University</b> partners with the City of Evanston's Workforce Development program to commit to hiring contractors and sub-contractors who are Evanston residents.</li> <li>• <b>The University of Tennessee System's</b> Office of Procurement Services established community partnerships with other public institutions--including city and county governments, public utility commissions, airport authorities, and others--to support supplier diversity programming.</li> <li>• <b>Johns Hopkins University</b> partners with local and regional support organizations such as small business centers, chambers of commerce, community development financial institutions (CDFIs) and banks, local governments, and bond insurance companies to identify HUBs, codify best practices, and connect HUBs with services.</li> </ul>
<p><b>Dedicate staffing and resources to supplier diversity</b></p>	<ul style="list-style-type: none"> <li>• <b>The University of South Florida</b> developed and approved an annual budget to support its Office of Supplier Diversity, to which it dedicates resources for a Vice President of Supplier Diversity, a business analyst, an administrative specialist, and project managers. (Appendix G)</li> <li>• <b>The University of California System</b> developed a Small &amp; Diverse Business Advisory Council, provides each campus with a Diversity Coordinator, and established the University Construction Services resource.</li> <li>• <b>The University of Connecticut</b> has dedicated two full-time employees for the Office of Supplier Diversity-- an executive director and administrative specialist--to work with the purchasing and other departments across the university.</li> </ul>

<sup>31</sup> [https://na.eventscloud.com/esurvey/index.php?surveyid=108099&\\_ga=2.207939216.368602607.1680645307-165657309.1680645307&\\_gl=1\\*10q0m3m\\*\\_ga\\*MTY1NjU3MzA5LjE2ODA2NDUzMDc.\\*\\_ga\\_TEHJR60KD9\\*MTY4MDY0OTk0MS4yLjEuMTY4MDY0OTk1NC40Ny4wLjA](https://na.eventscloud.com/esurvey/index.php?surveyid=108099&_ga=2.207939216.368602607.1680645307-165657309.1680645307&_gl=1*10q0m3m*_ga*MTY1NjU3MzA5LjE2ODA2NDUzMDc.*_ga_TEHJR60KD9*MTY4MDY0OTk0MS4yLjEuMTY4MDY0OTk1NC40Ny4wLjA).

<p><b>Empower university purchasers as economic changemakers</b></p>	<ul style="list-style-type: none"> <li>• <b>The University of Connecticut</b> utilizes an educational resource developed in collaboration with procurement staff called Uiversity at UConn and requires mandatory training on the importance of supplier diversity for all P-Card holders</li> <li>• <b>The University of Tennessee</b> Procurement Office educates university departments on supplier diversity initiatives via trainings/workshops, instruction guides, and a searchable small and diverse business directory hosted by the State of Tennessee, similar to the HUB database published by the North Carolina Department of Administration.</li> <li>• <b>The University of South Florida's</b> Supplier Diversity Marketing and Communications Plan includes a schedule of employee training opportunities. In FY 2017-2018 their training program involved attendance at a Contract Compliance Conference, a National Minority Supplier Development Conference, and Lunch and Learn Sessions titled: USF Supplier Diversity and Why it's the Right Thing to Do.</li> </ul>
<p><b>Implement online tools that support purchasing from diverse vendors</b></p>	<ul style="list-style-type: none"> <li>• <b>The University of California System</b> requires all vendors to register on its searchable Cal Usource vendor database and encourages faculty and staff to use this, as well as other resources: Explorer Professional (a database developed by Supplier.IO and paid for by the UC System that provides access to small and diverse businesses), and Cal eProcure (an online marketplace with searchable vendor and purchaser databases that is hosted by the State of California ),</li> <li>• <b>University of South Florida</b> publishes quarterly diversity spend data for construction (including architecture and engineering), professional services, and suppliers, showing spend in each of these sectors based on demographic categories.</li> <li>• <b>Boston University</b> implemented a Supplier Diversity Dashboard (made in collaboration with their internal Continuous Improvement and Data Analytics department) and Explorer Professional (same tool utilized by UC System).</li> </ul>
<p><b>Require Tier 1 vendors to capture Tier 2 HUB spend</b></p>	<ul style="list-style-type: none"> <li>• <b>Northwestern University</b> developed specific annual targets for direct and Tier 2 spend and requires contractors to report their diverse business utilization.</li> <li>• <b>The University of South Florida</b> developed boilerplate contract language and standard forms to track Tier 2 spend and HUB utilization that primary contract award winners are required to submit. (Appendices C, D, E, F, and H)</li> <li>• <b>The University of California System's</b> Explorer Professional dashboard tracks spending and program growth for Tier 1 and Tier 2 spend, which it uses in published economic impact reports (Appendix H).</li> </ul>
<p><b>Create a supplier diversity</b></p>	<ul style="list-style-type: none"> <li>• <b>The University of Richmond</b> established a Supplier Diversity Leadership Council--with representatives from departments</li> </ul>

<p><b>council to help guide this work</b></p>	<p>involved in procurement, as well as advocacy organizations engaged with MWBEs and local community members—to identify needs and pending projects.</p> <ul style="list-style-type: none"> <li>• <b>The University of South Florida’s</b> advisory committee convenes leadership staff from departments across the university to discuss goals, progress, and program initiatives quarterly.</li> <li>• <b>The University of California System’s</b> Small &amp; Diverse Business Advisory Council, established as a purely monitoring body, is now a collaborative, solution-seeking organization that meets quarterly to discuss policies and practices that impact small and diverse business utilization. For example, in an interview with an employee from the UC System, it was mentioned that there is a 2025 goal to reach a 25% utilization rate for small and diverse spend.</li> </ul>
<p><b>Develop clear, detailed, and easy-to-navigate websites</b></p>	<ul style="list-style-type: none"> <li>• <b>Boston University</b> developed a <a href="#">simple website</a> as a one-stop-shop for university purchasers, directing them to training videos, policies, and purchasing guides.<sup>32</sup></li> <li>• <b>The University of Houston</b> hosts a simple, but highly intuitive website on their HUB Program. This website contains links that define historically underutilized businesses, describe the certification process, links to planned events and other resources, as well as the HUB Vendor Database.<sup>33</sup></li> <li>• <b>The University of South Florida’s</b> <a href="#">supplier diversity webpage</a> provides USF departments and vendors with links to its searchable vendor database, news, events, and published spend reports.<sup>34</sup></li> </ul>
<p><b>Start with easy-to-accomplish opportunities and build momentum</b></p>	<ul style="list-style-type: none"> <li>• <b>Cornell University</b> promotes success in purchasing from local suppliers by identifying and focusing on goods and services that can be easily substituted, such as catering, cleaning services, and food for dining halls.</li> <li>• <b>UC San Francisco</b> developed a pilot program to transition campus product deliveries to a 3<sup>rd</sup> party partner, Corporate Interior Solutions (CIS), a small, minority-owned business -- increasing supplier diversity at no additional cost.</li> <li>• <b>The University of North Carolina at Pembroke</b> decided to first focus on produce procurement because of their presence in an agriculturally rich area with many farmers. By assisting local farms with required certifications and processes, they increased their procurement of local produce from 2% to 16%</li> </ul>

<sup>32</sup> <https://www.bu.edu/sourcing/>

<sup>33</sup> <https://www.uh.edu/office-of-finance/hub/#:~:text=The%20HUB%20Program%20ensures%20compliance%20with%20state%20HUB,HUBs%20assistance%20to%20facilitate%20access%20and%20contracting%20opportunities.>

<sup>34</sup> <https://www.usf.edu/business-finance/supplier-diversity/>

<p><b>Leverage the contracting process</b></p>	<ul style="list-style-type: none"> <li>• <b>The University Hospitals in Cleveland</b>, Ohio unbundles large contracts to create opportunity for new, local vendors.<sup>35</sup></li> <li>• While very few organizations publicly display that they unbundle large contracts when legally and logically permissible, the idea is considered a best practice by both academics and industry professionals.<sup>36</sup></li> </ul>
<p><b>Celebrate successes</b></p>	<ul style="list-style-type: none"> <li>• <b>The University of Connecticut</b> won the National Association of Educational Procurement’s Jessie L. Moore Supplier Diversity Award, the INSIGHT Into Diversity’s Higher Education Excellence in Diversity (HEED) Award, &amp; the Minority Construction Council Inaugural Corporate Partnership Award. These awards have increased UConn’s visibility as a supplier diversity leader, allowing them to share best practices &amp; further increase impact.</li> <li>• <b>The University of Pennsylvania</b> created the Supplier Diversity Impact Award to acknowledge contributions to supplier diversity and inclusion on campus - mostly recently to the head coach of men’s basketball.<sup>37</sup></li> <li>• <b>Iowa State University</b> bestows an annual award to a procurement employee who has had a major impact on the procurement services mission, and a Small Business Award for enterprises that provide outstanding customer service, creative solutions, and meaningful partnerships.</li> </ul>

<sup>35</sup> Zuckerman & Parker, 2019

<sup>36</sup> Loader, 2015; Zuckerman & Parker, 2019; Mallinckrodt, 2021

<sup>37</sup> University of Pennsylvania. (n.d.); <https://cms.business-services.upenn.edu/purchasing/economic-inclusion/supplier-diversity-awards/past-winners/889-penn-supplier-diversity-impact-award-winner-2022.html>

## Recommendations

As a taxpayer-funded entity, the System is committed to serving North Carolina citizens and more broadly, the communities across the state. The System institutions provide invaluable services to their communities through education and research, however as anchor institutions, they also have an opportunity to promote the development of local, small, and diverse businesses in a socially equitable manner. This not only helps to address gaps in the supply chain, but also improves the region's economic activity and increases the size of the vendor pool. By fostering greater competition, universities can encourage innovation among local business owners, resulting in better quality products and services that may also be more cost-effective due to the creativity and ingenuity of the local business community. Our recommendations for the System are listed below in Table 5.

<b>Table 5. Recommendations</b>	
<b>Provide explicit, enthusiastic, and evergreen top-down support</b>	<ul style="list-style-type: none"> <li>• Convey the motivation and expectations for the HUB utilization goal</li> <li>• Host annual events and/or online trainings with appearances from university leadership</li> </ul>
<b>Establish, and track progress on, goals and relevant metrics</b>	<ul style="list-style-type: none"> <li>• Measure performance against State directed goals</li> <li>• Monitor utilization and spend at the department/school, university, and system levels</li> <li>• Track self-identified voluntarily shared demographic ownership of firms regardless of certification status</li> </ul>
<b>Conduct regular trainings and outreach events</b>	<ul style="list-style-type: none"> <li>• Offer in-person vendor readiness workshops and purchaser marketplace events annually</li> <li>• Deliver monthly virtual training calls to potential new vendors</li> <li>• Develop training resources and materials</li> </ul>
<b>Engage in Collaborative Partnerships</b>	<ul style="list-style-type: none"> <li>• Partner with business resource organizations that provide HUB-relevant trainings and resources (MWBE Coordinators Network, SBTDC, GCAP, NC HUB, School of Government, MBDA Center)</li> <li>• Work with CDFIs, and other financial institutions that can administer revolving loan funds or provide other capital resources to HUBs</li> </ul>
<b>Dedicate staffing and resources to supplier diversity</b>	<ul style="list-style-type: none"> <li>• Create a dedicated Supplier Diversity Outreach Coordinator position for each UNC institution</li> <li>• Participate in supplier diversity conferences and associations (e.g., NC MWBE Coordinators Network)</li> </ul>

<b>Advocate for state policy changes</b>	<ul style="list-style-type: none"> <li>• Encourage the State to simplify the HUB certification process</li> <li>• Advocate for State penalties for firms falsely claiming to meet the HUB definition</li> <li>• Ask the NC DOA to set HUB utilization goals that increase in future years</li> <li>• Ask NCDOA to focus HUB goals on North Carolina-based firms</li> </ul>
<b>Empower university purchasers as economic changemakers</b>	<ul style="list-style-type: none"> <li>• Require annual Supplier Diversity training for all P-Card holders to ensure they know about university HUB goals and how to contribute to achieving this goal</li> <li>• Establish a system-wide Community of Practice of HUB reporters and the new Supplier Diversity Outreach Coordinators</li> </ul>
<b>Implement online tools that support purchasing from diverse vendors</b>	<ul style="list-style-type: none"> <li>• Advocate for a new and improved HUB Vendor Database</li> <li>• Develop a system that automatically tracks performance on key metrics</li> </ul>
<b>Create a system-wide Supplier Diversity Council to help guide this work</b>	<ul style="list-style-type: none"> <li>• Include representation from across the university (including those in the system-wide HUB network), and external partners such as business support organizations, trade associations, and others</li> <li>• Convene quarterly to review progress on established goals, discuss upcoming opportunities, and brainstorm solutions</li> </ul>
<b>Develop clear, detailed, and easy-to-navigate websites</b>	<ul style="list-style-type: none"> <li>• Develop a comprehensive supplier diversity webpage on the UNC System Website</li> <li>• Develop Supplier Diversity webpages on each UNC School’s website that mirror the System’s Supplier Diversity Webpage</li> <li>• Present detailed instructions on how to work with the System and campuses, include recordings of prior trainings</li> </ul>
<b>Start with easy-to-accomplish opportunities and build momentum</b>	<ul style="list-style-type: none"> <li>• Prioritize easily substituted categories</li> <li>• Emphasize sectors with high diversity</li> </ul>
<b>Leverage the contracting process</b>	<ul style="list-style-type: none"> <li>• Break up large contracts into smaller packages where legally permissible, is not done to evade bidding requirements, and will facilitate greater participation by HUB firms</li> </ul>
<b>Celebrate successes</b>	<ul style="list-style-type: none"> <li>• Recognize campus and purchaser achievement</li> <li>• Encourage friendly competition among campuses</li> <li>• Acknowledge success of participating HUBs</li> </ul>

**Provide explicit, enthusiastic, and evergreen top-down support**

Top-down support is critical to program success. A purchaser at a university exemplifying best practices shared, “It takes upper management and leadership to make

the commitment with you, stand behind you, and provide the resources that are needed to make a possibility a reality.”

Staff who make purchasing decisions using university dollars need to understand the state goals in place for utilizing HUBs, the rationale for pursuing HUB utilization, and the potential impact such purchasing can have on the broader community. Purchasers also need to understand that university leadership expects them to make good faith efforts to utilize these local, diverse businesses when possible. System and institutional leadership must regularly communicate goals associated with supplier diversity, particularly since the staff making these purchasing decisions regularly turnover.<sup>38</sup>

Having top university leadership (ideally the Chancellor or Provost) make appearances at university supplier diversity events and on online recorded trainings helps demonstrate the priority of this work to the university. For example, annual required P-Card training refreshers can include a video message from a leader discussing the importance of this work, and a story highlighting how university spending helped a small local HUB grow, create more jobs, and contribute to the state’s thriving economy.

Another idea for demonstrating leadership buy-in is a friendly competition between the UNC schools to see which school can most increase their HUB utilization. The competition could be kicked off with a video from all chancellors announcing the competition and the importance of this work and conclude with awards to those schools with greatest percent HUB utilization, greatest percent increase in HUB spend, greatest increase in the number of HUB vendors utilized.

## **Establish, and track progress on, goals and relevant metrics**

Professor Matthew Chorpenning and colleagues at Portland State University studied the factors that contribute to effective supplier diversification and established that, "The need for readily available and accurate data accompanied by clear goals in minority contracting cannot be overstated."<sup>39</sup>

At a minimum, the System and its constituent schools’ HUB utilization and spend targets should be equal to the State-directed 10% goals. However, the State’s Department of Administration should be encouraged to evaluate its goals annually to ensure they continue to be reflective of the changing demographics of business ownership in the state, and to accurately reflect the findings of future disparity reports (See Table 1 and Appendix B).

To increase the utilization of all HUBs, the current best practice is to create and track metrics for each HUB demographic, regardless of HUB certification. This demographic ownership information can be voluntarily self-reported by business owners as part of the vendor application. Disaggregated tracking spotlights differences between each segment and highlights opportunities for program creation or modification. Aggregate

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<sup>38</sup> National Minority Supplier Diversity Council’s Best Practices, as cited in Daniel, 2017; McDonald & McCandless, 2022).

<sup>39</sup> Chorpenning et al, 2015

HUB metrics (the status quo) mask the underutilization of specific demographic groups, which hampers long-term growth of HUB spend and dulls the System's potential impact on economic development in communities across the state.

Using self-identified data also opens the door for HUBs that are not yet certified by NCDOA. Having this information allows purchasers at UNC Schools to identify and encourage these businesses to become HUB certified, which would help increase the school's utilization rates. Capturing this data also reveals when the barrier to utilization is administrative (certification) rather than identification and recruitment of new vendors.

The UNC System office can partner with the HUB office to provide trainings to these HUB eligible businesses, guiding them to become HUB certified. Additionally, once these businesses becoming HUB certified, they will be able to compete as a HUB for purchasing opportunities at all public NC entities, thereby increasing the pool of potential HUB vendors for public entities trying to meet HUB goals across the state. We recommend tracking the following metrics in real-time and reporting quarterly for both Tier 1 and Tier 2 spend:

- **Dollar amount and the percent of overall spend** by small business classification, race, ethnicity, gender, disability status, and HUB status. This data should include spend via P-Card, which requires collaboration with the third-party banking entity overseeing this. All UNC schools are on the same P-card contract, so this could be achieved by NC DOA during its contracting process in securing P-card vendors.
- **Number of firms conducting business with the department/school, university, and the System**, broken down by small business classification, race, ethnicity, gender, local business status, etc. This data should also flag NC-based HUB vendors utilized by the institution for the first time, as this demonstrates that new businesses are connecting to these opportunities, and that UNC Schools are effectively expanding their pool of potential vendors.
- **Spend by zip code and other relevant target geographies** such as Census tracts or counties.
- **Spend in historically economically disadvantaged or low-income areas**, such as HUBZones or NC Department of Commerce's Tier 1 counties, the 40 most economically distressed counties in the state.<sup>40</sup>
- **Data on all potential suppliers unsuccessful in their bids**, including racial and ethnic demographics, contract value, and rationale rejection. This data reveals common mistakes made by HUB bidders and informs more tailored trainings in the future.
- **Outreach and training activities performance and impact**, including the number of in-person and virtual events for institutions' employees and businesses, number and demographic breakdown of attendees/participants, satisfaction with trainings, and future training topics of interest (collected via end-of-event surveys).

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<sup>40</sup> North Carolina Department of Commerce, n.d.; <https://www.commerce.nc.gov/grants-incentives/county-distress-rankings-tiers>

- **Voluntary information** on the amount of commercial lending and other financial resources awarded to potential HUB and non-HUB suppliers by external partners (e.g., CDFIs and others).

Detailed tracking of utilization and spend at the department and university levels enables all parts of the System to chart progress and evaluate effectiveness, understand the impact of external events (such as a pandemic), and target activities for stronger performance.<sup>41</sup> The data can also identify top performers in this area. For example, if a department excels in HUB spending, we can learn from their success and share their lessons with others in the system.

We also recommend creating a working group (i.e., the supplier diversity council) to monitor and evaluate progress on a quarterly basis. Once any program is established, it is important to measure progress on goals and continuously evaluate and refine the program.

## Conduct regular trainings and outreach events

Our research found that hosting regular outreach events are crucial to help businesses connect directly with university purchasers and get the support and information they need to successfully conduct business with public institutions. Given this, we recommend offering outreach events at UNC schools regularly—both in-person, and online.

One type of outreach event we recommend is an in-person vendor readiness workshop. These workshops should take place annually at each of the schools. If schools are geographically close to one another (e.g., UNC Asheville and Western Carolina University), they can consider joining forces to host one larger vendor readiness workshop. We recommend vendor readiness workshops cover these topics:

- Current and upcoming campus purchasing needs
- Public procurement policies and statutory requirements
- Review of paperwork required to engage with the university
- Showcase of regional business support organizations that can help businesses build capacity and overcome challenges (e.g., SBTDC, GCAP, etc.)
- Overview of HUB certifications and why it's important for eligible businesses to get certified
- How to search for bid and purchasing opportunities within the universities and on the NCDOA HUB website
- What to expect when doing business with a public entity or as part of a public-private partnership
- Examples of HUBs who have successfully conducted business with the university, as well as their tips and lessons learned

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<sup>41</sup> Center for Economic Inclusion, n.d.

These vendor readiness workshops generally have the format of panels or round robins with speakers. At the end of these workshop, we recommend hosting a purchaser marketplace, where purchasers and business support organizations set up booths and are available to speak one on one with businesses about current and upcoming purchasing needs, ultimately working to find the match between purchasing needs and businesses in attendance. We at NCGrowth have found that having more purchasers in the room makes these events more attractive to the business attendees, so suggest inviting other purchasers from the community that are also looking for HUBs—e.g., local hospitals, airports, local/county/Tribal governments, military bases, etc. The MWBE Coordinators Network is a great partner to engage for these events.

In addition to annual in-person events, we recommend hosting monthly online trainings to provide overview information to businesses interested in engaging with the university. These trainings would provide the same information each month, allowing new businesses to access the needed information, and ask questions of the university. These trainings can be record and placed online for businesses to view at their leisure. Topics covered would be similar to those of the vendor readiness workshops listed above.

## Engage in Collaborative Partnerships

The National Minority Supplier Development Council and academic literature recommend collaborative partnerships, outreach, and provision of networking opportunities to support supplier diversity.<sup>42</sup> Additionally, every university interviewed for this plan has established internal and external partnerships to increase their reach, provide trainings and resources, and reduce procurement barriers faced by small and diverse businesses. North Carolina boasts notable resource organizations that can serve as valuable partners to the UNC System Office in support of this work.

Smaller firms and those in historically economically disadvantaged communities have less access to capital, and support services such as accountants, legal services, and other consultants. Budgetary constraints and a lack of exposure to these services impose barriers to obtaining successful bids. The System and its campuses can reduce these obstacles by engaging in partnerships that help build business capacity. Additionally, partner organizations can provide support and resources to the purchasers that are integral to this work.

### **NC Historically Underutilized Businesses (HUB Office)**

The NC Department of Administration's Office for Historically Underutilized Businesses was established on April 20, 1999 through the signing of Executive Order 150. The mission of this office is to promote the economic opportunities for historically underutilized businesses in State Government contracting and procurement that will foster their growth and profitability. In this role, the HUB office can provide support to the

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<sup>42</sup> Carolinas-Virginia Minority Supplier Development Council, n.d.; National Minority Supplier Development Council, n.d.; McDonald & McCandless, 2022

UNC System with training of their purchasers on the HUB rules, processes and systems, and HUB certification training of businesses identified as HUB eligible.

### **North Carolina Minority & Women Business Enterprise (MWBE) Coordinator's Network**

The NC MWBE Coordinator's Network is a state-wide association that advances the goal of inclusion for minority- and women-owned businesses in public and private sector contracting. Over the past thirty years, members of the NC MWBE Coordinators' Network have been committed to ensuring that all segments of the community have an equitable opportunity to participate in professional service contracts, procurement contracts, and construction projects in both public and private sectors. The Network has more than 100 members from state agencies, universities, community colleges, municipalities, and private organizations throughout North Carolina. The MWBE Coordinators Network is a great resource for information and best practices around engaging with HUBs. The network meets quarterly, and President Denisha Harris has said she would be thrilled for the Network to have greater engagement with UNC purchasers. Meetings generally involve updates on HUB policy and programming, training, and sharing of lessons learned and best practices. The Network also brings in subject matter experts from the legal, policy, community and economic development fields to explore solutions-centered approaches to economic inequities. The meetings aim to draw on the vast experience and expertise of the coordinator network, fostering engagement and knowledge-sharing for mutual benefit. Additionally, the MWBE Coordinator's Network has partnered with the UNC School of Government on development of a new certification, "Certified Economic Inclusion Officer" or "CEIO", which includes coursework that helps individuals develop a comprehensive understanding of the legal requirements and practical aspects of administering a HUB, MWBE, or DBE program in the State of North Carolina. This certification and its coursework would help ensure UNC purchasers have the knowledge to succeed in meeting their HUB utilization goals.

### **NCGrowth**

NCGrowth is a national center building an economy with opportunities for all to prosper. They provide technical assistance to businesses, governments, anchor institutions, and other organizations to create good jobs and new wealth in economically distressed communities. Over the past 10 plus years, NCGrowth has engaged with 234 clients for 319 projects. These clients include small and medium size business enterprises, anchor institutions (universities, military bases, local county tribal government entities), municipalities, and nonprofits. Most businesses served by NCGrowth are historically underutilized and/or in rural communities from the mountains to the coast. With staff in North Carolina, South Carolina, and Washington, DC, NCGrowth's work and thought leadership range in scope from hyper-local to international. NCGrowth's AICER program partnered with the UNC System on development of this strategic plan.

### **Small Business and Technology Development Center (SBTDC)**

The Small Business and Technology Development Center (SBTDC) is the business and technology extension service of the UNC System. The SBTDC is administered by NC State University and operated in partnership with US Small Business Administration (SBA). SBTDC business counselors work with small and mid-size businesses

throughout the state to help them become more competitive, create new jobs, and improve the economy. Housed within SBTDC is the NC Government Contracting Assistance Program (GCAP), which provides specialized and professional technical assistance to individuals and businesses that are seeking to pursue and successfully perform under contracting and subcontracting opportunities with federal, state and local governments. GCAP is a great resource for businesses interested in engaging with government entities, including UNC schools. They help businesses identify the products/services governments are looking to purchase and the amounts they wish to buy, meet requirements necessary to compete for contracts (including providing support on development of capabilities statements), improve bids and proposals, and interpret complex regulations.

### **NC Minority Business Development Agency (MBDA) Business Center**

The North Carolina MBDA Business Center is operated by the NC HUB Office. The Center is housed in Research Triangle Park (RTP), one of the fastest growing metro areas in the United States. The NC MBDA Business Center is focused on supporting the mission of the Minority Business Development Agency, the only federal agency charged with advocacy for minority businesses. The Center engages in outreach, technical training, networking, and connecting opportunities for the clients it serves. The goal is to provide hands on assistance to help businesses grow and expand to new heights including understanding international trade engagement. The NC MBDA Center is another great resource for trainings for both purchasers and businesses, and currently hosts monthly online HUB certification training sessions.

### **UNC School of Government**

UNC School of Government is the largest university-based local government training, advisory and research organization in the United States. The School of Government serves more than 12,000 public officials each year. The mission of the School of Government is to improve the lives of North Carolinians by engaging in practical scholarship that helps public officials and citizens understand and improve state and local government. UNC School of Government has excellent courses for purchasers, including the following which are required for the new Certified Economic Inclusion Officer (CEIO) program developed in partnership with the MWBE Coordinator's Network:

- Minority Participation Programs and Public Contracting
- Basic Principles of Local Government Purchasing
- Contracting for Construction and Design

### **Institute for Innovation at the UNC Chapel Hill School of Law**

UNC School of Law's Institute for Innovation provides early-stage legal counsel to new for-profit and nonprofit ventures. The institute aims to support economic development of under-resourced communities, with an emphasis on rural North Carolina. The Institute's Startup NC Law clinic advises for profit startups, entrepreneurs, and small businesses across a broad spectrum of North Carolina industries. UNC schools can send HUBs that need legal support to the Institute for this assistance.

### **Community Development Finance Initiatives (CDFIs)**

A CDFI (Community Development Financial Institution) is a specialized financial institution that provides affordable lending and other financial services to underserved communities with a mission to promote economic development. CDFIs offer flexible products and services, including loans, to individuals and businesses in low-income areas that may have limited access to traditional financial services. As such, CDFIs are a great source for capital, which can often be a challenge for small businesses.

Not only do minorities have less access to capital, but they are also more likely to have higher interest rates on their debts.<sup>43</sup> We recommend the System partner with CDFIs in support of equity investment in North Carolina's small businesses, particularly HUBs. Revolving loan funds are a great way to provide targeted capital in support of supplier diversity. Such funds can be held by local governments, CDFIs, and other banking institutions<sup>44</sup>. RLFs are a financing mechanism that provides loans to individuals or organizations, with the principal and interest payments repaid into the fund, which is then used to provide additional loans. The loan funds may offer flexible terms, lower interest rates, or other incentives to encourage borrowing. As loans are repaid, the RLF can continue to make new loans, creating a self-sustaining source of capital for the community. While the System cannot establish a revolving loan fund, System schools can further support HUBs by identifying and connecting HUBs to institutions that administer revolving loan fund programs.

## Dedicate staffing and resources to supplier diversity

Supplier diversity programs cannot succeed without resources, yet many are required to make do with small staffs and limited funding despite tremendous responsibilities to their university, students, taxpayers, and broader communities. Creating full-time roles dedicated to supplier diversity within the procurement department helps ensure accountability across the institution. Supplier diversity program coordinators are generally responsible for coordinating data management and infrastructure, obtaining input on goals and supply chain needs, obtaining or developing a database of targeted suppliers, tracking progress on goals, providing reports to leadership, conducting vendor outreach, creating informational materials for vendors, and developing partnerships.<sup>45</sup>

We recommend that each university have a dedicated staff member entirely focused on outreach and program improvement. Currently, each UNC institution has a designated staff member that oversees HUB reporting for construction and another for goods and services. These employees have many other responsibilities and are unable to focus their energy on the outreach that is critical to success. A dedicated Supplier Diversity Outreach Coordinator can:

- Produce resources and guidance for potential vendors and purchasers
- Connect with NC-based HUBs to understand what they can offer and facilitate matchmaking between businesses and relevant university purchasers

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<sup>43</sup> Hanks, Solomon, & Weller, 2018

<sup>44</sup> Little, 2022

- Develop and deliver vendor readiness workshops, purchaser marketplaces, monthly training calls, and other outreach activities
- Engage with purchasers across campus to understand their needs
- Create and conduct trainings for university staff making purchases

Attending supplier diversity conferences and trainings keeps procurement staff current on the latest best practices and provides them with an opportunity to network with others to both learn from them, and in turn share their own successes. We recommend that the Supplier Diversity Outreach Coordinators become engaged members of the MWBE Coordinators Network, joining their quarterly meetings and annual conferences.

## Advocate for State Policy Changes

The North Carolina HUB Office was established through executive order 150 to promote and facilitate the use of HUBs in state procurement and contracting. It is responsible for certifying HUBs, maintaining a directory, providing outreach and technical assistance, and ensuring HUBs receive a fair share of state contracting opportunities. As the agency entrusted with overseeing and promoting supplier diversity in the state, HUB is well-positioned to implement policy and program changes to enhance HUB firm utilization. The below policy recommendations are intended to streamline the HUB certification process, ensure fairness in participation, and increase the use of North Carolina-based HUBs in procurement processes.

### Encourage the State to simplify the HUB certification process

We recommend that the UNC System Office advocate for NC DOA to simplify the HUB certification process. Businesses in North Carolina that are HUB-eligible need to complete the Statewide Uniform Certification (SWUC) form and await 30-45 days for a response from the HUB office. The SWUC form is lengthy and asks for information that is often not applicable to small HUB firms (e.g., “# of shares owned” or “Board of Directors”), difficult for firms to determine (e.g., “initial investment to acquire ownership” may be difficult for a business that started slowly with the owner’s own funds), or may seem irrelevant and frankly cause suspicion from the individual completing the form (e.g., “Do any of your immediate family members own or manage another company?” or, “Do you perform a supervisory or management function for another firm?”). The SWUC form should be simplified and placed online (with printed versions available for those in rural areas without reliable internet access) to allow skip logic where applicable so businesses aren’t asked questions that are irrelevant to their business type. Additionally, an online presence would allow the system to flag inconsistencies or missed fields.

### Advocate for State penalties for firms falsely claiming to meet the HUB definition

There is unfortunately a history of some business owners falsely registering as HUBs. One often-cited example is when a white male owner makes his wife, who is not involved in the day-to-day responsibilities of running the business, a 51% owner. The intention to prevent these sorts of instances is one reason the HUB certification process has become so arduous. But complexity is not a solution. We recommend creating

penalties such as issuing significant fines, banning offending businesses from working on state contracts in the future, etc.

**Ask NC DOA to set HUB utilization goals that increase in future years**

To ensure proportional representation in the public procurement process, the System should advocate that the State increase the HUB spend goal based on the most recent disparity study report data, ideally on an annual basis (Appendix B). HUB goals should be ambitious and proportional to the demographics of the North Carolina business community (Table 6). This is not currently the case as the state directs institutions to strive for 10% of overall HUB utilization. This goal, however, falls far below the mark. As of 2020, HUBs made up over 35% of the number of North Carolina-based firms (Table 1). These goals should be evaluated annually to ensure that procurement and purchasing goals for goods, services, and construction spend are keeping up with the changing business demographics. See Table 6 for our recommended HUB goals, which are the current availability of firms as detailed in the State’s HUB Disparity Study Report.

**TABLE 6 RECOMMENDED DEMOGRAPHIC SPECIFIC SPEND GOALS BASED ON CURRENT FIRM AVAILABILITY<sup>46</sup>**

<b>Construction Firms</b>	
<b>Business Ownership Classification</b>	<b>Spend Goal</b>
Black American	14.65%
Asian American	1.12%
Hispanic American	4.38%
American Indian	2.39%
<b>Total MBE</b>	<b>22.54%</b>
Nonminority Female	13.64%
<b>Total M/WBE</b>	<b>36.19%</b>
Non-M/WBE	63.81%
<b>Total Firms</b>	<b>100%</b>
<b>Architecture and Engineering</b>	
<b>Business Ownership Classification</b>	<b>Spend Goal</b>
Black American	6.41%
Asian American	2.42%
Hispanic American	2.42%
American Indian	1.21%
<b>Total MBE</b>	<b>12.45%</b>
Nonminority Female	10.52%
<b>Total M/WBE</b>	<b>22.97%</b>
Non-M/WBE	77.03%
<b>Total Firms</b>	<b>100%</b>
<b>Professional Services</b>	
<b>Business Ownership Classification</b>	<b>Spend Goal</b>
Black American	18.42%
Asian American	2.86%
Hispanic American	2.00%
American Indian	1.49%
<b>Total MBE</b>	<b>24.77%</b>
Nonminority Female	9.55%
<b>Total M/WBE</b>	<b>34.32%</b>
Non-M/WBE	65.68%
<b>Total Firms</b>	<b>100%</b>
<b>Prime Data, Other Services</b>	
<b>Business Ownership Classification</b>	<b>Spend Goal</b>
Black American	15.86%
Asian American	1.30%
Hispanic American	1.72%
American Indian	0.69%
<b>Total MBE</b>	<b>19.57%</b>
Nonminority Female	9.05%
<b>Total M/WBE</b>	<b>28.62%</b>
Non-M/WBE	71.38%
<b>Total Firms</b>	<b>100%</b>

<sup>46</sup> Griffin & Strong, P.C., 2020

Prime Data, Goods	
Business Ownership Classification	Spend Goal
Black American	8.18%
Asian American	1.09%
Hispanic American	1.71%
American Indian	0.68%
<b>Total MBE</b>	<b>11.65%</b>
Nonminority Female	9.27%
<b>Total M/WBE</b>	<b>20.93%</b>
Non-M/WBE	79.07%
<b>Total Firms</b>	<b>100%</b>

### Ask NCDOA to focus HUB goals on North Carolina-based firms

The NC HUB office currently certifies and tracks information about HUB businesses both within and outside the state of North Carolina. As a NC State entity committed to growing our state’s economy, we recommend focusing HUB goals on NC-based businesses as these businesses will have a greater multiplier effect and generate more economic activity for the state than those outside of North Carolina.

### Empower purchasers as economic changemakers

Many individuals at the UNC campuses make purchasing decisions regularly without knowing current policy and the state’s HUB goal. To gain their participation, these purchasers need to know the statutory requirements of dollars spent by the university and the impact spending has on the broader community.

P-Card holders need to be invested in the HUB effort and empowered as agents of change using university dollars to improve local economic resilience. Mandatory P-Card trainings reminds users that they are responsible for making good faith efforts towards HUB goals. The sessions should include a message from the university chancellor (demonstrating leadership buy-in), current HUB goals and progress, and a story about a business that expanded and hired more employees from their work with the university.

We recommend establishing a system-wide community of practice of HUB reporters and the new Supplier Diversity Outreach Coordinators. This network would convene remotely each quarter to share lessons learned, make vendor recommendations, discuss challenges, brainstorm solutions, and create a community of practice. The group could also oversee an award to each of the university’s top HUB utilizers (with an award name like, “Economic Resilience Builder”) to demonstrate the university’s commitment to the importance of this work. The System Office already plans to bring together current HUB reporters for an initial training and has expressed interest in continuing to convene this group for additional training.

### Implement online tools that support purchasing from diverse vendors

The success of this program depends on the willingness of the individuals making purchasing decisions across UNC campuses to invest the time and effort in making these purchasing decisions. Because of this, it is mission-critical that buying from HUBs is easy for purchasers. This means having a modern online purchasing system that

supports simple search and automatic suggestion of HUB vendors. These functions are beyond the capabilities of the current systems.

Currently, the 17 UNC institutions are not using the same procurement system—our research has yielded at least three different systems (Jagger, Homegrown, and Coup) utilized by UNC schools. Current purchasing systems do not flag NC-based HUB firms, nor do they integrated with NCDOA’s HUB database, which is continually updated as certifications expire, and as new businesses get certified.

A recent experiment illustrates the impact of this outdated IT infrastructure, and the need for regular HUB training: A purchaser at a UNC institute who is in charge of spending for 53 UNC staff members had never heard of historically underutilized businesses, and did not know there was a state goal to make good faith efforts to spend at least 10% of university dollars with these businesses. Upon being informed of this, the individual tried to identify a company for an institute need using the existing HUB database. With guidance from someone familiar with the system, the purchaser searched for 15 minutes without success. The keywords used by the P-card holder either yielded no results, or far too many to review in the time available to make the needed purchase. This reality is likely the case for many p-card holders across the system. Additionally, for those that do turn to the HUB database for their purchasing needs, many face challenges in finding the needed business. Thus, we recommend advocating that the NC HUB Office upgrade the vendor database to allow p-card holders unfamiliar with commodity codes to identify vendors more easily through keyword search and/or industry type.

A new and improved HUB Vendor Database that is easily searchable and integrated with UNC purchasing systems is critical to the success of a supplier diversity plan. The NC DOA HUB office has a business directory in place that they are statutorily required to maintain, and we understand the HUB office is currently working to overhaul and improve this database. The current system is not intuitive and does not work well.<sup>47</sup> Once this system is improved, utilization should increase substantially. The database needs to:

- **Improve search functionality** for goods, services, and construction needs, and include flags for NC-based businesses and HUB status.
- **Integrate with the university purchasing systems** so purchasers aren’t required to take the additional step of visiting a separate website to try to identify vendors before returning to their purchasing platform to again locate that identified supplier and ultimately make the purchase.

For a supplier diversity program to be effective, the purchasing system needs to automatically track performance on key metrics. This continuous tracking and automated reporting make it easier to evaluate spend with HUBs. Unfortunately, organizations often fail to track the metrics needed to analyze progress or establish

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<sup>47</sup> <https://www.ips.state.nc.us/vendor/searchvendor.aspx?t=h>

benchmarks.<sup>48</sup> The procurement reporting system should track key metrics and generate real-time reports on the following:

- Status of local and diverse spending goals
- Specific spending categories (e.g., construction, food service, supplies, etc.)
- Trends in local and diverse spending over time (size of businesses, number of jobs created, percent HUB utilization, etc.)
- Projections of future supply chain needs <sup>49</sup>

## Create a system-wide Supplier Diversity Council

An advisory council or committee is an invaluable resource for monitoring performance, setting goals and objectives, identifying challenges, and surfacing future opportunities for improving the supplier diversity program.

We recommend the UNC System form a system-wide Supplier Diversity Council to support the system in achieving its HUB goals. This council should include representation from the universities (including a representative from the UNC HUB Community of Practice) as well as external partners engaged in this work, including business support organizations and HUB business owners.

By getting multiple people in the room from a variety of backgrounds, public institutions are more innovative and effective at identifying and removing unnecessary red tape that inhibits supplier diversity. This System-wide Supplier Diversity Council could serve as a national model for a statewide supplier diversity council leveraging the purchasing power of a well-established university system.

We recommend that this council convene online quarterly, with at least one annual meeting in-person. These convenings would provide an opportunity to review HUB spend, plan and collaborate on events, identify barriers to HUB participation, and brainstorm solutions.

## Develop clear, detailed, and easy-to-navigate procurement websites

The importance of clear and easy-to-understand, accessible information cannot be overstated. Unfortunately, research shows that procurement policies can be difficult for the average citizen to find and understand.<sup>50</sup> We recommend developing procurement websites with the information businesses need in order to be able to understand how to work with the university.

To reduce confusion and increase user-friendliness, we recommend a single “front door” procurement page on the System website that links to the procurement pages at each of the 17 institutions. All the university procurement pages should be similarly formatted

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<sup>48</sup> Deloitte, n.d.; North Carolina Department of Administration, n.d.; 2021; McDonald & McCandless, 2022

<sup>49</sup> Zuckerman & Parker, 2019

<sup>50</sup> Loader, 2015

and organized so users interacting with multiple parts of the System can easily find the desired information wherever they are. The website should clearly describe how to engage with the System and its 17 campuses, including:

- The public procurement rules all UNC institutions follow
- How to become a vendor to the campus—which forms to complete and websites to register with
- Online modules or recordings of information covered during vendor readiness workshops and monthly training calls
- A calendar of training and outreach events
- Information about HUB Certification, including links to the HUB website
- Links to HUB’s recorded training materials for certification
- Current and upcoming purchasing needs (i.e., items or services that purchasers from across campus are having trouble finding, or will need in great quantity for a planned grant or project in the upcoming year, etc.)
- Active bid opportunities

### Start with easy-to-accomplish opportunities and build momentum

Researchers, Zuckerman and Parker, and interviewees note that supplier diversity programs should start where they can be immediately successful and build momentum. Two opportunities to capitalize on this is by focusing initially on easily substituted categories and sectors with high diversity.<sup>51</sup>

Many purchasers do not have a preference for a specific company as long as the product or service is similar to what they need. Research indicates this is most true for these categories<sup>52</sup> :

- Construction
- Facility services
- Janitorial services
- Distribution/delivery
- Printing
- Food
- Information technology
- Advertising/graphic design
- Sustainable development/renewable energy

Because these goods and services tend to have exact or nearly exact substitutes, there should be less resistance to a change.

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<sup>51</sup> Zuckerman & Parker, 2019

<sup>52</sup> Zuckerman & Parker, 2019

Furthermore, identifying sectors with high minority ownership and high HUB participation in the State or System makes it easier for purchasers to choose these businesses. According to the Aspen Institute, healthcare, accommodation, food services, and retail have higher shares of minority ownership and could provide ample opportunity for near-term success.<sup>53</sup>

## Leverage the contracting process

Small historically underutilized businesses may struggle to take on a large multi-million-dollar project because they often cannot overcome the financial or human capital requirements to fulfill the entire contract.

We recommend routinely reviewing all large bid opportunities to determine whether unbundling is legally permissible, does not evade bidding requirements, and facilitates greater HUB participation. This would allow more new businesses to work with a university or the System first as a small subcontractor so they become acquainted with the process and build capacity to successfully compete for a larger project.

## Celebrate successes

Celebrating successes and sharing stories shows the impact of this work, rewards performance, demonstrates the System's commitment to this work, and inspires purchasers to continue working toward these goals. We recommend recognizing leaders in this work through awards, and storytelling materials.

As part of this we recommend an annual award ceremony wherein universities can celebrate those across the campuses who have done especially well in increasing their utilization of NC-based HUB suppliers (e.g., the Economic Resilience Builder award suggested previously). Departments excelling in this work should also be recognized for efforts in supplier diversity advocacy. This will promote support for supplier diversity goals throughout each institution.

Additionally, these events can share the impact of this work by featuring the successes of NC-based HUB firms that have grown and expanded as a result of work with the UNC institutions. This kind of storytelling validates the HUBs, provides important representation to inspire others, and shows purchasers the impact of their actions. In addition to sharing these stories regularly, one HUB could be recognized annually as the institution's Historically Underutilized Business of the Year and be highlighted in a video shared with purchasers across campus and during outreach events.

UNC institutions could also take part in a friendly competition to see which campus achieves the highest utilization of NC-based HUB firms, and which campus shows the greatest improvement in their utilization since the prior year.

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<sup>53</sup> The Aspen Institute, 2017

## Financial Considerations

Studies show that robust procurement diversity programs result in increased competition, improved product quality, and higher costs savings.<sup>54</sup> A survey of procurement officials in US corporations found that utilization of minority and woman-owned businesses produced 8.5% cost savings for purchasers each year.<sup>55</sup> Thus, the potential savings that results from increasing competition with a supplier diversity program far outweighs the cost of the program.

We drafted a sample annual budget showing the level of investment needed for core personnel, outreach events, website creation and maintenance, platform upgrades, and award ceremonies. For the more expensive investment lines, we offer three levels of investment for the Board’s consideration.

**TABLE 7. PROPOSED ANNUAL BUDGET**

Category	Level 1 - Minimum		Level 2 - Intermediate		Level 3 - Comprehensive	
	Annual Cost	Description	Annual Cost	Description	Annual Cost	Description
<b>Personnel</b>	\$335,888	1 Supplier Diversity Outreach Director 2 Supplier Diversity Outreach Analysts	\$845,133	1 Supplier Diversity Outreach Director  7 Regional Supplier Diversity Coordinators to support: Northwestern (ASU, WSSU, NC Arts), Southwestern (UNCA, WCU, UNCC), Sandhills (FSU, UNCP, UNCW), Northeastern (ECSU, and ECU); Triad (NC A&T, UNCG), Triangle West (UNCCH, NC Sci Math), and Triangle East (NCSU, NC Central) campuses.	\$1,857,953	1 Supplier Diversity Outreach Director  17 Supplier Diversity Coordinators (one for each UNC institution)
<b>Outreach events</b>	\$17,000	One annual in-person event at each of the 17 schools, no food	\$34,000	One annual in-person event at each of the 17 schools, with light snacks and refreshments	\$68,000	One annual in-person event at each of the 17 schools, with meals served (enabling more time for networking)

<sup>54</sup> Bailey, K., 2019; Bateman, et al., 2020

<sup>55</sup> Prilepok et al., 2022

<b>Virtual Engagement Events</b>	\$11,730	One virtual event per year at each of the 17 schools. Cost provided is annual cost of webinar software. Main cost is staff time, covered in core personnel	\$11,730	Two virtual events per year at each of the 17 schools. Cost provided is annual cost of webinar software. Main cost is staff time, covered in core personnel.	\$11,730	Monthly virtual events at each of the 17 schools. Cost provided is annual cost of webinar software. Main cost is staff time, covered in core personnel.
<b>Awards</b>	\$90,100	Online presentation of the awards	\$115,600	Award Ceremony in-person with snacks and refreshments	\$156,400	Award Ceremony in-person with dinner
<b>Front Door Website Creation</b>	\$15,000	Develop front door webpage at The System website,	\$185,000	Develop front door webpage at The System website  Overhaul the procurement front pages for each of the 17 schools.	\$185,000	Level 2 is sufficient; no 3 <sup>rd</sup> level
<b>Website maintenance</b>	\$30,089	0.25 FTE at The System office	\$228,676	0.10 FTE at each of the 17 schools; and .20 FTE at system office.	\$228,676	Level 2 is sufficient; no 3 <sup>rd</sup> level
<b>Total</b>	<b>\$482,807</b>		<b>\$1,420,139</b>		<b>\$ 2,507,759</b>	

## Recommended Core Personnel

Level	Cost	Calculation
Level 1 - Minimum	\$336,428	1 Director at a salary of \$100,000 annually, with 25.9% fringe and \$7,046 in health insurance = \$132,946. 2 Analysts, each at a salary of \$75,000 annually, with 25.9% fringe and \$7,046 in health insurance = \$101,741/analyst, or \$203,482 total
Level 2 - Intermediate	\$845,133	1 Director at a salary of \$100,000 annually, with 25.9% fringe and \$7,046 in health insurance = \$132,946. 7 Analysts, each at a salary of \$75,000 annually, with 25.9% fringe and \$7,046 in health insurance = \$101,741/analyst, or \$712,187 total
Level 3 - Comprehensive	\$1,857,953	1 Director at a salary of \$100,000 annually, with 25.9% fringe and \$7,046 in health insurance = \$132,946. 17 Analysts, each at a salary of \$75,000 annually, with 25.9% fringe and \$7,046 in health insurance = \$101,741/analyst, or \$1,725,007 total.

## Recommended Outreach Events

Level	Cost	Calculation
Level 1 - Minimum	\$17,000	One annual in-person event at each of the 17 schools. Each event is estimated at \$1000 (approximately \$500 for beverages, \$500 for posters, printed materials, and other conference supplies). One annual event for each of the 17 schools = \$17,000
Level 2 - Intermediate	\$34,000	One annual in-person event at each of the 17 schools, with light snacks and beverages. Each event is estimated at \$2000 (approximately \$1500 for food, \$500 for posters, printed materials, and other conference supplies). One annual event for each of the 17 schools = \$34,000
Level 3 - Comprehensive	\$68,000	One annual in-person event at each of the 17 schools, with meals served (enabling more time for networking and mingling). Each event is estimated at \$4000 (approximately \$3500 for food and beverages, \$500 for posters, printed materials, and other conference supplies). One annual event for each of the 17 schools = \$68,000

## Recommended Web Development

Level	Cost	Calculation
Level 1 - Minimum	\$15,000	Develop front door webpage at The System website. Initial estimate from web developers is \$15,000
Level 2 - Intermediate	\$185,000	Develop front door webpage at The System website; and overhaul the procurement front pages for each of the 17 schools. \$15,000 for the first webpage (for the system office); then \$10,000 for duplicating this template at all 17 schools so each school presents the same information in a similar manner).

## Recommended Website Maintenance

Level	Cost	Calculation
Level 1 - Minimum	\$30,089	0.25 FTE at The System office
Level 2 - Intermediate	\$228,676	0.10 FTE at each of the 17 schools; and .20 FTE at system office.

## Recommended Awards & Recognition

Level	Cost	Calculation
Level 1 - Minimum	\$90,100	Online presentation of the awards. 2 awards per school at \$150 each (\$300); \$5000 videography for featured business = \$5300 x 17 schools = \$90,100
Level 2 - Intermediate	\$115,600	Award Ceremony in-person with snacks and refreshments. Each school: 2 awards per school at \$150 each (\$300); \$1500 catering; \$5000 videography for featured business = \$6800 per school x 17 schools = \$115,600.
Level 3 - Comprehensive	\$156,400	Award Ceremony in-person with dinner. Each school: 2 awards per school at \$150 each (\$300); \$4000 catering; \$5000 videography for featured business = \$9300 per school x 17 schools = \$158,100.

## Conclusion

The mission of the System is to discover, create, transmit, and apply knowledge to address the needs of the State. In furtherance of its mission, each year the System educates more than 244,000 students, employs more than 58,000 staff and faculty, engages in cutting-edge research, and provides healthcare, learning, and transformational community engagement to the people of this state, the nation, and the world.

The System's purchasing power is significant: Its 17 institutions spend more than \$2 billion each year on goods, services, and construction to keep students learning, faculty teaching, and researchers generating new knowledge. Increasing spend with HUBs makes the System a force multiplier for economic development, business formation and expansion, job growth, wealth creation, and social justice and racial equity.

Our recent experience with the COVID-19 pandemic has taught us that both communities and institutions are vulnerable to societal disruptions. Improved supplier diversity also creates a more resilient economy and reduces long-term supply chain vulnerability.<sup>56</sup>

The System can be a national leader in supplier diversity and HUB utilization. Achieving this goal, however, requires a paradigm shift for the highest-ranking administrators, front-line procurement staff, policymakers, and business leaders. This strategic plan represents a comprehensive outline for the System and its campuses to create stronger and more just communities and add value to UNC. Executing these tactics will create a holistic view of the System's economic and social justice responsibilities that encompasses all people and communities in the state.

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<sup>56</sup> Bateman, et al., 2020

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Keyword search phrases into both Google Scholar and Google included terms such as: “inclusive procurement,” “social value procurement,” “public procurement and economic development,” “anchor institution strategies,” “equitable purchasing,” “university anchor programs,” “diversity procurement program,” “public procurement challenges,” “public sector e-procurement,” and “government supply chain management”.

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## Appendix A. NCGrowth's HUB work with UNCP, FSU, UNC-CH

NCGrowth has been helping System institutions develop and implement local and HUB utilization since 2015. Its Anchor Institutions Create Economic Resilience (AICER) program has engaged with UNC Pembroke, Fayetteville State University, and UNC-Chapel Hill.

### UNC Pembroke

With assistance from NCGrowth, UNC Pembroke increased local produce procurement from 2% out of the total to 16%, becoming one of the leading universities in the nation in terms of supplying students with fresh, local produce.<sup>57</sup> The success of this pilot project only increased the university's desire to support and work with local businesses.

In October of 2022, NCGrowth hosted a vendor readiness workshop and purchaser marketplace at UNCP's new Thomas School of Business. The workshop started with panels on the topics of procurement and the power of purchasing, and building business capacity to bid work at anchor institutions. Following this, a reverse trade show was held where business owners could meet and mingle with purchasers from UNC Pembroke, the Lumbee Tribe of North Carolina, Robeson Health Care Corporation, City of Lumberton, and Metcon Construction (a local firm looking for subcontractors). Businesses also had the opportunity to meet with regional business support organizations at booths hosted by Thomas HUB, NCGrowth, SBTDC, and the NC Military Business Center. More than 80 businesses registered from nine of the surrounding counties.

When surveyed, 82% of participants said the workshop somewhat or fully met their needs, and 100% were likely or very likely to recommend a vendor readiness workshop to another business owner. In speaking with attendees after the event, we learned of at least three attending businesses (one that sold toilet paper, another sold customized badge reels, and the third provided drone services) that developed new business relationships that day. Additional feedback included:

*"This workshop was by far one of the best for our company this calendar year!"*

*"Great Panel and explained very clearly."*

*"The set up was fantastic and the venue. The speakers were very enthusiastic about what they get to do as professionals."*

### Fayetteville State University

Among public North Carolina entities, Fayetteville State University is a leader in HUB utilization. As of the most recently published statewide disparity study report, FSU's overall HUB utilization was 29.7%, compared to the average of 8% utilization across all

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<sup>57</sup> NCGrowth, 2016

other UNC schools.<sup>58</sup> This record of utilizing diverse suppliers is important to the institution, and something it wants to continue to grow.

FSU has partnered with NCGrowth with a heavy focus on upcoming construction and renovation projects related to more than \$152 million in state appropriations for construction, renovation, and repairs.<sup>59</sup> We identified 488 small minority-owned, female-owned, or otherwise historically underutilized construction businesses in the 10-county region surrounding FSU. These businesses were invited to participate in a contractor's college, a six-session course hosted in partnership with Samet and McFarland, the joint venture managing the new residential dormitory being built on FSU's campus. This college equipped small contractors with the information needed to successfully bid for subcontract opportunities for the new dorm and other upcoming construction projects in the region.

NCGrowth also mapped the region's business support organization ecosystem, identifying and reaching out to 20 local partners. NCGrowth also supported planning and content development for Fayetteville Procurement Week, a week of events in celebration of Governmental Purchasing month, culminating in a vendor readiness workshop and purchaser marketplace.<sup>60</sup> Parts of this Procurement week are showcased in the following video: <https://go.unc.edu/BoG>.

### UNC-Chapel Hill

NCGrowth is also working with UNC-Chapel Hill to clean and analyze the past four years of procurement data for opportunities for HUB businesses. We are planning a workshop co-hosted by UNC-Chapel Hill, UNC Health, and RDU International Airport for the Summer of 2023.

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<sup>58</sup> North Carolina Department of Administration, 2021

<sup>59</sup> Pitts, 2022

<sup>60</sup> March 2023

## Appendix B. Project Background Information

### Potential Cost Savings

Studies show that robust procurement diversity programs result in increased competition, improved product quality, and cost savings.<sup>61</sup> In fact, a survey of procurement officials in US corporations found that utilization of minority and woman-owned businesses can offer purchasers 8.5% cost savings each year.<sup>62</sup> Given this, the cost of implementing a program would be far outweighed by potential savings. If the System achieves the 8.5% average, it could reduce construction costs by approximately \$16,515,686, and goods and services costs by \$142,488,291 every year - for potential annual savings of \$159,003,977.

### Additional Investment in the state of North Carolina

If all 17 UNC institutions met the 10% HUB utilization goal set by the state, they would generate \$167,633,283 in goods and services spend, and \$19,430,219 in construction spend with NC HUBs, for a total annual investment of \$187,063,503.<sup>63</sup> This would have major implications for North Carolina business owners, enabling them to be able to hire more employees, raise wages to retain existing talent, expand business operations, and increase the local tax base thereby improving local infrastructure. This would be an overall net positive both for public institutions and for North Carolinians.

### The COVID-19 Pandemic

Many communities were struggling before the pandemic, and COVID-19 highlighted and further exacerbated their economic challenges. As recently as January 2022 grocery stores were still making policy changes regarding member discounts due to supply chain disruptions. This exacerbated economic issues families and businesses face from rising inflation.<sup>64</sup> And one-off events such as poor weather or natural disasters compound the challenges. For example, Raleigh's winter storm of 2019 led to even more shortages of supplies and products at local businesses as ice and snow delayed supply chains.<sup>65</sup>

The pandemic also uncovered flaws in local and global supply chains, which resulted in business closings, food shortages, product scarcities, etc.<sup>66</sup> Deloitte identified several issues, including how public contract processes and the lack of visibility beyond Tier 1 suppliers led to long lead times. Inefficient procurement practices also created an overemphasis on cost at the expense of small- and medium-sized businesses, and product or service value in terms of improved performance, quality, and innovation from

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<sup>61</sup> Bailey, K., 2019; Bateman, et al., 2020

<sup>62</sup> Prilepok et al., 2022

<sup>63</sup> This was calculated using the average spend for each of the 17 institutions for fiscal years 2015 through 2022.

<sup>64</sup> Hollingsworth, 2022

<sup>65</sup> Owens, 2022

<sup>66</sup> Deloitte, n.d.; Lalliot & Yukins, 2020

the supply base.<sup>67</sup> Obsolete IT infrastructure and inventory management systems also supported inefficient practices.<sup>68</sup>

### COVID's Impact on North Carolinians

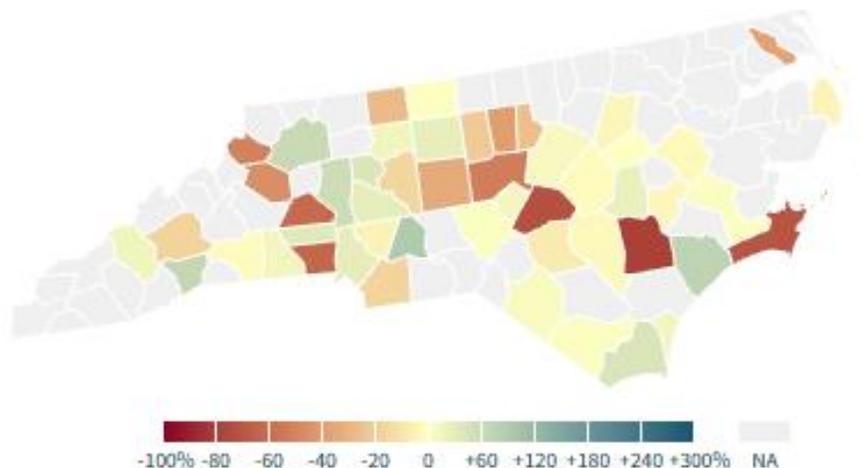
Although the negative effects of COVID affected everyone, small businesses and low-income families felt the burden more than others (Johnson et al., 2021; Szatkowski, 2021). An impact study conducted by UNC's Kenan Institute of Private Enterprise highlights the issues North Carolina small business owners face.<sup>69</sup> :

*"... I had a business, and before the pandemic, I was doing fine, but after COVID, everything just slowed down to nothing, so I had to shut down. I have a home, I have a mortgage, I live alone, and quite honestly, it's a struggle, but I've managed to find some part-time [work]."*

*"We were both small business owners until COVID. I ran a cleaning business, and my husband had a lawncare business. When the pandemic started, we—I stayed home and my husband had a little bit of trouble finding people to work, so he would work occasionally and not pay himself. So, he wasn't bringing home a paycheck, so we qualified for Medicaid. I had a house cleaning business. So, once COVID hit, you know, it wasn't doing any business."*

Even small businesses that survived the pandemic experienced losses in revenue. The image below displays the county-level percent change in total small business revenue as of February 2022 compared to January 2020.<sup>70</sup> Although the worst of the pandemic is over, many hardworking entrepreneurs in North Carolina are still struggling.

FIGURE 1 PERCENT CHANGE IN SMALL BUSINESS REVENUE (JANUARY 2020 - FEBRUARY 2022)



Source: Opportunity Insights, n.d.

### COVID's Impact on HUBs

<sup>67</sup> Deloitte, n.d.; McCue & Roman, 2012; Loader, 2015

<sup>68</sup> Deloitte, n.d.; McCue & Roman, 2012

<sup>69</sup> Johnson et al., 2021

<sup>70</sup> Opportunity Insights, n.d

*HUBs are defined in NC General Statute 143-128.4 as businesses that are at least 51% owned by at least one person belonging to one or more of the following groups: Black, Hispanic, Asian American, American Indian, Female, Disabled, or Disadvantaged as defined under 15 U.S.C. § 637.*

According to the U.S. Small Business Administration, the COVID-19 pandemic had a disproportionate impact on small businesses, particularly those owned by women and minorities. Between April 2019 and April 2020, the number of people self-employed and working fell by 20.2%. Self-employed people who identify as white and non-Hispanic decreased by 17.4% and 19.2% respectively. Declines among self-employed racial minorities were highest:

- African Americans: down 37.6%
- Asian Americans: down 37.1%
- Hispanic Americans: down 26%

Additionally, the number of women who were self-employed fell by 3% more than men.<sup>71</sup>

According to *Forbes*, as of January 2021, nearly one-third of minority-owned businesses had to reduce employee hours, and approximately one-fourth had to temporarily close. The situation was more dire for minority owned enterprises. A 2020 report from the Federal Reserve Bank of New York indicated that by April of that year, almost half of Black-owned businesses, nearly a third of Latino-owned businesses, and a quarter of Asian-owned businesses had closed. Just 17% of white-owned firms closed during that time.<sup>72</sup>

### COVID's Impact on the UNC System

North Carolina colleges and universities are not immune to global supply chain issues. They experienced delays in capital projects and reduced access to supplies.<sup>73</sup> As Randy Ledford, Vice President of Caldwell Community College and Technical Institute (CCC&TI), said in an interview with EdNC:

*"We are running into some issues, not just with supply chain having an impact on the industry itself, but having an impact on education... A lot of the programs at community colleges try to replicate programs that prepare students for the workforce in business and industry. They require equipment that a business or industry uses. If they can't get a hold of that equipment, they're going to struggle to replicate that skill."*<sup>74</sup>

CCC&TI's President, Mark Poarch also noted the need for renovated infrastructure and the recent challenges associated with delays in the supply chain:

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<sup>71</sup> Wilmoth, 2021

<sup>72</sup> Mills & Battisto, 2020; Arora, 2021

<sup>73</sup> McClellan, 2022

<sup>74</sup> McClellan, 2022

*“There’s a lot of money out there right now, and our community colleges, quite frankly, especially in rural areas, are desperate for new and renovated facilities... These delays just exacerbate the problem, so I know there’s a lot of concern from our sister colleges across North Carolina dealing with the same kind of challenges.”*<sup>75</sup>

Anchor institutions, including those in the System, can fill the gaps in their own supply chain by procuring from diverse businesses, particularly HUBs. These enterprises can ease supply chain woes because of their proximity, increased flexibility, and innovative mindsets.<sup>76</sup> By emphasizing the use of local businesses, anchor institutions not only reduce supply chain risk, they, promote job creation, support more resilient and sustainable economies, and increase cost savings without loss to quality

### Current and Future State Demographics

As of the 2020 Census, North Carolina was home to 10.44 million people. Of the 10.44 million people, 40% live in rural counties. The state’s population is projected to reach 13.8 million by 2050.<sup>77</sup>

Over the last decade, six urban counties accounted for 54% of the state’s population increase, 14 smaller urban/suburban areas for 24%, and 80 rural counties for the remaining 22%.

Racial and ethnic minorities accounted for 65% of the total growth in North Carolina from 2010 to 2020. It is projected that five of every eight people added to the state’s population between now and 2030 will be a person of color.<sup>78</sup>

The state has also experienced significant business growth.

- Between 1995 and 2019, small business employment in North Carolina grew by 22.7%, a higher growth rate than the national average.<sup>79</sup>
- As of 2021, the state’s real GDP was \$514.9 billion, making it the 11<sup>th</sup>-largest economy in the United States
- Since 2000, the state has experienced an average of 2% economic growth per year
- In the last five years alone, approximately 94,700 firms opened in the state each year.<sup>80</sup>

These trends indicate tremendous growth in the service-providing sector, which is projected to contribute more than 90% of the 389,000 new jobs expected between 2017

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<sup>75</sup> McClellan, 2022

<sup>76</sup> Deloitte, n.d.; Zuckerman & Parker, 2019; Bailey, K., 2019; Bateman, et al., 2020; Harker et al., 2022

<sup>77</sup> North Carolina Office of State Budget and Management, n.d.

<sup>78</sup> North Carolina Office of State Budget and Management, n.d.

<sup>79</sup> U.S. Small Business Administration Office of Advocacy, 2022

<sup>80</sup> North Carolina Secretary of State, n.d.; Bureau of Economic Analysis, n.d.

and 2026. Professional, scientific, and technical services are projected to be second in terms of growth, with an expected 93,000 over the same period.<sup>81</sup>

These trends in population growth, increased diversity, and business development create ample opportunity for UNC institutions to partner with local businesses for their goods, services, and construction needs both now and into the future.

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<sup>81</sup> Movchan, 2018

## Appendix C. Example Boilerplate language for diverse business utilization contracts

*(Derived from USF Strategic Plan in the State of Florida, which has different policies governing procurement than North Carolina, thus some of this language may not be feasible for North Carolina.)*

The University of South Florida actively encourages the continued development and economic growth of diverse businesses and it is vital that minority-, women-, and veteran-owned business enterprises participate in the University of South Florida System procurement processes as both prime contractors and subcontractors. To this end, a Respondent is expected to submit in each response a Diverse Sub-Contractor Utilization Plan in conjunction with USF Purchasing and the USF Office of Supplier Diversity.

The Plan must show that there are, participating in the proposed contract, Minority-, Women-, Veteran-Owned Business Enterprises certified with one of the approved certifying entities by the USF Office of Supplier Diversity or that appear on the USF Office of Supplier Diversity listing of approved firms. Approved certifying entities can be found on the USF Office of Supplier Diversity website at [www.usf.edu/osd](http://www.usf.edu/osd).

Respondents must indicate on the provided Sub-Contractor Utilization Form, the name of the diverse firms which it will work, the contact name and phone number of the firm(s), the service supplied by the firm(s), the specific dollar amount from this contract that will be directed toward each firm, and the approximate date these products and/or services will be utilized.

All prime contractors, including diverse prime contractors, must meet the contract goals (established as project specific goals) through use of subcontractors. Diverse prime contractors will get no credit toward the contract goal for the use of its own workforce. If established participation levels are not met, the USF Office of Supplier Diversity will make the final determination as to whether the bidder made sufficient good faith efforts to achieve the established goals and what action if any will be taken. Potential actions that could be taken could include but are not limited to contract termination or suspension from bidding on any USF System opportunity for up to 3 years, USF Purchasing in conjunction with the USF Office of Supplier Diversity reserves the right to verify all information included in the Plan. Respondents are encouraged to contact and work with the USF Office of Supplier Diversity for recommendations only for the design of the Respondents plan to meet the established goals. The USF Office of Supplier Diversity website address is [www.usf.edu/osd](http://www.usf.edu/osd) and contains a listing of approved certification entities for firms being considered by the Respondent. This USF System Policy applies to any construction or development project or part thereof, in excess of one hundred thousand (\$150,000), and any contract for the provision of goods and services in excess of twenty-five thousand dollars (\$25,000).

## Appendix D. Example subcontractor agreement reporting form

(Derived from USF Strategic Plan and not legally reviewed for use in North Carolina.)

USF System Department	USF System Contact Person	Contract Number	Award Date	Contract Amendment Number	Original Contract Value	Updated Contract Value	Notice to Proceed Date

Award of this contract is based, in part, on the Diverse-Owned Business Utilization Plan. The following certified diverse-owned subcontractors will be participating on this contract *(if more space is needed, please attach an additional sheet)*:

Diverse-Owned Company Name	Diverse-Owned Business Phone & Contact Person	Diverse-Owned Business Tax ID# (If supplying products or services)	Detailed Scope of Product or Services	Anticipated Utilization Date	Percentage of Utilization	Dollar Value of Utilization

A copy of each subcontractor agreement must be submitted to the University of South Florida Office of Supplier Diversity within thirty (30) days of the effective date of the Contract. Failure to provide any subcontractor agreement may be considered a material breach of the awarded Contract and may result in contract termination. **The selected**

**Prime Contractor must obtain approval from the USFOSD before changing the participation plan submitted in connection with this Contract.**

The Contractor shall report payments made to the USFOSD at [osd@usf.edu](mailto:osd@usf.edu) for all subcontractors under this Contract on a monthly basis. In the subject line include the following **“DIVERSE BUSINESS REPORT MM/DD/YEAR - CONTRACT #, COMPANY NAME”**. All monthly reports shall be made using the forms and methodology provided, which has been determined by the USFOSD.

Submitted by: \_\_\_\_\_ Date: \_\_\_\_\_

For USFOSD Use Only

Date Received: \_\_\_\_\_ Office of Supplier Diversity Agent: \_\_\_\_\_





## Appendix G Example USF Budget

(Source: USF Strategic Plan)

Budget Request - Office of Supplier Diversity 17-18				
PERSONNEL	Salary	Fringe		
Assistant Vice President	\$140,000.00	\$ 56,000.00	\$ 196,000.00	
Business Analyst	\$ 60,000.00	\$ 24,000.00	\$ 84,000.00	
Subtotal	\$200,000.00	\$ 80,000.00	\$ 280,000.00	
OPERATIONS				
Outreach/In-reach			\$ 1,500.00	
General Department Marketing & Collateral Materials			\$ 29,355.00	*
Awards			\$ 3,500.00	
Supplier Diversity Day			\$ 10,876.00	Partial*
Community Engagement (4 Events):			\$ -	
2 - Amalie Arena			\$ 5,000.00	**
2 - Raymond James			\$ 5,000.00	**
Lunch & Learn			\$ 3,500.00	*
Educational/Program Development			\$ -	***
Corporate Sponsorships			\$ 7,000.00	
Memberships			\$ 13,000.00	
AVP Training (2 Conferences - \$3K each)			\$ 6,000.00	
Staff Training			\$ 3,000.00	
Staff Support (\$1500 per person)			\$ 4,500.00	
Subtotal			\$ 92,231.00	
TOTAL BUDGET REQUEST			\$ 372,231.00	
* In Kind				
** Limited sources of university funding				
*** Cost to be determined at a later date				
ADDITIONAL PERSONNEL - See ongoing tab				
	Salary	Fringe	Training & Support	
Administrative Specialist	\$ 38,080.00	\$ 15,232.00	\$ 1,500.00	\$ 54,812.00
Project Manager - St. Pete	\$ 40,000.00	\$ 16,000.00	\$ 4,500.00	\$ 60,500.00
Project Manager - Sarasota	\$ 40,000.00	\$ 16,000.00	\$ 4,500.00	\$ 60,500.00
				\$ 175,812.00

## Appendix H: Public Spend / Impact Reporting Examples

(Source: UC System and USF)

### Systemwide Procurement: IT Temporary & Professional Services RFP

**TEAM** UC Systemwide & Campus representatives in: Strategic Sourcing | Procurement | Human Resources | Strategic Technology Acquisition | Information Technology | Supplier Diversity Council | Health

#### Opportunity

After 10 years, UC systemwide agreements with 18 Information Technology (IT) Temporary (Temp) Labor and IT Professional Services were due to expire. In going out for public bid, 248 IT Temp and IT Professional Services agencies expressed interest in participating in the event, providing a fresh opportunity for UC to gain visibility into today's leaders in the IT Temp and IT Professional Services market.

#### Approach

Using existing contracts and service providers as a baseline, the team confirmed the relevant roles, rates and mark-up percentages relative to today's market. While the number of roles increased by 55 percent, the average rate reduction was captured at 4.59 percent, resulting in significant savings upon awarding new contracts.

Instead of separating the two categories (temporary & professional services), we identified service providers who could cover both services and act as a one-stop shop. This allowed us to leverage the volume and cost of services for better value.

Working through the UC Supplier Diversity Council, we partnered with the State of California Office of Small Business and Disabled Veteran Business Enterprise Services to promote the UC Systemwide IT Temp/IT Professional Services RFP among their membership. As a result, three UC-Wide Agreements and two OMNIA National Agreements were awarded to Small Business Enterprises (SBE) and other diverse suppliers, including Disadvantaged Business Enterprises (DBE), Women Business Enterprises (WBE) and Minority Business Enterprises (MBE).



#### Results

- Nine campuses participated in the evaluation and selection process
- UC awarded 22 new agreements: 15 UC-wide agreements and seven national agreements (through OMNIA Partners)
- 15 awards went to new UC suppliers; seven went to incumbent UC suppliers
- Five SBE suppliers were awarded, along with DBE, WBE and MBE suppliers
- Total annual cost savings = \$1.9 million

**Total Benefit: \$1.9M** (annual cost savings) | **\$9.5M** (over first 5-year term)

UNIVERSITY OF SOUTH FLORIDA  UNIVERSITY of SOUTH FLORIDA  
 OFFICE OF SUPPLIER DIVERSITY Office of Supplier Diversity  
 SPEND REPORTING FORM

UNIVERSITY DEPARTMENT: **SUMMARY OF DEPARTMENTS**  
 Data Analyst: **Mark Richards**  
 CONTACT EMAIL:  
 CONTACT PHONE:  
 REPORTING QUARTER: **Through Q1 FY 22-23**

CATEGORY	CONSTRUCTION (INCL ARCH & ENG)		PROFESSIONAL SERVICES		OTHER CATEGORIES		TOTAL DIRECT		Tier 2		All Tiers		% of Spend		
	No.	DOLLARS	No.	DOLLARS	No.	DOLLARS	No.	DOLLARS	No.	DOLLARS	No.*	DOLLARS	% OF DIVERSITY SPEND BY CATEGORY	% OF ADDRESSABLE SPEND	
<b>MWBE/VBE:</b>													<b>\$ 9,606,561.62</b>	<b>\$ 78,827,473.82</b>	<b>12%</b>
AFRICAN AMERICAN	2	\$ 7,599.00	3	\$ 49,700.00	11	\$ 878,235.14	14	\$ 935,534.14	9	\$ 665,956.54	23	\$ 1,601,490.68	16.671%	2.032%	
ASIAN AMERICAN	1	\$ 5,019.00	1	\$ 24,000.00	18	\$ 121,674.87	20	\$ 150,693.87	1	\$ 10,560.00	21	\$ 161,253.87	1.679%	0.205%	
HISPANIC AMERICAN	3	\$ 77,323.30			25	\$ 1,157,587.26	26	\$ 1,234,910.56	11	\$ 559,939.32	37	\$ 1,794,849.88	18.684%	2.277%	
WOMAN-OWNED (NON MINORITY)	2	\$ 657,038.72	19	\$ 209,872.03	98	\$ 1,069,389.73	118	\$ 1,936,300.48	24	\$ 995,335.84	142	\$ 2,931,636.32	30.517%	3.719%	
VETERAN OWNED/SERVICE DISABLED	2	\$ 22,965.24			25	\$ 347,027.76	26	\$ 369,993.00	4	\$ 391,454.76	30	\$ 761,447.76	7.926%	0.966%	
SMALL BUSINESS	3	\$ 106,901.39	20	\$ 280,001.50	270	\$ 1,802,815.18	290	\$ 2,189,718.07		\$ -	290	\$ 2,189,718.07	22.794%	2.778%	
MBE (NO DESIGNATION)					1	\$ 19,378.00	1	\$ 19,378.00	2	\$ 145,061.67	3	\$ 164,439.67	1.712%	0.209%	
NATIVE AMERICAN NON-CERTIFIED					1	\$ 1,725.37	1	\$ 1,725.37		\$ -	1	\$ 1,725.37	0.018%	0.002%	
<b>TOTAL MWBE/VBE</b>	<b>13</b>	<b>\$ 876,846.65</b>	<b>43</b>	<b>\$ 563,573.53</b>	<b>449</b>	<b>\$ 5,397,833.31</b>	<b>496</b>	<b>\$ 6,838,253.49</b>	<b>51</b>	<b>\$ 2,768,308.13</b>	<b>547</b>	<b>\$ 9,606,561.62</b>			

\* Counts may contain duplicates in Tier 1 and Tier 2 as some primes operate as subs on other projects.

## Appendix I: NC Public University Spend on Goods, Services, and Construction

NC Public University Reported Spend on Goods and Services (NC Department of Administration, n.d.)								
	FY 22	FY 21	FY 20	FY 19	FY 18	FY 17	FY 16	FY 15
ASU	\$22,740,291	\$20,195,193	\$21,179,599	\$57,251,592	\$26,010,414	\$28,486,103	\$23,227,942	\$20,525,172
ECU	\$49,427,844	\$41,839,612	\$43,343,500	\$66,235,423	\$92,666,915	\$106,101,498	\$94,522,116	\$105,120,281
ECSU	\$17,684,349	\$13,214,133	\$10,095,304	\$15,345,620	\$14,067,378	\$12,114,087	\$11,664,940	\$10,425,851
FSU	\$34,925,969	\$21,414,635	\$5,032,227	\$1,960,760	\$5,915,365	\$508,210	\$12,011,298	\$12,940,735
NC A&T	\$119,684,768	\$81,748,975	\$78,733,907	\$93,222,083	\$97,226,819	\$93,467,469	\$78,551,599	\$0
NCCU	\$24,148,926	\$35,598,864	\$24,810,715	\$41,050,999	\$39,537,767	\$30,816,301	\$30,215,950	\$27,307,929
NCSU	\$939,944,275	\$861,245,664	\$1,287,617,269	\$574,733,696	\$512,801,457	\$531,422,609	\$521,125,343	\$532,087,146
UNCA	\$29,378,222	\$24,507,359	\$21,666,827	\$21,209,181	\$14,359,357	\$9,521,353	\$11,139,859	\$10,612,507
UNC-Chapel Hill	\$858,171,255	\$782,849,204	\$778,549,006	\$409,673,91	\$75,073,835	\$64,150,878	\$73,756,609	\$167,440,249
UNCC	\$104,678,885	\$84,889,831	\$98,589,480	\$103,253,890	\$104,465,968	\$100,251,118	\$98,364,870	\$96,876,230
UNCG	\$67,230,454	\$41,048,420	\$42,561,523	\$26,541,371	\$37,082,212	\$31,242,538	\$26,625,860	\$26,903,605
UNCP	\$33,296,791	\$40,958,056	\$32,942,636	\$13,066,327	\$10,954,175	\$20,601,234	\$15,367,973	\$0
UNC School of the Arts	\$12,248,055	\$163,789,540	\$10,873,851	\$11,590,964	\$13,192,811	\$937,476	\$11,226,782	\$15,652,828
UNCW	\$82,009,762	\$13,804,303	\$125,576,775	\$240,906,983	\$101,162,580	\$58,633,833	\$61,631,136	\$56,358,892
WCU	\$90,858,576	\$43,572,543	\$37,057,191	\$39,568,343	\$30,744,546	\$3,081	\$26,687,942	\$26,914,585
WSSU	\$41,575,053	\$24,466,160	\$24,455,322	\$20,175,320	\$19,381,085	\$22,537,541	\$18,709,339	\$295,005
NCSS&M	\$25,430,769	\$46,704,743	\$2,366,445	\$2,611,192	\$3,073,179	\$3,483,704	\$3,021,864	\$1,898,559

## Appendix I (Continued): NC Public University Spend on Goods, Services, and Construction

NC Public University Reported Spend on Construction (NC Department of Administration, n.d.)								
	FY 22	FY 21	FY 20	FY 19	FY 18	FY 17	FY 16	FY 15
ASU	\$0	\$554,747	\$11,430,294	\$1,144,953	\$546,780	\$3,333,510	\$5,899,547	\$226,550
ECU	\$7,277,935	\$176,773,842	\$38,087,819	\$26,374,273	\$43,261,566	\$3,213,694	\$5,899,547	\$2,847,745
ECSU	\$0	\$0	\$268,624	\$0	\$189,000	\$144,575	\$209,335	\$439,964
FSU	\$1,740,938	\$0	\$3,638,886	\$0	\$265,323	\$202,064	\$1,228,629	NA
NC A&T	\$0	\$4,924,596	\$74,894,563	\$0	\$0	\$0	NA	NA
NCCU	\$3,089,131	\$3,176,463	\$4,062,115	\$1,087,287	\$2,657,519	\$51,760	\$367,718	NA
NCSS&M	\$0	\$0	\$0	\$0	\$0	\$0	NA	NA
NCSU	\$67,919,064	\$17,149,420	\$63,261,925	\$16,944,831	\$29,449,725	\$17,292,184	\$15,427,683	\$22,669,114
UNCA	\$883,109	\$778,171	\$686,310	\$8,325	\$113,262	\$82,002	NA	NA
UNC-Chapel Hill	\$123,787,283	\$51,161,606	\$11,823,795	\$8,212,900	\$6,775,250	\$10,402,886	\$9,391,932	NA
UNCC	\$70,796,841	\$28,526,896	\$55,864,382	\$37,173,515	\$45,380,676	\$36,928,718	\$89,206,093	\$15,333,997
UNCG	\$98,729,270	\$23,587,854	\$22,311,080	\$2,912,020	\$2,864,480	\$2,151,465	\$4,249,781	\$4,920,870
UNCP	\$1,445,294	\$2,592,008	\$988,841	\$76,518	\$0	\$0	\$47,719	NA
UNC School of the Arts	\$505,785	\$9,080,541	\$2,703,030	\$0	\$156,732	\$0	NA	NA
UNCW	\$1,221,657	\$29,198,320	\$5,987,557	\$1,991,375	\$2,554,886	\$0	NA	\$2,499,788
WCU	\$606,049	\$1,387,268	\$0	\$0	\$26,079,542	\$2,572,884	NA	\$71,234
WSSU	\$1,636,808	\$0	\$0	\$708,627	\$9,490,258	\$4,568,658	\$559,100	\$1,017,076

## Appendix J: Best Practices

### Provide explicit, enthusiastic, and evergreen top-down support

Universities have used several strategies to obtain and display such support. For example, the supplier diversity staffs at the University of Connecticut and University of South Florida (USF) received support from university leadership to implement annual supplier diversity training for all P-Card holders at the same time they complete the training required by the card's bank institutions, this training includes a recorded speech from the chancellor, explaining the importance of HUB utilization to the local community.

USF and the University of Richmond also created leadership positions such as the Assistant Vice President of Supplier Diversity and a Department of Diversity, Equity, and Inclusion. Leaders in these positions demonstrate a university commitment to supplier diversity, create direct access to leadership, and develop comprehensive plans that include goals and actionable objectives with the input and support of numerous departments.

### Develop a Strategic Plan

Several of the universities that we researched such as Northwestern University or Boston University either made mention of a strategic plan related to supplier diversity, or as in the case of the University of South Florida, published their supplier diversity strategic plan online. The USF plan covers specific, measurable, attainable, realistic, and timely supplier diversity objectives, sets long term goals, includes a SWOT analysis, and makes several organizational and budgetary recommendations, as well as lays out a communications plan.<sup>84</sup> The development of a detailed strategic plan is also recognized as a best practice by the National Minority Supplier Development Council by Diversity Plus Magazine.<sup>85</sup> Importantly, Diversity Magazine recommends that the a strategic plan for supplier diversity should include describing the procurement process with an emphasis on how a supplier diversity program will be managed, as well as detailing a communications strategy such how websites, newsletters, regularly published reports, vendor communication plans, and other public relations efforts will be utilized.<sup>86</sup> The University of South Florida's Office of Supplier Diversity Strategic Plan is in an example of a plan that incorporates

### Establish, and track progress on, goals and relevant metrics

The success of the activities proposed in this plan requires tracking a wide range of metrics. As stated by Professor Matthew Chorpensing and colleagues at Portland State University, "The need for readily available and accurate data accompanied by clear goals in minority contracting cannot be overstated,"<sup>87</sup>. In addition to understanding the

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<sup>84</sup> <https://www.usf.edu/business-finance/supplier-diversity/documents/usf-office-of-supplier-diversity-strategic-plan-final.pdf>

<sup>85</sup> National Minority Supplier Development Council, 2020; Hyun Lee, n.d.

<sup>86</sup> Hyun Lee, n.d.

<sup>87</sup> Chorpensing et al, 2015

progress and effectiveness, these show the impact of external events (e.g., a pandemic), and provide a guide to targeting activities more effectively.

Ideally, the number of HUB firms conducting business with the UNC institutions and the percent of overall spend for each university and the System as a whole should be proportional to the availability of North Carolina-based HUB firms as laid out in the most recent Disparity Report (Table 1). However, the State should be encouraged to evaluate these goals annually to ensure that goals keep pace with changing business demographics and future reports (Appendix B).

It is important to measure progress on goals and continuously evaluate and refine the program. USF and the UC System, for example, have supplier diversity leadership councils that meet once per quarter to review progress and metrics, and make recommendations for improvement.

### Conduct regular trainings and outreach events

One of the top themes in our research was the importance of hosting regular outreach events during which businesses get to hear directly from university purchasers. These events cover how to become a vendor, public procurement rules, processes and forms that must be completed, upcoming purchasing needs of the university, and resources available to the businesses in the local area. Event attendees generally hear directly from purchasers and network with and begin to develop a professional relationship with them.

Monthly online trainings can cover basic information about getting into business with the university. This provides important information at frequent intervals and creates useful content that can be posted on the procurement website. Topics could include:

- Statutory requirements UNC institutions are required to follow
- State certifications
- Using the Interactive Purchasing System (registering in the system, searching for business opportunities, and setting up alerts to learn about upcoming opportunities, and how to submit a bid)
- Current and upcoming procurement needs of the university
- Quarterly procurement data
- Deadlines and other guidance or tips for businesses that are new to working with the university.

As public institutions committed to education, we are well-positioned to connect HUB businesses to resources for capacity building. In North Carolina, we have a robust network of business support organizations that provide resources and training to our small businesses. Business support organizations are important partners to have at these events because they can provide technical assistance beyond the event to support growth and development of attending firms. Representatives of these organizations may present during event panels, and host booths during vendor fairs.

While it is important that university procurement staff and university leadership understand the value of supplier diversity, it is also important to have buy-in from everyday campus purchasers, such as P-Card holders<sup>88</sup>. To ensure buy-in, these purchasers need to have regular training on the statutory requirements of dollars spent by the university, as well as the impact that such programs have on the broader community.

The University of Tennessee System, University of Richmond, University of South Florida, Arizona State University, Boston University, University of Connecticut, and the UC System provide routine and robust workshops and webinars. The University of Connecticut, for example, utilizes an educational resource called U Diversity at UConn and requires mandatory training on the importance of supplier diversity for all P-Card holders, curated specifically for the university, and includes video and images of the campus and a personalized video message from university leadership.

The University of Connecticut, as well as Northwestern University, and Johns Hopkins, also send their procurement staff to local, regional, and national conferences to support professional development, networking, and sharing of resources and ideas in this area.

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### Engage in Collaborative Partnerships

The National Minority Supplier Development Council and academic literature recommend collaborative partnerships, outreach, and networking opportunities to support supplier diversity. Every university interviewed during our research has established partnerships both within and outside of their universities to increase their reach, provide trainings and resources, and reduce procurement barriers faced by small and diverse businesses.

For example, Northwestern University partners with the City of Evanston's Workforce Development program in support of its commitment to hiring contractors and sub-contractors, when possible, from the City of Evanston.

The University of Kentucky, University of Richmond, Johns Hopkins University, University of Connecticut, and the University of Tennessee have each developed extensive partnerships with local governments and business advocacy organizations to provide further resources and opportunities to small and diverse businesses. Partners include local and/or demographic-specific chambers of commerce, the Goldman Sachs 1000 Small Business Program, Women's Development Councils, and Small Business Development Centers.

Co-production, or the involvement of individual citizens and community groups in public service delivery,<sup>89</sup> is a great tool for creating interventions and institutions that are more inclusive (Mügge et al. 2018; Vrooman and Coenders 2020).<sup>90</sup> Research indicates that

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<sup>88</sup> McDonald & McCandless, 2022

<sup>89</sup> Verschuere et al. 2012

<sup>90</sup> Verschuere, et al., 2012; Mügge, 2018

social equity and empowerment are critical elements to include in the co-production of procurement strategies that create resilient economies, innovation, and economic growth.<sup>91</sup> Any social equity goal must be coupled with outreach and inclusivity in the strategy and planning processes to give citizens a voice. This requires the public to participate in identifying issues and potential solutions, and work together to design and implement strategies aimed at resolving issues and evaluating programs.<sup>92</sup> Potential tools for soliciting public input include public meetings, advisory committees, focus groups, and surveys<sup>93</sup>. In his recent testimony on the topic of achieving DEI goals within offshore wind projects, Dr. Mark Little of UNC Chapel Hill recommends utilizing a demographically representative community engagement board to organize and communicate with targeted communities.<sup>94</sup>

Anchor institutions should utilize their network of external partners to connect HUBs with other organizations that can provide resources, including access to capital and technical assistance, thereby reducing barriers faced by these enterprises. The goal should be to turn the work that is required to obtain HUB certification into a “strategy to grow pipeline”.<sup>95</sup>

Partners can also co-host workshops or training sessions similar to what has been developed by the Emerald Cities Collaborative. This seven-week program, held in partnership with local governments and financial institutions, trains small and minority-owned businesses on green infrastructure needs and offers procurement assistance.<sup>96</sup>

Anchor institutions and their partners can further decrease barriers through various actions including waiving membership and event fees, providing scholarships, providing pro bono services at university law clinics or local law firms (e.g., UNC-Chapel Hill’s Institute for Innovation, a partner of NCGrowth’s Anchor Institutions Create Economic Resilience program), or providing other avenues to decrease the financial costs for suppliers from historically underutilized populations.<sup>97</sup>

While the HUB certification process is one barrier to HUBs, access to capital poses the greatest hindrance; not only do minorities have less access to capital, but they are also more likely to have higher interest rates on their debts.<sup>98</sup> Revolving loan funds are one way to provide targeted capital in support of supplier diversity. Such funds can be held by local governments, CDFIs, and other banking institutions<sup>99</sup>. While the System cannot establish a revolving loan fund, System schools can further support HUBs by identifying and connecting HUBs to institutions that administer revolving loan fund programs.

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<sup>91</sup> O’Farrell et al., 2022

<sup>92</sup> Sicilia et al., 2016; O’Farrell et al., 2022

<sup>93</sup> Sicilia et al., 2016

<sup>94</sup> Little, 2022

<sup>95</sup> Little, 2022

<sup>96</sup> Emerald Cities Collaborative. (n.d.).

<sup>97</sup> Little, 2022

<sup>98</sup> Hanks, Solomon, & Weller, 2018

<sup>99</sup> Little, 2022

Anchor institutions are in a unique position to address these disparities because of their leadership in the community and connections to existing organizations. Anchor institutions can connect HUBs to Minority Depository Institutions, Community Development Finance Institutions, Small Business Technical Development Centers, Procurement Technical Assistance Centers, Chambers of Commerce, Women’s Centers, and others, to help address needs for access to capital or to support HUBs that operate in “banking deserts”.<sup>100</sup>

### Dedicate staffing and resources to supplier diversity

Many supplier diversity programs are required to make do with minimal staff and resources, yet they have tremendous responsibilities to their university, students, taxpayers, and broader communities.

Universities with successful supplier diversity programs have dedicated staffing and resources for these programs. Creating full-time roles within the procurement departments dedicated to supplier diversity is crucial to ensuring accountability across all departments in the institution<sup>101</sup>. These full-time staffers are generally responsible for:

- Coordinating data management and infrastructure
- Soliciting input on goals and supply chain needs
- Obtaining or developing a database of targeted suppliers
- Tracking progress on goals
- Providing reports to leadership
- Conducting outreach—Hosting/attending events, conferences, & resource fairs
- Creating informational materials for vendors
- Developing and maintaining partnerships

For example, the University of Connecticut’s Supplier Diversity Program has two fulltime employees, and the University of Richmond’s Strategic Sourcing Office has three full-time positions that balance sourcing and purchasing requirements for the university, while also working to implement the supplier diversity programs. Additionally, the University of South Florida developed an annual budget specifically for their supplier diversity program, including funding for the Vice President of the Office of Supplier Diversity, a business analyst position, an administrative specialist, and several project managers (see appendix G).

The University of California System also dedicates resources to supplier diversity, including campus specific diversity coordinators, positions dedicated to small and diverse business utilization in construction services, and the Small and Diverse Business Advisory Council.

### Empower university purchasers as economic changemakers

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<sup>100</sup> Little, 2022

<sup>101</sup> Zuckerman & Parker, 2019

Throughout our research we discovered the critical role that end-users play in public procurement. A commonly cited theme mentioned during our interviews was the importance of having purchasers recognize the role that they play in their own communities. The university of Connecticut for instance uses a required training resource called U Diversity at UConn to inform everyday purchasers of the impact that they have on their local communities through their purchasing practices. Similarly, the University of Tennessee Procurement Office educates university departments on supplier diversity initiatives via trainings/workshops, instruction guides, training on tools and databases, etc. to help purchasers make informed and intentional decisions regarding diverse suppliers. Likewise, the University of South Florida developed a schedule of employee training opportunities on contract compliance and supplier diversity.

### Implement online tools that support purchasing from diverse vendors

Data and metrics are required to determine institutional progress toward procurement diversity goals. Our research uncovered several aspects related to procurement IT infrastructure and data analytics that are necessary for the successful implementation of supplier diversity programs. It is necessary that procurement systems track:

- The percentage of procurement dollars and the dollar amount of spend directed to HUBs.
- The number of individual HUBs conducting business with the institutions
- Data disaggregated by demographic type (i.e., Black, Hispanic, Native American, woman-owned, small business, etc.)
- Spend by zip code and other relevant target geographies such as census tracts and the percentage of vendor employees from local and/or economically distressed neighborhoods

Some universities recommend tracking and reporting these metrics at the university-wide and departmental levels.<sup>102</sup>

We also found that it is crucial for the electronic procurement system and vendor databases to be easy to use and integrated with other university systems to reduce the workload on purchasers. Procurement systems need to be able to:

- Flag targeted businesses (for the System, these are the NC-based HUBs) so purchasers can easily see HUB providers and products
- Show accurate real-time reports on spend data
- Conduct contract compliance audits to verify spend details
- Enable Tier 1 suppliers to easily report subcontractor/Tier 2 utilization so these Tier 2 numbers are included within their reporting<sup>103</sup>
- Access P-Card purchasing data, which is currently limited by the third-party entities issuing the cards. Ideally, NCDOA, which secures P-Card vendors for the

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<sup>102</sup> Boston University, n.d.; Center for Economic Inclusion, n.d.; Norris & Howard, 2013; Zuckerman & Parker, 2019

<sup>103</sup> Daniel, 2017

universities, should require that these financial institutions provide regular and detailed information about HUB spend through the P-Cards.

The UC System and Boston University, utilize similar systems such as the searchable vendor database, and Explorer Professional (developed by Supplier.IO). Their systems include Small Business Dashboards that allows university staff to search for vendors based on need and diversity goals, view spend metrics and trends, and see the impact that their decisions have on small and diverse businesses.

Yet research from Deloitte shows that many public institutions still rely on outdated IT infrastructure in supply chain and procurement management systems.<sup>104</sup> For example, in 2014, the University of Chicago attempted to assess its spending in the surrounding community, but its systems were not designed with local and diverse spending goals in mind. The university had to contract with an outside vendor to sort through the data and identify current trends. Exacerbating the problem was the fact that various procurement processes were being tracked in different ways. Realizing that more comprehensive data collection was needed for a holistic understanding of its procurement processes, the University of Chicago has begun investing in a robust management system so that it can track many of the key metrics listed above in-house.<sup>105</sup>

In their study on inclusive spend by anchor institutions, Zuckerman and Parker suggested that any data reporting system should have the ability to track key metrics as indicated above, as well as generate reports on:

- The status of local and diverse spend goals in real-time
- Specific spend categories (e.g., construction, food service, supplies, etc.)
- Changes in local and diverse spend over time (size of businesses, number of jobs created, percent HUB utilization, etc.)
- Projections of future supply chain needs<sup>106</sup>

The Center for Economic Inclusion recommends that the tracked metrics be made publicly available at least every six months; several universities we reviewed publish quarterly. In North Carolina, this responsibility lies with the HUB Office, which collects reports on utilization from public entities within the state, as established by NC § 143-48.4, which grants the Secretary of the North Carolina Department of Administration the authority to develop and administer the HUB certification program (including rules and procedures related to the certification process) as well as the duty to develop and maintain a database of certified HUBs. NC § 143-128.3 and Executive Order 25 require all public entities to file reports regarding HUB utilization to the Department of Administration's HUB Office.

The UC System publishes diversity spend reports every quarter on its supplier diversity websites (Appendix H), and USF publishes detailed spend reports broken down by

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<sup>104</sup> Deloitte, n.d.

<sup>105</sup> Zuckerman & Parker, 2019

<sup>106</sup> Zuckerman & Parker, 2019

demographics (i.e., African American, Asian American, Hispanic American, Woman-Owned (non-minority), Veteran Owned/Service Disabled, Small Business status, and non-certified minority-owned businesses); this includes data on P-Card purchases. (Appendix H) <sup>107</sup>.

### Require Tier 1 vendors to capture Tier 2 HUB spend

Both Tier 1 and Tier 2 spend can assist universities in reaching the HUB utilization goal. As such, it is critically important that universities develop methods to capture both Tier 1 and Tier 2 spend for accurate reporting. Northwestern University for example has specific annual targets for Tier 1 and Tier 2 spend and requires contractors to report their diverse business utilization. The University of South Florida developed standard contracts and forms to track and report Tier 1 and 2 spend (Appendices C, D, E, F, and H). Similarly, the UC System makes use of the Explorer Professional dashboard which tracks spending and program growth for Tier 1 and Tier 2 categories which they use to support their economic impact reporting (Appendix H).

### Create a supplier diversity council to help guide this work

Establishing an advisory council or committee creates an invaluable resource for monitoring performance, setting goals and objectives, identifying challenges, and brainstorming future opportunities for improving the supplier diversity program.

These councils contain representatives from university departments, procurement offices, and the business community.

The University of Richmond, USF, and the UC System have formed these groups. At USF, the committee is comprised of the Associate Vice President & Controller, Director of Purchasing, Assistant Vice President of Supplier Diversity, Director of Parking and Transportation Services, and the Senior Associate Vice President/Dean of the USF Pharmacy College. At the UC System, the group is chaired by the Chief Procurement Officer and includes members from the purchasing and procurement departments of the ten UC campuses, representatives from a variety of businesses, business advocacy groups, and trade organizations.

By getting multiple people in the room from a variety of backgrounds, these councils generate innovations to identify barriers and propose solutions to increased HUB participation. <sup>108</sup>

Common barriers:

- Overly prescriptive requirements
- Poorly written specifications including ambiguity, duplication, and lack of standardization
- Prohibitive resource requirements associated with preparing bids: cost and time
- Red tape

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<sup>107</sup> <https://www.ucop.edu/procurement-services/impact-reports/impact-report.html>;  
<https://www.usf.edu/business-finance/supplier-diversity/for-usf-departments/spend-data-reporting.aspx>

<sup>108</sup> Loader, 2015; Zuckerman & Parker, 2019; Little, 2022

- Risk-averse attitudes
- Business owners' lack of knowledge about procedures and opportunities
- Existing contracts that prevent switching to or working with a local or diverse vendor
- Items that are not available from local or HUB vendors

Common solutions:

- Unbundle large contracts
- Increase access to opportunities via a centralized system
- Allow small firms to produce joint bids
- Flip the process so that smaller firms can take the mentoring lead for primary contracts and larger firms assume the subcontract role.
- Adjust contract requirements to be appropriate for the value or length of the contract
- Leverage contract renewal negotiations to encourage current vendors to subcontract with local and diverse vendors
- Localize the distribution channels when items cannot be procured locally through local distribution companies, warehouses, or transportation services

#### Develop clear, detailed, and easy-to-navigate websites

As part of our research, we reviewed and collected information from a variety of university websites which ranged in quality. Three universities stood out as having what we perceived to be exemplary: The University of South Florida, Boston University, and the University of Houston. The University of South Florida's Office of Supplier Diversity website is comprehensive, complete with links to resources for both suppliers and purchases, connects users to a searchable vendor database, provides users with news and events updates, and provides interested users with links to their regularly published spend reporting.<sup>109</sup>

Boston University's website is simple and easy to navigate. Their website serves as a one-stop-shop for users seeking training and walkthrough videos, purchasing policies, and purchasing guidelines.<sup>110</sup>

The University of Houston's HUB Program website is both user-friendly and comprehensive. Their website provides information on the definition of historically underutilized businesses, a clear description of the HUB certification process, HUB goals, links to news and upcoming events, resources for purchasers and vendors, as well as a link to a searchable HUB vendor database.<sup>111</sup>

#### Start with easy-to-accomplish opportunities and build momentum

<sup>109</sup> <https://www.usf.edu/business-finance/supplier-diversity/>

<sup>110</sup> <https://www.bu.edu/sourcing/>

<sup>111</sup> <https://www.uh.edu/office-of-finance/hub/#:~:text=The%20HUB%20Program%20ensures%20compliance%20with%20state%20HUB,HUBs%20assistance%20to%20facilitate%20access%20and%20contracting%20opportunities.>

Researchers and interviewees suggested that supplier diversity programs should start where they can be immediately successful and build momentum.<sup>112</sup>

One good place to start is by highlighting goods and services about which the end user is indifferent that present opportunities for successful HUB engagement (such as construction, facility services, janitorial services, distribution, printing, food, information technology, advertising/graphic design, and sustainable development/renewable). Another focus area could be industries and sectors with higher shares of minority ownership (including healthcare, accommodation, food services, and retail).<sup>113</sup>

For example, the UC System's San Francisco Anchor Institution Mission (AIM) Team's Pilot Program shifted campus deliveries to a small, minority-owned business. This resulted in positive customer service experiences and increased supplier diversity at no additional cost. The UC System also took advantage of expiring Information Technology contracts to award fifteen of twenty-two contracts to new suppliers, five of which (22.7%) went to small and diverse businesses. These efforts resulted in \$1.9 million in annual savings and \$9.5 million over the first five-year term.

#### Leverage the contracting process

Large contracts are known barriers to HUBs that often cannot overcome the capital requirements or have the capacity to fulfill the entire contract. Many of our interviewees recommended that contracts be reviewed for their potential to be unbundled (where legally possible and in line with bidding requirements) and to form cooperative partnerships (which may require additional technical assistance from ecosystem partners such as NCGrowth, SBTDCs, and others).<sup>114</sup> This practice is implemented regularly by the University Hospitals of Cleveland, Ohio.<sup>115</sup>

#### Celebrate successes

Acknowledging and rewarding success reinforces the impact of this work, demonstrates the commitment of the university to this work, and inspires purchasers from across campus to continue their efforts.

In addition to university-wide awards, it is important to recognize individuals, departments, and businesses. The University of Pennsylvania recently awarded the men's basketball coach its Penn Supplier Diversity Impact Award for his commitment to diversity and inclusion in directing spend toward local and minority-owned restaurants for post-game meals, and for providing visiting teams with a list of diverse businesses that can meet their travel needs.<sup>116</sup> Iowa State University offers an annual award to a procurement employee who has had a major impact on the procurement services

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<sup>112</sup> Zuckerman & Parker, 2019

<sup>113</sup> The Aspen Institute, 2017

<sup>114</sup> Loader, 2015; Zuckerman & Parker, 2019

<sup>115</sup> Zuckerman & Parker, 2019

<sup>116</sup> <https://cms.business-services.upenn.edu/purchasing/economic-inclusion/supplier-diversity-awards/past-winners/889-penn-supplier-diversity-impact-award-winner-2022.html>

mission, and a Small Business Award for enterprises that provide outstanding customer service, creative solutions, and meaningful partnerships to the university.<sup>117 118</sup>

Another avenue for sharing impact and successes is through a regular newsletter to the public. The UC System regularly publishes impact results, achievements, and new pilot programs for in increasing utilization of targeted businesses.<sup>119</sup>

Arizona State University, The University of Kentucky, and the University of Connecticut are all recent winners of the Jessie L. Moore Supplier Diversity Award and serve as great models for the System.<sup>120</sup> The University of Connecticut has also won the INSIGHT Into Diversity Award and the Minority Construction Council Inaugural Corporate Partnership Award.<sup>121</sup>

## Best Practices from Corporate and Other Government Entities

The System can also glean best practices from organizations outside of higher education.

All-in Cities assists municipalities (Philadelphia, PA, St. Paul, MN, and others) in developing comprehensive plans to achieve workforce diversity and supplier diversity goals. Its Cities Equitable Contracting and Procurement Toolkit best practice recommendations include:<sup>122</sup>

- Assessing existing disparities within the community (the N.C. Disparity Study Report<sup>123</sup>)
- Setting clear goals and regularly increasing objectives for the percentage utilization of diverse suppliers
- Providing resources to assist businesses in navigating the bidding and HUB certification processes
- Establishing an oversight process for fraud prevention to ensure that businesses claiming to be HUB certified, are in fact, certified (in North Carolina, this responsibility lies with the HUB Office).
- Pairing certification assistance with mentorship programs
- Connecting HUBs to organizations that can help small and diverse businesses meet public bonding requirements

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<sup>117</sup> <https://www.procurement.iastate.edu/about/recognition-form/procurement-services--key-contributor-award>

<sup>118</sup> <https://supplier.procurement.iastate.edu/supplier-award-program/small-business-award>

<sup>119</sup> <https://www.ucop.edu/procurement-services/impact-reports/impact-report.html>

<sup>120</sup> <https://www.insightintodiversity.com/introducing-the-2022-insight-into-diversity-jesse-l-moore-supplier-diversity-award-winners/>

<sup>121</sup> <https://today.uconn.edu/2021/03/uconn-honored-for-policies-programs-ensuring-diversity-among-suppliers/>

<sup>122</sup> <https://allincities.org/toolkit/contracting-and-procurement>

<sup>123</sup> <https://ncadmin.nc.gov/businesses/historically-underutilized-businesses-hub/disparity-study-report#:~:text=The%20NC%20Department%20of%20Administration%27s%20Office%20for%20Historical,y.or%20gender-based%20discrimination%20in%20Department%20of%20Administration%20contracting.>

Another best practice is providing small businesses with a portion of the payment for services up-front.<sup>124</sup> For example, the federal government's QuickPay initiative requires federal agencies to accelerate payments to small businesses, with a goal of fifteen days or less.<sup>125</sup> While this strategy may require regulatory or statutory authorization, the System could explore the viability of implementing a similar policy to decrease the financial burden on HUBs as they await payment.

The Billion Dollar Roundtable is a collection of twenty-eight corporations that spend at least one billion dollars with minority and women-owned suppliers each year.<sup>126</sup> In 2009, the group hosted a panel to address racial and ethnic disparities faced in many countries around the world and the impact that these disparities have on people, businesses, and economies.

A strategy used by large corporations such as Walmart is to broaden the scope of inclusion initiatives by seeking small and diverse suppliers in areas such as advertising, finance, legal, refrigeration, flooring, transportation, information systems, packaging, and employee benefits.

The Department of Defense (DoD) recognized that unnecessary requirements stifle competition, lead to increased costs and lack of creativity, and create a vulnerable supply chain reliant on very few suppliers.<sup>127</sup> To overcome these challenges DoD diversified its supply chain with small business outreach, and use of federal regulations allowing increased flexibility in acquiring new vendors. The Department conducts monthly calls and co-hosts quarterly meetings with industry associations with small business memberships, utilizes the Procurement Technical Assistance Program, and holds industry days and matchmaking events.<sup>128</sup>

As a result, DoD has received recognition from the Small Business Administration for meeting its contracting goals for the last seven years, with a one-year high of 45% of contract awards going to disadvantaged or woman-owned businesses.

And the Department isn't stopping there. It has plans to:

- Update its small business one-stop shop for small businesses to find bidding opportunities and other helpful information
- Create a unified governance structure for all small business activities

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<sup>124</sup> All-In Cities, n.d.; Little, 2022

<sup>125</sup> <https://obamawhitehouse.archives.gov/blog/2014/07/11/suppliepay-and-quickpay-strengthening-americas-small-businesses>

<sup>126</sup> Greene, 2009

<sup>127</sup> Office of the Undersecretary of Defense for Acquisition and Sustainment, 2022

<sup>128</sup> <https://www.acquisition.gov/content/procurement-technical-assistance-program-ptap#:~:text=The%20Procurement%20Technical%20Assistance%20Program%20was%20established%20to%20cooperation%20with%20states%2C%20local%20governments%20and%20nonprofit%20organization>

- Integrate the SBA Mentor Protégé Program<sup>129</sup> across all DoD agencies
- Develop a data analytics tool to assist procurement officials to identify suppliers that can meet their needs

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<sup>129</sup> <https://proxy.www.sba.gov/federal-contracting/contracting-assistance-programs/sba-mentor-protege-program#:~:text=Prot%C3%A9g%C3%A9s%20can%20get%20valuable%20business%20development%20help%20from,trade%2C%20strategic%20planning%2C%20and%20finding%20markets%20More%20it%20ems>

**AGENDA ITEM**

A-7. Refinance Limited Obligation Bonds – Western Carolina University .....Jennifer Haygood

**Situation:** Western Carolina University (“WCU”) requests that the University of North Carolina Board of Governors authorize amendments to the use agreement related to the financing of The Village and Norton Residence Hall student housing facilities on the campus of WCU that were financed through Affinity Housing, LLC (the “Company”), a university-created nonprofit entity.

Approval by the Board to amend the use agreement will allow the Company to issue a refunding limited obligation bond (the “2023 Bond”) in a principal amount not to exceed \$5.7 million for the purpose of (1) refunding the callable maturities of the Company’s Refunding Limited Obligation Bonds, Series 2013 (the “2013 Bonds”), and (2) paying the costs of issuance related to the 2023 Bonds.

**Background:** To finance and refinance the student housing facilities, the Company previously executed and delivered (1) Certificates of Participation for the WCU student housing project, Series 2003 (the “2003 Certificates”) and (2) the 2013 Bonds. WCU currently operates the student housing facilities as university housing under the terms of a lease between the WCU and the Company and a use agreement among the Board, WCU, and the Company. WCU requests the approval of an amendment to each use agreement to memorialize the terms of the refinancing.

**Assessment:** In anticipation of the June 1, 2023 call date, the Company may refinance the 2013 Bonds at a lower interest rate for debt service savings. WCU estimates that the refinancing will reduce its payment obligations under the related lease and use agreement by approximately \$208,000 on a net present value basis, representing an estimated 3.8 percent of the par amount refunded. The refunding of WCU’s 2013 Bonds will be subject to final review by the University of North Carolina System Office to verify savings based on the interest rate environment at the time of the sale of the 2023 Bonds. Refinancing the 2013 Bonds will require an amendment to the use agreement to reflect WCU’s lower payment obligations with respect to the 2023 Bonds.

WCU currently has an issuer credit rating of “Aa3” with a Stable Outlook by Moody’s. Standard and Poor’s has assigned a rating of “A” with a Stable Outlook to the Company’s 2013 Bonds. This transaction is expected to have no impact on the credit ratings for WCU or the Company.

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

## **Refinance Limited Obligation Bonds – Western Carolina University**

### **ISSUE OVERVIEW**

The Western Carolina University Board of Trustees (WCU) requests authorization to amend the use agreement related to the financing of The Village and Norton Residence Hall student housing facilities (the “Student Housing Facilities”) that were financed through Affinity Housing LLC (the “Company”), a university-created nonprofit entity.

The amendment to the use agreement will authorize the Company to issue a refunding limited obligation bond (the “2023 Bond”) in a principal amount not to exceed \$5,700,000 for the purpose of (1) refunding the callable maturities of the Company’s Refunding Limited Obligation Bonds, Series 2013 (the “2013 Bonds”) and (2) paying costs of issuance related to the 2023 Bonds.

The Company was created for the purpose of constructing student housing at WCU. To finance and refinance the student housing facilities, the Company previously executed and delivered (1) Certificates of Participation (Western Carolina University Student Housing Project), Series 2003 (the “2003 Certificates”) and (2) the 2013 Bonds. In connection with the 2013 Bonds, WCU entered into a Second Amended and Restated Use Agreement, a Second Amended and Restated Ground Lease Agreement, and a Second Amended and Restated Lease Agreement, all of which were previously approved by the University of North Carolina Board of Governors. The Second Amended and Restated Use Agreement established WCU’s payment obligations under the Second Amended and Restated Lease Agreement in an amount equal to the debt service on the Company’s debt.

In anticipation of the June 1, 2023 call date, the Company may refinance the 2013 Bonds at a lower interest rate for debt service savings. WCU estimates that the refinancing will reduce its payment obligations under the related lease and use agreement by approximately \$208,000 on a net present value basis, representing an estimated 3.8 percent of the par amount refunded. The refunding of WCU’s 2013 Bonds will be subject to final review by the System Office to verify savings based on the interest rate environment at the time of the sale of the 2023 Bonds. Refinancing the 2013 Bonds will require an amendment to the use agreement to reflect WCU’s lower payment obligations with respect to the 2023 Bonds.

The 2023 Bonds will be issued on a tax-exempt basis and purchased by DNT Asset Trust, a wholly owned subsidiary of JPMorgan Chase Bank, N.A. (the “Bank”). The Bank was selected through a competitive request for proposals (RFP) process. The 2023 Bonds are expected to be delivered for settlement on or before June 1, 2023, which is the call date for the 2013 Bonds.

WCU currently has an issuer credit rating of “Aa3” with a Stable Outlook by Moody’s. Standard and Poor’s has assigned a rating of “A” with a Stable Outlook to the Company’s 2013 Bonds. This transaction is expected to have no impact on the credit ratings for WCU or the Company.

Parker Poe Adams & Bernstein LLP is bond counsel, and First Tryon Advisors is the financial advisor to WCU.

### **RECOMENDATION**

It is recommended that the Board of Governors authorize WCU to amend the use agreement for the student housing facilities as set out in the attached resolution.

**A RESOLUTION AUTHORIZING AGREEMENTS RELATED TO THE REFINANCING OF  
RENTALS RELATED TO THE CONSTRUCTION OF PRIVATE HOUSING FACILITIES ON THE  
CAMPUS OF WESTERN CAROLINA UNIVERSITY**

**WHEREAS**, by Chapter 116 of the General Statutes of North Carolina, the Board of Governors (the “*Board*”) of the University of North Carolina System (the “*UNC System*”) is vested with general control and supervision of the constituent institutions of the UNC System; and

**WHEREAS**, Affinity Housing, LLC (the “*Company*”) executed and delivered its Certificates of Participation (Western Carolina University Student Housing Project), Series 2003 (the “*2003 Certificates*”), the proceeds of which were used to construct, acquire, and equip an approximately 252-bed student housing facility on the campus of WCU (the “*2003 Project*”); and

**WHEREAS**, the Company executed and delivered its Certificates of Participation (Western Carolina University Student Housing Project), Series 2005 (the “*2005 Certificates*”), the proceeds of which were used to construct, acquire, and equip an approximately 290-bed student housing facility on the campus of WCU (the “*2005 Project*” and together with the 2003 Project, the “*Project*”); and

**WHEREAS**, the Company and the State of North Carolina (the “*State*”) have entered into a Second Amended and Restated Ground Lease Agreement dated as of March 27, 2013 (the “*Ground Lease*”), whereby the Company leases from the State the real property on which the Company has constructed the Project; and

**WHEREAS**, the Company, as lessor, and the State, as lessee, have entered into a Second Amended and Restated Lease Agreement dated as of March 27, 2013 (the “*Lease*”), whereby the Company leases to the State the Project and the real property on which the Project is located and whereby WCU agrees to pay Base Rentals and any Additional Rentals (as those terms are defined in the Use Agreement (as defined below) and collectively referred to herein as “*Rent*”); and

**WHEREAS**, the Company and WCU have entered into a Second Amended and Restated Use Agreement dated as of March 1, 2013 (the “*Use Agreement*”), whereby WCU assumes the obligations of the State under the Lease and is obligated to pay Rent to the Company. Base Rentals are paid from (1) revenues of the Project and (2) to the extent such revenues are insufficient therefore, revenues received by WCU from its dormitory system after payment of the existing obligations of WCU with respect to its dormitory system specified in the Use Agreement; and

**WHEREAS**, the Company executed and delivered its Refunding Limited Obligation Bonds (Western Carolina University Student Housing Project), Series 2013 (the “*2013 Bonds*”), the proceeds of which were used to prepay in advance of their maturities the 2003 Certificates; and

**WHEREAS**, the Company executed and delivered its Refunding Limited Obligation Bonds (Western Carolina University Student Housing Project), Series 2015 (the “*2015 Bonds*”), the proceeds of which were used to prepay in advance of their maturities the 2005 Certificates; and

**WHEREAS**, WCU and the Company and its financial advisor have advised the Board that it may be able to achieve debt service savings by refunding all or a portion of the 2013 Bonds and thereby decrease the Rent for the Project; and

**WHEREAS**, pursuant to an Indenture of Trust Dated as of October 15, 2003 (the “2003 Indenture”) between the Company and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), as previously supplemented and amended, and Supplemental Indenture, Number 4 (the “Fourth Supplement” and together with the 2003 Indenture, the “Indenture”) between the Company and Trustee, the Company will execute and deliver refunding limited obligation bonds (the “2023 Bonds”), evidencing proportionate undivided interests in the Base Rentals with respect to the Project paid by WCU under the Lease, in order to prepay the 2013 Bonds; and

**WHEREAS**, in conjunction with the prepayment of the 2013 Bonds the Company and WCU will enter into an amendment to the Use Agreement (the “Amendment to the Use Agreement”) to account for the execution and delivery of the 2023 Bonds, including revisions to Exhibit B to reflect the decrease in Base Rentals resulting from the prepayment of the 2013 Bonds; and

**WHEREAS**, the 2023 Bonds are not and will not be an obligation of the Board or WCU, but will be secured solely from the Base Rentals paid by WCU under the Lease; and

**WHEREAS**, there have been presented to the Board a form of the Amendment to the Use Agreement and the Fourth Supplement which the Board proposes to approve and authorize WCU to execute and deliver; and

**NOW, THEREFORE, THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:**

**Section 1. Authorization of Amendment to the Use Agreement and Fourth Supplement.**

That the form and content of the Amendment to the Use Agreement and the Fourth Supplement be and the same hereby are in all respects authorized, approved and confirmed, and the Chancellor and Vice Chancellor for Administration and Finance of WCU and the Chairman of the Board, the President of the UNC System, the Senior Vice President for Finance and Administration of the UNC System, the Secretary and the Assistant Secretary of the UNC System, or anyone acting in an interim capacity, individually or collectively (collectively, the “Authorized Officers”), be and they hereby are authorized, empowered and directed to execute, approve and deliver the Amendment to the Use Agreement and the Fourth Supplement, as applicable, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein, and that from and after the execution and delivery of the Amendment to the Use Agreement and the Fourth Supplement, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Use Agreement and the Indenture, as supplemented and amended, including the execution and delivery of amendments to the Ground Lease and Lease if necessary to consummate the transaction described in this Resolution.

**Section 2. General Authority.** From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to complete and administer the transaction contemplated by the Ground Lease, the Lease, the Amendment to Use

Agreement, the Fourth Supplement, the Use Agreement and the Indenture, as supplemented and amended, and the execution and delivery of the 2023 Bonds.

**Section 3. Conflicting Provisions.** All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

**Section 4. Effective Date.** This Resolution is effective on its adoption.

*PASSED, ADOPTED, AND APPROVED* this \_\_\_\_ day of April, 2023.

**SECRETARY'S CERTIFICATION  
OF AUTHENTICATION**

STATE OF NORTH CAROLINA  
COUNTY OF ORANGE

I, Meredith McCullen, Associate Vice President and Secretary of the University of North Carolina System, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina System at its regular meeting on April \_\_, 2023 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors of the University of North Carolina System held on April \_\_, 2023 was sent to each member of the Board, and (3) a quorum was present at the meeting on April \_\_, 2023 at which time the foregoing Resolution was adopted.

**WITNESS**, my hand and the seal of the University of North Carolina this \_\_\_\_ day of April, 2023.

[SEAL]

\_\_\_\_\_  
Associate Vice President and Secretary of the  
University of North Carolina System

**AGENDA ITEM**

A-8. Additional 2022-23 State Capital and Infrastructure Fund (SCIF)  
Repairs and Renovations (R&R) Allocations..... Katherine Lynn

**Situation:** The 2021 Appropriations Act (S.L. 2021-180) authorized repairs and renovations (R&R) projects totaling \$978,877,433 and appropriated \$250 million for each fiscal year of the biennium. While the Act includes the specific projects to be funded from the R&R funding, the University of North Carolina Board of Governors determines the allocation of the R&R funds to the University of North Carolina System constituent institutions.

**Background:** The Act includes an appropriation of \$250 million of R&R funds for FY2022-23 to fund specific named R&R projects at each institution. The Board previously approved allocations from FY2022-23 State Capital and Infrastructure Fund (SCIF) R&R funds in the amount of \$72,583,596 for specified major R&R capital projects and \$60,000,000 for maintenance R&R projects. The recommendation for allocating the remaining \$117,416,404 of the 2022-23 SCIF R&R funds is included on Attachment A.

**Assessment:** It is recommended that Board approve the allocation of the remaining \$117,416,404 of 2022-23 SCIF R&R funds as indicated on Attachment A.

**Action:** This item requires a vote by the committee as delegated by the full Board of Governors.

## **Additional 2022-23 State Capital and Infrastructure Fund (SCIF) Repairs and Renovations (R&R) Allocations**

### **ISSUE OVERVIEW**

The 2021 Appropriations Act (S.L. 2021-180) authorized \$250 million for each fiscal year of the biennium specifically for the capital repairs and renovations (R&R) projects approved by the University of North Carolina Board of Governors. The Board has approved the following allocations from the 2022-23 SCIF R&R funds:

\$ 69,433,596	Approved for major R&R (May 2022)
\$ 3,150,000	Approved for major R&R (September 2022)
<u>\$ 60,000,000</u>	Approved for maintenance R&R (September 2022)
\$132,583,596	TOTAL

It is recommended that the remaining \$117,416,404 of 2022-23 SCIF R&R funds be allocated as shown on Attachment A.

The SCIF R&R represents a shift from a state bond funding model to a “pay-as-you-go” funding model. The funding of major R&R projects is tied to the key project milestones and construction progress for each project. The recommendations for 2022-23 funding are based on information provided by the constituent institutions and other project datapoints. All recommendations for SCIF R&R funding for major R&R projects is based on anticipated cash flow models and priority is given to projects that are under construction or projected to be under construction in the near future.

### **RECOMMENDATION**

It is recommended that the Board of Governors approve the additional allocation of the remaining 2022-23 R&R funds in the amount of \$117,416,404 per Attachment A.

**Attachment A**  
**2022-2023 CAPITAL BUDGET R&R ALLOCATION**  
**MAJOR R&R/COMPREHENSIVE RENOVATION PROJECTS**

Proposed for BOG Approval - April 20, 2023

	<b>Proposed Project Cost</b>	<b>2021-2022 Allocations</b>	<b>Additional 2021-2022 Allocations</b>	<b>Previous 2022-2023 Allocation</b>	<b>Additional FY2022-2023 Allocations</b>
<b>Appalachian State University</b>					
Wey Hall Envelope & Roof Repair	\$5,000,000	\$500,000		\$1,072,059	\$3,427,941
Wey Hall Partial Renovation—Building Systems	\$10,000,000	\$1,000,000		\$2,176,604	\$6,823,396
Duncan Hall Renovation	\$20,000,000	\$2,000,000			\$4,692,308
<b>Total</b>	<b>\$35,000,000</b>	<b>\$3,500,000</b>	<b>\$0</b>	<b>\$3,248,663</b>	<b>\$14,943,645</b>
<b>East Carolina University</b>					
Brody High-Rise Code Compliance, Phase 2	\$6,000,000	\$600,000	\$5,400,000		
Main Campus-College Hill Drive Steam, Phase 3	\$2,500,000	\$250,000	\$2,250,000		
Whichard Building Comprehensive Renovation	\$10,000,000	\$1,000,000			
Speight Building Roof, Window, & Envelope Replacement	\$4,000,000	\$400,000			\$3,600,000
Chilled Water Extension to Whichard & Graham	\$6,475,000	\$647,500	\$5,827,500		
Main Campus-Relocate Steam & Condensate, Phase 1	\$5,000,000	\$500,000	\$4,500,000		
Health Science Building Envelope Infiltration Repairs	\$5,000,000	\$500,000	\$4,500,000		
Howell Science Building South	\$30,000,000	\$3,000,000			
<b>Total</b>	<b>\$68,975,000</b>	<b>\$6,897,500</b>	<b>\$22,477,500</b>	<b>\$0</b>	<b>\$3,600,000</b>
<b>Elizabeth City State University</b>					
Repair Campus Main Switch	\$700,000	\$70,000	\$630,000		
Repair Campus Pump Station	\$650,000	\$65,000	\$585,000		
Infrastructure Upgrades—Water & Electrical, Phase 1	\$12,000,000	\$1,200,000			\$10,800,000
Emergency Generator Power—Operations	\$4,900,000	\$490,000	\$4,410,000		
Emergency Generator Power—Residence Halls	\$2,100,000	\$210,000	\$1,890,000		
Campus-Wide Lockdown System	\$2,000,000	\$200,000		\$1,800,000	
Building Demolition (4 Buildings)	\$1,500,000	\$150,000		\$1,350,000	
<b>Butler Residence Hall (Reallocate to New Dining Hall)</b>	<b>\$2,500,000</b>	<b>\$250,000</b>			\$2,250,000
Infrastructure Upgrades—Water & Electrical, Phase 2	\$27,000,000	\$2,700,000			
<b>Total</b>	<b>\$53,350,000</b>	<b>\$5,335,000</b>	<b>\$7,515,000</b>	<b>\$3,150,000</b>	<b>\$13,050,000</b>
<b>Fayetteville State University</b>					
Lyons Science Renovation	\$1,500,000	\$1,500,000			
Butler Renovation—(HVAC, Bldg. Envelope, Fire Alarm)	\$3,450,000	\$345,000	\$3,105,000		
A.B. Rosenthal Building—Targeted Renovation	\$10,000,000	\$1,000,000			
Campus-Wide Utility Infrastructure	\$9,950,000	\$995,000			
H.T. Chick—Targeted Renovation	\$9,500,000	\$950,000			
<b>Total</b>	<b>\$34,400,000</b>	<b>\$4,790,000</b>	<b>\$3,105,000</b>	<b>\$0</b>	<b>\$0</b>
<b>North Carolina Agricultural &amp; Technical State University</b>					
Carver Hall—Comprehensive Modernization, Phase 1	\$9,700,000	\$970,000			
Price Hall—Renovation, Phase 1	\$8,000,000	\$800,000			
Marteena Hall Renovation	\$9,100,000	\$910,000			
Carver Hall—Comprehensive Modernization, Phase 2	\$10,400,000	\$1,040,000			
Price Hall Renovation, Phase 2	\$8,500,000	\$850,000			
<b>Total</b>	<b>\$45,700,000</b>	<b>\$4,570,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>North Carolina Central University</b>					
Lee Biology Renovation	\$8,100,000	\$810,000			
Taylor Education Building Renovation	\$13,750,000	\$1,375,000			
<b>Total</b>	<b>\$21,850,000</b>	<b>\$2,185,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>North Carolina School of Science and Mathematics</b>					
Campus-Wide HVAC Renovations	\$2,000,000	\$200,000			
Chiller Replacement	\$3,000,000	\$300,000			
Building Envelope Repairs	\$5,850,000	\$585,000			
Academic Commons & Dining Hall Renovation	\$12,400,000	\$1,240,000			
<b>Total</b>	<b>\$23,250,000</b>	<b>\$2,325,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>North Carolina State University</b>					
Page Hall—Building Envelope Repairs & Plumbing Upgrades	\$4,000,000	\$400,000		\$3,600,000	
Scott Hall—HVAC Renovation	\$5,000,000	\$500,000			
Mann Hall—HVAC & Plumbing Renovation	\$10,000,000	\$1,000,000		\$6,857,143	
Kilgore Hall—HVAC Renovation	\$10,000,000	\$1,000,000			

	<u>Proposed Project Cost</u>	<u>2021-2022 Allocations</u>	<u>Additional 2021-2022 Allocations</u>	<u>Previous 2022-2023 Allocation</u>	<u>Additional FY2022-2023 Allocations</u>
North & Central Campus–Domestic Water Line Replacement	\$4,303,000	\$430,300	\$3,872,700		
Poe Hall–Fire Protection Systems	\$3,500,000	\$350,000			\$3,150,000
Thomas Hall–HVAC Renovation	\$4,000,000	\$400,000			
111 Lampe Drive Renovation*	\$42,000,000	-	\$4,200,000		
Dabney Hall*	\$60,000,000	\$30,000,000		\$30,000,000	
Polk Hall*	\$10,000,000	\$10,000,000			
<b>Total</b>	<b>\$152,803,000</b>	<b>\$44,080,300</b>	<b>\$8,072,700</b>	<b>\$40,457,143</b>	<b>\$3,150,000</b>
<b>University of North Carolina at Asheville</b>					
Campus Safety Improvements, Access Control, Cameras	\$2,300,000	\$230,000	\$2,070,000		
Campus Roadway Repairs	\$4,400,000	\$440,000	\$3,960,000		
Lipinsky Renovation	\$10,000,000	\$1,000,000			
<b>Total</b>	<b>\$16,700,000</b>	<b>\$1,670,000</b>	<b>\$6,030,000</b>	<b>\$0</b>	<b>\$0</b>
<b>University of North Carolina at Chapel Hill</b>					
Wilson Library–Means of Egress	\$9,300,000	\$930,000			\$4,388,236
<b>Swain Hall (Reallocate to Wilson Library Renovation)</b>	<b>\$5,800,000</b>	<b>\$580,000</b>			
Phillips Hall–1958 Central HVAC System	\$6,000,000	\$600,000			\$5,400,000
Hamilton Hall–Central HVAC System	\$8,800,000	\$880,000			
Wilson Library–1953 Central HVAC System AHU 1 & 2	\$7,000,000	\$700,000			\$3,670,313
Wilson Library–1953 Central HVAC System AHU 3	\$4,000,000	\$400,000			\$2,187,000
<b>Total</b>	<b>\$40,900,000</b>	<b>\$4,090,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,645,549</b>
<b>University of North Carolina at Charlotte</b>					
Atkins Library Tower–ADA & Elev.	\$10,000,000	\$1,000,000			
Smith–Replace HVAC & Controls, Envelope, Replace Roof	\$5,950,000	\$595,000			
Atkins Library Tower–Fire & Smoke Systems	\$3,840,000	\$384,000			
Woodward–Controls & Lab HVAC Modernization	\$2,700,000	\$270,000	\$2,430,000		
Friday–HVAC, Controls & Electrical Upgrade	\$9,700,000	\$970,000			
Cameron–Second Floor Renovation	\$19,100,000	\$1,910,000			\$17,190,000
Burson–Renovation	\$25,900,000	\$2,590,000			
<b>Total</b>	<b>\$77,190,000</b>	<b>\$7,719,000</b>	<b>\$2,430,000</b>	<b>\$0</b>	<b>\$17,190,000</b>
<b>The University of North Carolina at Greensboro</b>					
Coleman–Fire Alarm Replacement	\$2,440,000	\$244,000	\$2,196,000		
Steam Distribution Replacement, Phase IV-B	\$1,550,000	\$155,000	\$1,395,000		
Campus Chiller Water Infrastructure & Equip. Improvements	\$10,400,000	\$1,040,000			
Jackson Library–Renovation/Addition	\$81,000,000	\$8,100,000			
<b>Total</b>	<b>\$95,390,000</b>	<b>\$9,539,000</b>	<b>\$3,591,000</b>	<b>\$0</b>	<b>\$0</b>
<b>The University of North Carolina at Pembroke</b>					
Jacobs Hall–Demolition/Site Restoration	\$1,250,000	\$125,000	\$1,125,000		
Campus Roof Replacements	\$1,500,000	\$150,000	\$1,350,000		
Campus Safety & Regional Emergency Response Center	\$4,480,000	\$448,000			
Business Administration Renovation	\$12,500,000	\$1,250,000			
<b>Total</b>	<b>\$19,730,000</b>	<b>\$1,973,000</b>	<b>\$2,475,000</b>	<b>\$0</b>	<b>\$0</b>
<b>UNC School of the Arts</b>					
Stevens Center–Roof, Water Intrusion, Bldg. Envelope	\$4,800,000	\$480,000			\$4,320,000
Gray Building–Roof, Bldg. Envelope, HVAC, Fire Suppression	\$3,350,000	\$335,000	\$3,015,000		
Performance Place/Workplace/WPV–Roof Replacements	\$2,435,000	\$243,500	\$2,191,500		
Stevens Center Renovation, Phase 1	\$25,000,000	\$2,500,000			
<b>Total</b>	<b>\$35,585,000</b>	<b>\$3,558,500</b>	<b>\$5,206,500</b>	<b>\$0</b>	<b>\$4,320,000</b>
<b>University of North Carolina Wilmington</b>					
Coastal Marine Studies–Plumbing, Mech., Elec. Renovation	\$9,930,000	\$993,000			
Randall Library Renovation & Expansion	\$56,000,000	\$5,600,000	\$2,825,000	\$25,727,790	\$21,847,210
<b>Total</b>	<b>\$65,930,000</b>	<b>\$6,593,000</b>	<b>\$2,825,000</b>	<b>\$25,727,790</b>	<b>\$21,847,210</b>
<b>Western Carolina University</b>					
Killian Building–HVAC Upgrades/Window Replacement	\$3,570,000	\$357,000	\$3,213,000		
Reid Building–Roof Replacement	\$2,520,000	\$252,000	\$2,268,000		
Moore Building–Abatement, Demo. & Struct. Improvements	\$7,100,000	\$710,000			\$6,390,000
Moore Building–Infrastructure & Accessibility	\$4,200,000	\$420,000			\$3,780,000
Moore Building Renovation	\$15,000,000	\$1,500,000			\$13,500,000

	<u>Proposed Project Cost</u>	<u>2021-2022 Allocations</u>	<u>Additional 2021-2022 Allocations</u>	<u>Previous 2022-2023 Allocation</u>	<u>Additional FY2022-2023 Allocations</u>
<b>Total</b>	<b>\$32,390,000</b>	<b>\$3,239,000</b>	<b>\$5,481,000</b>	<b>\$0</b>	<b>\$23,670,000</b>
<b>Winston-Salem State University</b>					
Hauser Hall Renovations—Restore the Core	\$7,500,000	\$750,000			
Hauser Hall—Renovation, Phase 2	\$9,500,000	\$950,000			
<b>Total</b>	<b>\$17,000,000</b>	<b>\$1,700,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>PBS North Carolina</b>					
Tower Lighting/FAA Markers/Tower Elev. Repair	\$2,200,000	\$220,000	\$1,980,000		
Bryan Center—Replace HVAC Air Handler & Controls	\$2,707,000	\$270,700	\$2,436,300		
Bryan Center—Chiller & Cooling Tower Replacement	\$1,120,000	\$112,000	\$1,008,000		
<b>Total</b>	<b>\$6,027,000</b>	<b>\$602,700</b>	<b>\$5,424,300</b>	<b>\$0</b>	<b>\$0</b>
<b>North Carolina Arboretum</b>					
Infrastructure Restoration & Road Projects	\$1,000,000	\$100,000	\$900,000		
<b>Total</b>	<b>\$1,000,000</b>	<b>\$100,000</b>	<b>\$900,000</b>	<b>\$0</b>	<b>\$0</b>
<b>GRAND TOTAL</b>	<b>\$843,170,000</b>	<b>\$114,467,000</b>	<b>\$75,533,000</b>	<b>\$72,583,596</b>	<b>\$117,416,404</b>

\* Funds are allocated for the repairs and renovations at Dabney Hall and Polk Hall in accordance with Section 40.1.(c2).

Projects shown in blue are fully funded.

Funds for projects shown in bold red are reallocated.

**AGENDA ITEM**

A-9. Capital Improvement Projects..... Katherine Lynn

- Situation:** North Carolina Central University, NC State University, and University of North Carolina at Chapel Hill have requested new authorizations for four capital improvement projects, and Appalachian State University, East Carolina University, Fayetteville State University, NC State University, and University of North Carolina at Pembroke have requested increased authorization for 14 capital improvement 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:** App State, ECU, FSU, NCCU, NC State, UNC-Chapel Hill, and UNC Pembroke are requesting projects that meet the 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 - Appalachian State University, East Carolina University, Fayetteville State University, North Carolina Central University, NC State University, University of North Carolina at Chapel Hill, and University of North Carolina at Pembroke

### 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.

Seven UNC System institutions have requested 18 capital improvement projects: four new projects and 14 projects for increased authorization.

### I. NEW PROJECTS

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
<b>North Carolina Central University</b>					
1.	O'Kelly-Riddick Stadium Artificial Turf Replacement	\$1,825,588	\$0	\$1,825,588	Trust Funds
<i>NCCU Subtotal</i>		<i>\$1,825,588</i>	<i>\$0</i>	<i>\$1,825,588</i>	
<b>North Carolina State University</b>					
2.	HVAC Controls & LED Lighting Upgrade - Nelson Hall	\$1,093,078	\$0	\$1,093,078	Energy Carry-forward (HB1292)
<i>NC State Subtotal</i>		<i>\$1,093,078</i>	<i>\$0</i>	<i>\$1,093,078</i>	
<b>University of North Carolina at Chapel Hill</b>					
3.	Lineberger Airflow Reduction	\$2,770,000	\$0	\$2,770,000	Energy Carry-forward (HB 1292)
4.	Morehead Chemistry Teaching Labs - Phase 2	\$3,490,000	\$0	\$3,490,000	Trust Funds
<i>UNC-Chapel Hill Subtotal</i>		<i>\$6,260,000</i>	<i>\$0</i>	<i>\$6,260,000</i>	
<b>Grand Total</b>		<b>\$9,178,666</b>	<b>\$0</b>	<b>\$9,178,666</b>	

### II. INCREASED AUTHORIZATION

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
<b>Appalachian State University</b>					
5.	Track, Tennis, Softball Relocation (Phases I/II)	\$15,799,998	\$11,799,998	\$4,000,000	Athletics Receipts
6.	Innovation Campus Building I - Conservatory for Biodiversity and Educational Research (CBEAR)	\$61,581,386	\$54,000,000	\$7,581,386	Appropriation (88%)/ Carry-forward (4%)/ Trust Funds (8%)
<i>App State Subtotal</i>		<i>\$77,381,384</i>	<i>\$65,799,998</i>	<i>\$11,581,386</i>	

**II. INCREASED AUTHORIZATION cont.**

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
<b>East Carolina University</b>					
7.	Main Campus - College Hill Drive Steam - Phase 3	\$2,780,186	\$2,500,000	\$280,186	Appropriation (90%)/ Carry-forward (10%)
8.	Fleming Residence Hall - Renov. of HVAC Systems and Bathrooms	\$6,150,000	\$5,650,000	\$500,000	Housing Receipts
<i>ECU Subtotal</i>		<i>\$8,930,186</i>	<i>\$8,150,000</i>	<i>\$780,186</i>	
<b>Fayetteville State University</b>					
9.	Butler Renovation (HVAC, Building Envelope, Fire Alarm)	\$3,745,000	\$3,450,000	\$295,000	Appropriation (92%)/ Carry-forward (8%)
10.	Campus-Wide Exterior Lighting & Brick Paver/Concrete Walk Repairs	\$1,179,000	\$900,000	\$279,000	Appropriation (76%)/ Carry-forward (24%)
11.	McLeod Hall 2-Pipe to 4-Pipe Conversion	\$5,269,184	\$4,738,400	\$530,784	HEERF
<i>FSU Subtotal</i>		<i>\$10,193,184</i>	<i>\$9,088,400</i>	<i>\$1,104,784</i>	
<b>NC State University</b>					
12.	Exterior Lighting LED Conversion - South and Centennial Campus	\$3,754,203	\$2,992,833	\$761,370	Carry-forward (44%)/ Trust Funds (56%)
13.	Ground Floor Renovation - Nelson Hall	\$2,100,000	\$1,840,000	\$260,000	Carry-forward (67%)/ Trust Funds (33%) (Fund Source Change)
14.	McKimmon Center - ADA Improvements/Restrooms	\$1,430,000	\$625,000	\$805,000	Appropriation (44%)/ Carry-forward (56%)
15.	North & Central Campus - Domestic Water Line Replacement	\$4,903,000	\$4,303,000	\$600,000	Appropriation (88%)/ Trust Funds (12%)
16.	Page Hall - Mechanical & Electrical Upgrades	\$15,718,948	\$12,218,948	\$3,500,000	Appropriation (25%)/ Carry-forward (50%)/ Trust Funds (25%)
17.	Transformer Installation & Main Electrical Switch Replacement - DH Hill	\$2,150,000	\$650,000	\$1,500,000	R&R (30%)/ Carry-forward (70%)
<i>NC State Subtotal</i>		<i>\$30,056,151</i>	<i>\$22,629,781</i>	<i>\$7,426,370</i>	
<b>University of North Carolina at Pembroke</b>					
18.	Mary Livermore Library - Special Collections	\$1,699,037	\$1,488,328	\$210,709	R&R (32%)/ Carry-forward (48%)/ Trust Funds (20%)
<i>UNCP Subtotal</i>		<i>\$1,699,037</i>	<i>\$1,488,328</i>	<i>\$210,709</i>	
<b>Grand Total</b>		<b>\$128,259,942</b>	<b>\$107,156,507</b>	<b>\$21,103,435</b>	

**RECOMMENDATION**

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

**RECOMMENDATION cont.**

It is recommended that these projects be authorized and reported to the NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

**III. REPORTING**

There are no Chancellor-authorized Repairs and Renovations projects less than \$600,000 to report.

**AGENDA ITEM**

A-10. Disposition of Property by Demolition – UNC System Office..... Katherine Lynn

**Situation:** The University of North Carolina System Office (UNC System Office) requests authorization to dispose of property by demolition of a one-story building located at 4 UNC-TV Drive, Research Triangle Park, North Carolina.

**Background:** The UNC System Office requests approval to demolish the former Bright Horizons building. The building was constructed in 1992 and operated as a childcare facility until it was vacated on March 15, 2022. The building is approximately 16,710 gross square feet (GSF) and has an estimated replacement value of \$1,601,575. The building is no longer usable due to numerous deferred maintenance issues including a deteriorated roof, which has led to extensive water infiltration and created interior environmental health issues. The estimated project cost is \$500,000 and will be funded from the 2021-22 State Construction and Infrastructure Fund (SCIF) maintenance repair and renovation (R&R) funds allocated to the UNC System Reserve.

**Assessment:** It is recommended that the disposition by demolition is approved so that further deterioration does not create a situation of endangerment or liability and that the project be funded from the UNC System Reserve funding allocated from the 2021-22 SCIF maintenance R&R.

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

## **Disposition of Property by Demolition – University of North Carolina System Office**

### **ISSUE OVERVIEW**

The University of North Carolina System Office (UNC System Office) is required to request authority from the University of North Carolina Board of Governors to proceed with certain acquisitions and dispositions of real property.

The UNC System Office requests approval to demolish the former Bright Horizons building, located at 4 UNC-TV Drive, Research Triangle Park, North Carolina. The building was constructed in 1992 under a 30-year lease-build agreement and operated as a childcare facility until it was vacated on March 15, 2022. The building is approximately 16,710 gross square feet (GSF) and has an estimated replacement value of \$1,601,575. The building is no longer usable due to numerous deferred maintenance issues including a deteriorated roof, which has led to extensive water infiltration and created interior environmental health issues. Further deterioration will potentially lead to greater life-safety issues and create a situation of endangerment or liability.

The estimated project cost is \$500,000 and will be funded from the 2021-22 State Construction and Infrastructure Fund (SCIF) maintenance repair and renovation (R&R) funds allocated to the UNC System Reserve.

### **RECOMMENDATION**

It is recommended that the Board of Governors approve this request. This item requires approval by the Council of State.

**STATE OF NORTH CAROLINA  
DEPARTMENT OF ADMINISTRATION  
DISPOSITION OF REAL PROPERTY**

Institution or Agency: UNC System Office

Date: April 20, 2023

The Department of Administration is requested, as provided by GS §146-28 et seq., to dispose of the real property herein described by *purchase, lease, rental, or other (specify)*. 4 UNC-TV Drive (former Bright Horizons Day Care)

This disposition is recommended for the following reasons:

**Building is no longer in use and is cost-prohibitive to renovate**

Description of Property: *(Attach additional pages if needed.)*

One-story 16, 710 GSF structure located in Research Triangle Park.

Estimated value: \$1,601,575

Where deed is filed, if known: Durham County

If deed is in the name of agency other than applicant, state the name:

\_\_\_\_\_

Rental income, if applicable, and suggested terms:

N/A

Funds from the disposal of this property are recommended for the following use:

N/A

*(Complete if Agency has a Governing Board.)*

Action recommending the above request was taken by the Governing Board of the University of North Carolina and is recorded in the minutes thereof on April 20, 2023 *(date)*.

Signature: \_\_\_\_\_

Title:

# Location Map for 4 UNC-TV Drive

