

May 24, 2023 at 1 p.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
223 S West Street, Board Room (17th Floor)
Raleigh, North Carolina

AGENDA

- A-1. Approval of the Minutes of April 19, 2023Lee Roberts
 - a. Regular Meeting of the Committee on Budget and Finance
- A-2. 2023-25 General Fund Budget UpdateJennifer Haygood
- A-3. FY 2024 UNC System All-Funds BudgetJennifer Haygood
- A-4. FY 2022 UNC System Debt Capacity StudyJennifer Haygood
- A-5. Capital Improvement Projects Katherine Lynn
- A-6. Adjourn

Additional Information Available:

- A-3. FY 2024 UNC System All-Funds Budget (full report)
- A-4. FY 2022 UNC System Debt Capacity Study (full report)
- HEERF Expenditures through March 31, 2023

DRAFT MINUTES

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

This meeting of the Committee on Budget and Finance was presided over by Chair Lee Roberts¹. The following committee members, constituting a quorum, were also present in person: Jimmy Clark, Reginald Holley, Terry Hutchens, and Wendy Murphy.

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.

1. Approval of the Minutes of February 22, 2023 (Item A-1)

The chair called the meeting to order at 9 a.m. on Wednesday, April 19, 2023, and called for a motion to approve the minutes from the joint and regular meetings of February 22, 2023.

MOTION: Resolved, that the Committee on Budget and Finance approve the joint and regular meetings minutes of February 22, 2023, as distributed.

Motion: Reginald Holley

Motion: carried

2. 2023-25 General Fund Budget Update (Item A-2)

Senior Vice President Haygood presented to the committee an update on the 2023-25 General Fund Budget, highlighting how the House budget compared to the Board's budget priorities. The House included funding for many of our requests, including funding for performance-weighted enrollment change, completion assistance programs, and cybersecurity. The House budget also included funding to provide a 7.5 percent salary increase to all employees

¹ There was change in leadership of the Committee on Budget and Finance, Chair Lee Roberts, Vice Chair Jimmy Clark, and Secretary Reginald Holley, due to the resignation of James Holmes from the University of North Carolina Board of Governors on March 17, 2023.

over the biennium. The capital portion of the budget authorized all but three of the Board's recommended capital projects.

This item was for information only.

3. Authorization of Special Tuition for 2023-24 – University of North Carolina at Pembroke (Item A-3)

Associate Vice President Aubrey Clark-Brown presented to the committee a special tuition rate at the University of North Carolina at Pembroke for a new Doctor of Nursing Practice program scheduled to begin enrolling students in AY 2023-24. The program was approved on February 22, 2023, which was not early enough to be included in the normal FY 2023-24 tuition and fee process. The proposed special tuition rates for graduate students were approved by the committee.

MOTION: Resolved, that the Committee on Budget and Finance approve the Authorization of Special Tuition for 2023-24 at the University of North Carolina at Pembroke and recommend it to the full Board of Governors for a vote.

Motion: Jimmy Clark

Motion carried

4. Maximum Project Kitty Hawk Per-Credit Hour Tuition Rates (Item A-4)

Project Kitty Hawk's Mr. David Eby and Ms. Rae Williams presented to the committee its board's request for approval of the maximum per-credit hour tuition rates of \$500 for undergraduate students and \$800 for graduate students. The proposal also called for nonresident tuition rates that are 20 percent higher than the rate charged to North Carolina residents for a given academic program.

Ms. Haygood noted to the committee that this request was the first for Project Kitty Hawk, which the committee approved.

MOTION: Resolved, that the Committee on Budget and Finance approve the Maximum Project Kitty Hawk Per-Credit Hour Tuition Rates and recommend them to the full Board of Governors for a vote.

Motion: Reginald Holley

Motion carried

5. FY22 Consolidated Financial Report (Item A-5)

Ms. Haygood and Mr. Clark-Brown shared highlights of the FY 2022 Consolidated Financial Report, which provided a consolidated and side-by-side presentation of the institution's financial statements. The University of North Carolina System's financial position began to stabilize in FY 2022, as institutions returned to normal operations following the pandemic. Collectively, the System institutions recognized a \$1.4 billion increase in net position during the year, bringing the System's ending net position to \$10.4 billion.

This item was for information only.

6. HUB Procurement AICER Partnership Update (Item A-6)

Mr. Mark Little, Ms. Alyse Polly, and Mr. Cody Taylor with CREATE/NC Growth presented to the committee an update on the HUB Procurement AICER Partnership and shared recommendations for improving HUB utilization rates.

This item was for information only.

7. Refinance Limited Obligation Bond – Western Carolina University (Item A-7)

Ms. Haygood explained to the committee Western Carolina University's request for authorization to amend a use agreement related to the financing of student housing facilities in order to refinance for savings callable bonds from 2013. It was estimated that those approximate savings would be just over \$200,000, or 3.8 percent of par. The committee approved the request.

MOTION: Resolved, that the Committee on Budget and Finance approve Western Carolina University's request to refinance the limited obligation bond and recommend it to the full Board of Governors for a vote.

Motion: Terry Hutchens

Motion carried

8. Additional 2022-23 State Capital Improvement Funds (SCIF) Repair and Renovation (R&R) Allocations (Item A-8)

Vice President Katherine Lynn presented to the committee the remaining \$117.4 million in 2022-23 State Capital Improvement Funds (SCIF) Repair and Renovation (R&R) for allocation delegated by the Board of Governors. The committee approved the funds to be allocated based on anticipated cash flow models and priority given to projects that were under construction or projected to be under construction in the near future.

MOTION: Resolved, that the Committee on Budget and Finance approve the Additional 2022-23 CIF R&R funds as delegated.

Motion: Reginald Holley

Motion carried

9. Capital Improvement Projects (Item A-9)

Ms. Lynn presented to the committee requests of new capital improvement project authorizations at North Carolina Central University, NC State University, and University of North Carolina at Chapel Hill, as well as increased project authorizations at Appalachian State University, East Carolina University, Fayetteville State University, NC State University, and University of North Carolina at Pembroke. The committee approved 18 capital improvement projects at seven institutions, including \$9.2 million for new capital projects and \$21.1 million in increased authorizations.

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

Motion: Reginald Holley

Motion carried

10. Disposition of Property by Demolition – University of North Carolina System Office (Item A-10)

Vice President Lynn presented to the committee the UNC System Office's request for authorization to dispose of property by demolition of a one-story building located at 4 UNC-TV Drive in Research Triangle Park, so that further deterioration does not create a situation of endangerment or liability. This project would be funded from the UNC System Reserve funding allocated from the 2021-22 SCIF maintenance R&R.

MOTION: Resolved, that the Committee on Budget and Finance approve UNC System Office's request for authorization to dispose of property by demolition and recommend it to the full Board of Governors for a vote through the consent agenda.

Motion: Reginald Holley

Motion carried

Chair Roberts gave an update that the System Office, with the committee's encouragement, started a process to study the costs and benefits of upgrading many of the System institutions to a modern, cloud-based ERP. A crucial initial move towards guaranteeing the University's technological infrastructure is adequate for the future. Deloitte would conduct the study, and it should be concluded by this summer.

11. Adjourn (Item A-11)

There being no further business and without objection, the meeting adjourned at 10:01 a.m.

Reginald Holley, Secretary

AGENDA ITEM

A-2. 2023-25 General Fund BudgetJennifer 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

May 24, 2023

System Priorities

	UNC Budget Priorities		House Budget		Senate Budget	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
UNC System Priorities						
Faculty Retirement Incentive Program	16,800,000 NR	-	-	-	16,800,000 NR	
UNC Performance-Weighted Enrollment Change*	(16,713,978)	5,000,000	(16,713,977)	(16,713,977)	(52,472,417) 35,758,440 NR	(52,472,417)
Completion Assistance Programs**	10,500,000	10,500,000	\$5.25M in receipts NR	\$5.25M in receipts NR	5,250,000 NR	5,250,000 NR
Cybersecurity	5,350,000 3,250,000 NR	5,350,000 -	5,350,000 3,250,000 NR	5,350,000 -	2,350,000	2,350,000
Distinguished Professorship Matching Funds	10,000,000 NR	10,000,000 NR	-	-	10,000,000 NR	10,000,000 NR
Faculty and Staff Salaries						
Salary Increases	UNC System requests equity with State agencies and strongly supports Labor Market Adjustment Reserve funding.		148,003,892 4.25% increase	261,183,341 3.25% increase	87,061,115 2.5% increase	174,122,230 2.5% increase
Labor Market Salary Adjustment Reserve			-	-	15,000,000	15,000,000
Nursing Faculty Salary	-	-	-	-	8,511,549	8,511,549
State Retirement Contributions	-	-	22,843,396	32,411,793	17,737,016 5,959,204 NR	20,796,170 4,171,574 NR
State Health Plan	-	-	8,945,990	38,150,993	5,569,488	24,296,891

*The House budget includes a \$60 million statewide education enrollment reserve for FY 24-25; the Senate does not reserve any funds for this purpose.

**The House budget uses ARPA Temporary Savings Fund receipts to support this item.

BOG-Approved Requests for Specific Institutions

	UNC Budget Priorities		House Budget		Senate Budget	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
UNC Institution-Specific Requests						
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	6,000,000	10,000,000
N.C. A&T- Agriculture Research and Extension	10,660,611	10,660,611	10,660,661	10,660,661	10,660,661	10,660,661
N.C. A&T- Premier Research Institution Funding	10,000,000 5,000,000 NR	10,000,000	- -	- -	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	\$10M in receipts NR	\$10M in receipts NR
NCSU- Veterinary Medicine Class Size Expansion	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
UNCW- Critical Workforce Programs, Research, and	5,000,000 3,000,000 NR	5,000,000 3,000,000 NR	- -	- -	8,000,000	8,000,000
WCU- Expand Engineering to Meet Regional Industrial Needs	3,500,000 3,500,000 NR	3,500,000	- -	- -	3,500,000	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	3,096,291 2,416,888 NR	4,714,830 1,477,752 NR
NCSSM- Dining, Housekeeping, and Security Services	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000

*Receipts from ARPA Temporary Savings Fund

Other Notable Senate Budget Items

	Senate Budget	
	FY 2023-24	FY 2024-25
Investments in Healthcare		
Rural Residency Medical Education and Training Fund	8,000,000	8,000,000
	3,250,000 NR	4,250,000 NR
Rural Health Care Stabilization Program*	<i>\$12.5M in receipts NR</i>	<i>\$12.5M in receipts NR</i>
NC Care Community Hospitals		10,000,000
NC Care Clinically Integrated Network*	<i>\$10M in receipts NR</i>	
UNC Health Southeastern - Campbell U. Residency Programs*	<i>\$3M in receipts NR</i>	<i>\$3M in receipts NR</i>
Engineering North Carolina's Future		
NCSU	10,000,000	10,000,000
UNCC	5,000,000	5,000,000
N.C. A&T	2,500,000	2,500,000
NC Collaboratory Research		
Water Safety Act of 2023	6,000,000	6,000,000
	20,000,000 NR	
Energy Research and Development Partnerships	15,000,000 NR	
NCInnovation Reserve	1,425,000,000 NR	

**Receipts from ARPA Temporary Savings Fund*

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
1. UNC R&R							
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
Senate Budget	N/A	\$280.5	\$250.0	\$200.0	\$200.0	\$200.0	\$200.0
Difference (Senate - BOG)	N/A	\$30.5	\$0.0	(\$50.0)	(\$50.0)	(\$50.0)	(\$50.0)
2. Named Capital Projects							
BOG Priorities	\$2,205.0	\$304.3	\$299.9	\$294.1	\$304.8	\$301.7	\$122.8
House Budget	\$2,500.7	\$82.9	\$238.0	\$403.1	\$339.0	\$339.5	\$242.8
Senate Budget	\$1,713.5	\$50.1	\$193.4	\$289.2	\$277.9	\$160.9	\$83.5
Difference (Senate - BOG)	(\$491.4)	(\$254.2)	(\$106.4)	(\$4.9)	(\$26.9)	(\$140.8)	(\$39.3)
Total							
BOG Priorities	\$2,205.0	\$554.3	\$549.9	\$544.1	\$554.8	\$551.7	\$372.8
House Budget	\$2,500.7	\$363.4	\$488.0	\$578.1	\$514.0	\$514.5	\$417.8
Senate Budget	\$1,713.5	\$330.6	\$443.4	\$489.2	\$477.9	\$360.9	\$283.5
Difference (Senate - BOG)	(\$491.4)	(\$223.7)	(\$106.4)	(\$54.9)	(\$76.9)	(\$190.8)	(\$89.3)

The Senate budget authorizes **39 out of 53** BOG-recommended projects. Unlike the House budget, it does not authorize any new projects that would begin to receive funding after the 2023-25 biennium.

Capital Investment in Healthcare

The University of North Carolina FY23-25 American Rescue Plan Act (ARPA) Temporary Savings Receipt-Supported Projects

			Senate Budget	
NCGA Code	Project Name	Total Project Authorization	FY 2023-24	FY 2024-25
TOTAL NAMED PROJECTS		\$945,000,000	\$280,000,000	\$350,000,000
UNC/BOG23-3	UNC Children's Hospital	\$500,000,000	\$100,000,000	\$85,000,000
UNC/ECU23-3	ECU Medical Examiner's Office	\$35,000,000	\$35,000,000	
UNC/ECU23-4	ECU Regional Children's Behavioral Health Facility	\$50,000,000		\$50,000,000
UNC/BOG23-1	NC Care Health Clinics	\$210,000,000	\$70,000,000	\$140,000,000
UNC/BOG23-2	NC Care Hospital Investment	\$150,000,000	\$75,000,000	\$75,000,000

FY 2023-25 Operating Budget Comparison

	UNC Budget Priorities		House Budget		Senate Budget	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
UNC Base Budget	3,338,170,416	3,338,147,695	3,338,170,416	3,338,147,695	3,338,170,416	3,338,147,695
UNC System Priorities						
Faculty Retirement Incentive Program	16,800,000 NR	-	-	-	16,800,000 NR	
UNC Performance-Weighted Enrollment Change*	(16,713,978)	5,000,000	(16,713,977)	(16,713,977)	(52,472,417) 35,758,440 NR	(52,472,417)
Completion Assistance Programs	10,500,000	10,500,000	\$5.25M in receipts NR	\$5.25M in receipts NR	5,250,000 NR	5,250,000 NR
Cybersecurity	5,350,000 3,250,000 NR	5,350,000 -	5,350,000 3,250,000 NR	5,350,000 -	2,350,000	2,350,000
Distinguished Professorship Matching Funds	10,000,000 NR	10,000,000 NR	-	-	10,000,000 NR	10,000,000 NR
Total Recommended UNC System Priority Budget Changes	29,186,022	30,850,000	(8,113,977)	(11,363,977)	17,686,023	(34,872,417)
Faculty and Staff Salaries						
House: 4.25% increase in FY23-24. Additional 3.25% in FY24-25. Senate: 2.5% increase in FY23-24. Additional 2.5% in FY24-25.	UNC System requests equity with State agencies and strongly supports Labor Market Adjustment Reserve funding.		148,003,892	261,183,341	87,061,115	174,122,230
Labor Market Salary Adjustment Reserve			-	-	15,000,000	15,000,000
Nursing Faculty - Salary Adjustments	-	-	-	-	8,511,549	8,511,549
State Retirement Contributions	-	-	22,843,396	32,411,793	17,737,016 5,959,204 NR	20,796,170 4,171,574 NR
State Health Plan	-	-	8,945,990	38,150,993	5,569,488	24,296,891
UNC Institution-Specific Requests						
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	6,000,000	10,000,000
N.C. A&T- Agriculture Research and Extension	10,660,611	10,660,611	10,660,661	10,660,661	10,660,661	10,660,661
N.C. A&T- Premier Research Institution Funding	10,000,000 5,000,000 NR	10,000,000	- -	- -	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	\$10M in receipts NR	\$10M in receipts NR
NCSU- Veterinary Medicine Class Size Expansion	5,500,000	5,500,000	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	- -	- -	8,000,000	8,000,000
WCU- Expand Engineering to Meet Regional Industrial Needs	3,500,000 3,500,000 NR	3,500,000	- -	- -	3,500,000	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	3,096,291 2,416,888 NR	4,714,830 1,477,752 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	-	-	-	-
NCSM- Dining, Housekeeping, and Security Services	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
PBS NC- Audio/Video Production Systems	3,130,000 NR	-	-	-	-	-

	UNC Budget Priorities		House Budget		Senate Budget	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Other UNC System Items (Not Requested)						
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)	(500,000)	(500,000)
University Cancer Research Fund	-	-	43,500,000	43,500,000	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		-	-
Rural Residency Medical Education and Training Fund	-	-	-	-	8,000,000	8,000,000
	-	-	-	-	3,250,000 NR	4,250,000 NR
Rural Health Care Stabilization Program	-	-	-	-	\$12.5M in receipts NR	\$12.5M in receipts NR
NC Care Community Hospitals	-	-	-	-		10,000,000
NC Care Clinically Integrated Network	-	-	-	-	\$10M in receipts NR	
UNC Health Southeastern - Campbell U. Residency Programs	-	-	-	-	\$3M in receipts NR	\$3M in receipts NR
Information Technology Rates	-	-	-	-	258,043	262,194
UNCCH - School of Civic Life and Leadership	-	-	2,000,000 NR	2,000,000 NR	2,000,000 NR	2,000,000 NR
UNCCH - Gillings School of Global Public Health	-	-	1,000,000 NR	-	-	-
UNCCH - School of Government	-	-	-	-	(2,500,000)	(2,500,000)
UNCCH - School of Law	-	-	-	-	(2,500,000)	(2,500,000)
UNCCH - Water Safety Act of 2023	-	-	-	-	6,000,000	6,000,000
	-	-	-	-	20,000,000 NR	
UNCCH - Energy Research and Development Partnerships	-	-	-	-	15,000,000 NR	
UNCCH - Opioid Remediation Research and Development ⁵	-	-	-	-	\$3.99M in receipts NR	\$4.98M in receipts NR
UNCCH - Recovery Court Study ⁵	-	-	-	-	\$300k in receipts NR	
UNCCH - FerryMon Water Monitoring ⁶	-	-	-	-	\$170k in receipts NR	\$170k in receipts NR
UNCCH - ModMon River Monitoring ⁶	-	-	-	-	\$160k in receipts NR	\$160k in receipts 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	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	-	-
NCSU - Agricultural Research Platform	-	-	-	-	1,000,000	1,000,000
NCSU - Christmas Tree Genetics Program	-	-	-	-	269,635	269,635
UNCG - Scholastic Esports League	-	-	1,450,000	1,450,000	-	-
	-	-	7,000,000 NR	-	-	-
UNCG - Information Technology Support	-	-	4,000,000 NR	4,000,000 NR	-	-
UNCC - Engineering North Carolina's Future	-	-	5,000,000	5,000,000	5,000,000	5,000,000
UNCC - Esports Programming Support	-	-	250,000 NR	250,000 NR	-	-
UNCW - Comprehensive Transition Program Development	-	-	-	-	500,000	500,000
ECU - Mobile Medical Outreach	-	-	\$2.5M in receipts NR	-	-	-
ECU - Medical Examiner's Office Operating Funds	-	-	-	-	1,000,000	1,000,000
N.C. A&T - Engineering North Carolina's Future	-	-	2,500,000	2,500,000	5,000,000	5,000,000
N.C. A&T - Center for Energy Research and Technology	-	-	200,000 NR	-	-	-
N.C. A&T - Agricultural Research Platform	-	-	-	-	1,000,000	1,000,000
WCU - Mobile Medical Outreach	-	-	\$2.5M in receipts NR	-	-	-

	UNC Budget Priorities		House Budget		Senate Budget	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
ASU - Beaver College of Health Sciences	-	-	225,000 NR	-	\$225k in receipts NR	-
ASU - Appalachian Energy Center	-	-	200,000 NR	-	-	-
Total Recurring Operating Changes	63,326,031	90,588,975	285,473,064	441,356,345	208,041,381	332,511,743
Total Nonrecurring Operating Changes	54,289,888	19,170,752	19,525,000	7,250,000	121,434,532	27,149,326
Total Recommended FY 23-25 UNC Budget	3,455,786,335	3,447,907,422	3,643,168,480	3,786,754,040	3,667,646,329	3,697,808,764
Total Percent Change	3.5%	3.3%	9.1%	13.4%	9.9%	10.8%

SEAA & Aid to Private Institutions Base Budget (Budget Codes 16012 & 16015)	467,548,175	483,548,175	467,548,175	483,548,175	467,548,175	483,548,175
Opportunity Scholarship Reserve	-	-	-	25,000,000	105,000,000	163,000,000
Opportunity Scholarship Program Award Funds					11,000,000 NR	
Need-Base Assistance Program Technical Adjustment	-	-	1,237,500	1,237,500	1,237,500	1,237,500
Growing Health Care Workforce Grant to NCICU ³	-	-	\$10M in receipts NR	\$10M in receipts NR	-	-
Longleaf Commitment Community College Grant Program ⁴	-	-	\$25M in receipts	\$25M in receipts	-	-
State Education Assistance Authority IT Enhancements ³	-	-	\$15M in receipts NR	-	\$15.6M in receipts NR	\$25.2M in receipts NR
Children of Wartime Veterans Scholarship Administration ⁴	-	-	2,669,504	2,669,504	-	-
	-	-	\$10.9M in receipts	\$10.9M in receipts	-	-
North Carolina Need-Based Scholarship	-	-	8,200,000	8,200,000	-	-
NCSSM/UNCSCA Tuition Grant Scale-up and Private Inst. Inclusion	-	-	2,282,778	4,343,961	-	-
NCSSM/UNCSCA Tuition Grant Scale-up					1,550,000	3,600,000
Washington Center Internship Scholarship Program	-	-	1,000,000	1,000,000	-	-
High Point University Healthcare Start-up Funds	-	-	\$1M in receipts NR	-	-	-
Need-Based Scholarship for Public Colleges and Universities ⁴	-	-	-	-	\$12.5M in receipts NR	\$25M in receipts NR
Primary Care Providers and Psych. Forgivable Loan Program	-	-	-	-	\$8M in receipts NR	\$8M in receipts NR
Total SEAA and Aid to Private Institutions	467,548,175	483,548,175	482,937,957	525,999,140	586,335,675	651,385,675

*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.

5) Receipts budgeted from the Opioid Abatement Fund.

6) Receipts budgeted from the State Emergency Response and Disaster Relief 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		Senate	
			FY 2023-24	FY 2024-25	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	\$280,503,000	\$250,000,000
TOTAL UNIVERSITY NAMED PROJECTS		\$1,713,530,215	\$309,252,380	\$299,860,442	\$82,892,380	\$238,012,928	\$50,142,380	\$198,360,980
Appalachian State University		\$108,000,000						
	Inflationary Increase for Wey Hall**	\$4,000,000	\$2,000,000	\$2,000,000	Included in UNC/R&R21		Included in UNC/R&R21	
	Inflationary Increase for Duncan Hall**	\$6,000,000	\$3,000,000	\$3,000,000	Included in UNC/R&R21		Included in UNC/R&R21	
UNC/ASU23-1	Walker Hall Interior Renovation	\$18,000,000		\$1,800,000	Allocations scheduled for FY28+			\$1,800,000
UNC/ASU22-1	Hickory Campus Phase I (remaining request)	\$50,000,000		\$4,100,000		\$4,100,000		\$4,100,000
UNC/ASU21-1	Peacock Hall	\$40,000,000						\$7,500,000
East Carolina University		\$311,000,000						
UNC/ECU21-1	Brody School of Medicine	\$265,000,000	\$86,000,000	\$53,750,000	Allocations scheduled for FY26+			\$20,000,000
UNC/ECU23-1	Howell Science Building North - Comp Renovation	\$46,000,000		\$4,600,000	Allocations scheduled for FY27+			\$4,600,000
UNC/ECU23-2	Leo Jenkins Building - Health Science Campus - Comp Renovation	\$18,900,000		\$1,890,000	Allocations scheduled for FY28+		Not authorized	
UNC/ECU23-3	Medical Examiner	\$35,000,000			\$8,750,000	\$17,500,000	See ARPA Health Care Projects	
Elizabeth City State University		\$54,000,000						
UNC/ECS21-4	Flight School	\$34,000,000	\$10,000,000	\$10,000,000		\$30,827,273		\$15,827,273
UNC/ECS23-1	Infrastructure Repairs - Phase 3	\$20,000,000		\$2,000,000		\$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	Allocations scheduled for FY28+		Not authorized	
Fayetteville State University		\$113,000,000						
UNC/FSU21-1	Dormitories	\$40,000,000	\$16,000,000	\$10,000,000	\$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		\$36,376,088
UNC/FSU23-1	Butler Targeted Renovation	\$20,750,000		\$2,075,000	Allocation scheduled for FY28		Not authorized	
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	\$1,000,000	\$3,500,000
North Carolina Agricultural & Technical State University		\$9,700,000						
UNC/A&T23-1	Marteena Hall Renovation Phase 2	\$9,700,000	\$970,000	\$3,395,000	\$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	Allocations scheduled for FY28+		Not authorized	
North Carolina Central University		\$33,573,222						
UNC/NCC23-1	Dent Building - Comprehensive Renovation	\$12,073,798	\$1,207,380		\$1,207,380		\$1,207,380	
UNC/NCC23-2	Edmonds Classroom Building - Comprehensive Renovation	\$12,999,424		\$1,299,942		\$1,299,942		\$1,299,942
UNC/NCC23-3	University Theater Renovation	\$8,500,000		\$850,000	Allocation scheduled for FY28			\$850,000
North Carolina State University		\$214,500,000						
UNC/NCS20-1	S.T.E.M. Building	\$180,000,000	\$28,250,000			\$6,025,177		\$6,025,177
UNC/NCS23-1	Mann Hall Renovation - Phase 2	\$30,000,000		\$3,000,000		\$3,000,000		\$3,000,000
UNC/NCS23-2	Dabney Hall Renovation - Phase 2	\$80,000,000		\$8,000,000		\$8,000,000	Not authorized	
UNC/NCS23-3	Polk Hall Renovation - Phase 2	\$63,000,000		\$6,300,000		\$6,300,000	Not authorized	
UNC/NCS23-4	Veterinary School - Large Animal Hospital	\$70,000,000			Allocations scheduled for FY26+		Not authorized	
UNC/NCS23-5	Engineering Classroom Building	\$200,000,000			Allocations scheduled for FY27+		Not authorized	
UNC/NCS23-2	New Business School Advanced Planning	\$4,500,000					\$4,500,000	
North Carolina School of Science and Mathematics		\$37,206,993						
UNC/SSM23-1	Student Wellness And Activity Center - Morganton Campus	\$12,000,000	\$12,000,000		\$12,000,000		\$12,000,000	
UNC/SSM23-2	Residence Hall Renovations (7 halls)	\$25,206,993						\$12,750,000
UNC/SSM23-2	Residence Hall Renovation - Phase 1 (Hill, Reynolds, Royal)	\$9,250,000		\$9,250,000		\$9,250,000	Included in the above	
UNC/SSM23-3	Residence Hall Renovation - Phase 1 (Beall, Bryan)	\$7,000,000		\$3,500,000		\$3,500,000	Included in the above	
UNC/SSM23-4	Academic Commons Addition - Durham Campus	\$10,000,000		\$1,000,000	Allocation scheduled for FY28		Not authorized	

			UNC Priorities		House		Senate	
NCGA Code	Project Name	Total Project Authorization*	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
University of North Carolina at Asheville		\$26,150,000						
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	\$2,615,000	\$6,537,500
	Projects to be identified after new chancellor in place							
University of North Carolina at Chapel Hill		\$215,200,000						
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	\$3,000,000	\$14,250,000
UNC/CH20-2	Nursing School (Carrington Hall Redevelopment)	\$65,200,000	\$19,300,000	\$10,450,000		\$15,756,948	Allocation scheduled for FY26	
UNC/CH22-1	School of Law	\$160,000,000		\$8,300,000		\$15,800,000	Not authorized	
	Campus-wide Demolition - Various Buildings	\$10,000,000	\$5,000,000	\$5,000,000	Not authorized		Not authorized	
UNC/CH23-1	Gardner Hall - Comprehensive Renovation	\$25,000,000		\$2,500,000	Allocations scheduled for FY28+		Not authorized	
University of North Carolina at Charlotte		\$36,000,000						
UNC/CLT23-1	Smith Hall - Comprehensive Renovation	\$36,000,000		\$3,600,000		\$3,600,000		\$3,600,000
UNC/CLT23-2	Colvard Hall - Comprehensive Renovation	\$45,000,000		\$4,500,000	Allocation scheduled for FY28		Not authorized	
UNC/CLT23-3	Esports	\$1,500,000			\$1,500,000		Not authorized	
University of North Carolina at Greensboro		\$24,200,000						
	Inflationary Increase for Jackson Library Addition and Renovation**	\$17,100,000	\$1,710,000	\$5,985,000	Included in UNC/R&R21		Included in UNC/R&R21	
	Inflationary Inc. for Campus Chilled Water Infrastructure & Equipment**	\$3,403,000		\$3,403,000	Included in UNC/R&R21		Included in UNC/R&R21	
UNC/GB023-1	Moore Building Renovation	\$24,200,000		\$2,420,000		\$2,420,000		\$2,420,000
University of North Carolina at Pembroke		\$152,000,000						
UNC/PEM21-1	Health Sciences Center	\$91,000,000	\$36,400,000	\$22,750,000	Allocations scheduled for FY28+		Allocations scheduled for FY28+	
UNC/PEM23-1	Givens Performing Arts Center (GPAC) Renovation	\$61,000,000		\$6,100,000		\$6,100,000		\$6,100,000
University of North Carolina School of the Arts		\$51,000,000						
UNC/SA23-1	Stevens Center Renovation Phase 2	\$51,000,000	\$5,100,000	\$12,750,000	\$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	Allocations scheduled for FY28+		Not authorized	
University of North Carolina Wilmington		\$80,650,000						
UNC/WIL23-1	Cameron Hall - Comp Renovation/Expansion (90% SCIF/10% Trust)	\$44,500,000		\$4,005,000	Allocations scheduled for FY28+			\$4,005,000
UNC/WIL23-2	Kenan Auditorium - Comp Renovation/Expansion (90% SCIF/10% Trust)	\$24,000,000		\$2,160,000		\$2,160,000		\$2,160,000
UNC/WIL23-3	DeLoach Hall Modernization	\$12,150,000		\$1,215,000		\$1,215,000		\$1,215,000
Western Carolina University		\$95,300,000						
UNC/WCU23-1	Replacement Engineering Building	\$95,300,000		\$2,000,000		\$2,000,000		\$2,000,000
Winston-Salem State University		\$83,800,000						
UNC/WSS21-1	K.R. Williams Auditorium	\$57,000,000	\$22,800,000	\$14,250,000	Allocations scheduled for FY28+		Allocations scheduled for FY28+	
UNC/WSS23-1	Restore the Core III - Eller Hall - Renovation & Elevator Addition	\$10,800,000		\$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		\$800,000
University of North Carolina System Office		\$18,750,000						
UNC/BOG21-1	UNC Lease Funds	\$18,750,000	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000
UNC/BOG23-1	Athletic Grant Program	\$10,000,000			\$10,000,000		Not authorized	
North Carolina Arboretum		\$0						
	UNC Mountain Gateway for Science and Art (\$5M from Donations)	\$28,000,000		\$575,000	Not authorized		Not authorized	

NORTH CAROLINA PUBLIC SAFETY COMMUNICATIONS INFRASTRUCTURE								
PBS North Carolina		\$49,500,000						
UNC/PBS23-1	PBS North Carolina Public Safety Communications Upgrades	\$49,500,000	\$4,950,000		Not authorized			\$4,950,000

*Institution subtotals reflect total project authorizations for named projects included in the Senate budget.

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

Highlighted cells represent new or changed project authorizations in Senate budget.

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

The University of North Carolina FY23-25 American Rescue Plan Act (ARPA) Temporary Savings Receipt-Supported Projects				
			Senate Budget	
NCGA Code	Project Name	Total Project Authorization	FY 2023-24	FY 2024-25
TOTAL NAMED PROJECTS		\$945,000,000	\$280,000,000	\$350,000,000
UNC/BOG23-3	UNC Children's Hospital	\$500,000,000	\$100,000,000	\$85,000,000
UNC/ECU23-3	ECU Medical Examiner's Office	\$35,000,000	\$35,000,000	
UNC/ECU23-4	ECU Regional Children's Behavioral Health Facility	\$50,000,000		\$50,000,000
UNC/BOG23-1	NC Care Health Clinics	\$210,000,000	\$70,000,000	\$140,000,000
UNC/BOG23-2	NC Care Hospital Investment	\$150,000,000	\$75,000,000	\$75,000,000

AGENDA ITEM

A-3. FY 2024 UNC System All-Funds BudgetJennifer Haygood

Situation: To further the financial management of The University of North Carolina System and its constituent institutions, the UNC System engages in an All-Funds Budget process. Each constituent institution has developed a budget to be executed for FY 2023-24.

Background: The UNC System is in the second year of a new All-Funds Budget process. At the direction of the University of North Carolina Board of Governors, the constituent institutions prepared and submitted the FY 2022-23 All-Funds Budget in May 2022. That budget is currently in use by institutions for the current fiscal year. Lessons learned from that process were used to refine the process further this year to ensure that the budget achieves the goals of transparency and effective financial management.

Institutions have used the All-Funds Budget process to improve financial efficiency and make targeted investments in institutional and System strategic goals. Investments in academic programs and student success initiatives will ensure that students stay on track toward degree completion. Administrative efficiencies and affordability initiatives will enable students to graduate with less debt. Investments in student mental health, enrollment strategies that target underserved populations, and improvements to student services will advance the UNC System's goals.

At the same time, our institutions are dealing with a variety of strategic and financial challenges. Slowing enrollment and high inflation is putting pressure on operating performances. Labor market concerns have required institutions to develop thoughtful strategies for recruitment and retention. Athletic budgets face unique pressure at some institutions. The All-Funds Budget has shed light on these challenges and has enabled institutions to develop long-term strategies to mitigate these risks.

Assessment: Budgeting is a common best practice for both private and public organizations. The All-Funds Budget addresses a system need for a formal budgeting process. It provides a structural foundation for the execution of the University's strategic plan, ensuring the delivery of the System's mission of teaching, research, and service in a financially sustainable manner.

The all-funds budgets are approved by each institution's board of trustees and reported to the president of the System and the Board of Governors annually.

Action: This item is for information only.



UNC SYSTEM FY 2023-24 ALL-FUNDS BUDGET

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

May 24, 2023

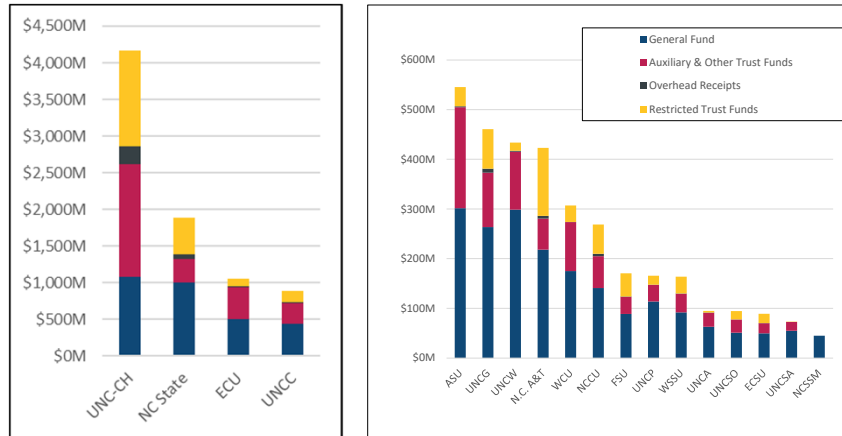
Why Develop an All-Funds Budget?

- Better align resources with strategic priorities
- Promote stewardship and financial sustainability
- Better understand the impact of discrete decisions on the broader financial picture
- Improve transparency and campus engagement
- Strengthen the fiduciary responsibility of the Boards of Trustees

G.S. 116-1(b) – “...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.”

General Fund Revenue is Less Than Half

FY 2023-24 Budgeted UNC System Revenue by Fund Type



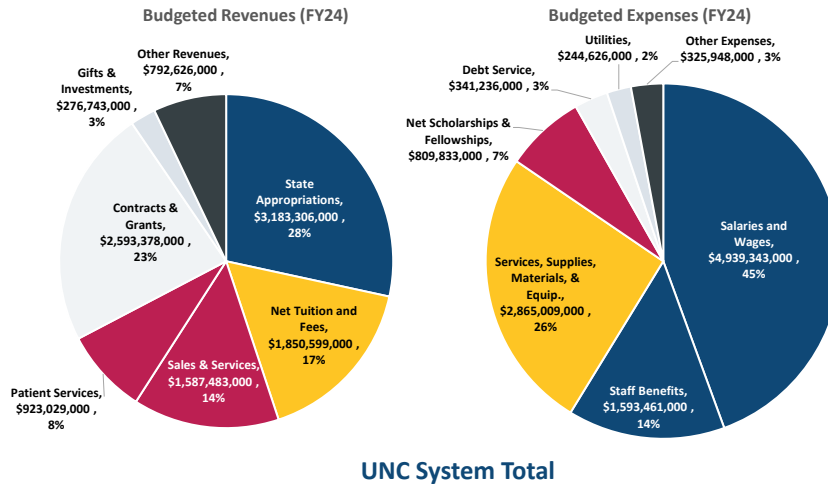
AFB Standard Format

4 Fund Types

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Standardized Accounts	Revenues					
	State Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -
	Tuition & Fees	\$ -	\$ -	\$ -	\$ -	\$ -
	Less Discounts and Allowances	\$ -	\$ -	\$ -	\$ -	\$ -
	Sales & Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ -	\$ -	\$ -	\$ -	\$ -
	Gifts & Investments	\$ -	\$ -	\$ -	\$ -	\$ -
	Other Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
	Revenues Total	\$ -	\$ -	\$ -	\$ -	\$ -
	Expenses					
	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
	Staff Benefits	\$ -	\$ -	\$ -	\$ -	\$ -
	Services, Supplies, Materials, & Equip.	\$ -	\$ -	\$ -	\$ -	\$ -
	Scholarships & Fellowships	\$ -	\$ -	\$ -	\$ -	\$ -
	Less Discounts and Allowances	\$ -	\$ -	\$ -	\$ -	\$ -
	Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
	Utilities	\$ -	\$ -	\$ -	\$ -	\$ -
	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
	Expenses Total	\$ -	\$ -	\$ -	\$ -	\$ -
	Net Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
	Change in Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

The all-funds budget is an operating budget for the university and does not capture activity governed by separate boards (e.g. foundations & endowments) or capital funds.

AFB Summary Charts



AFB Standard Units

Each institution was required to budget for a standard set of organizational units; however, the departments that comprise the units are not consistent across institutions.

Academic Units

Institutional Support Units

University Administration
Business Affairs
Facilities
Human Resources
Information Technology
Public Safety
Advancement

Other Institution-Specific Units

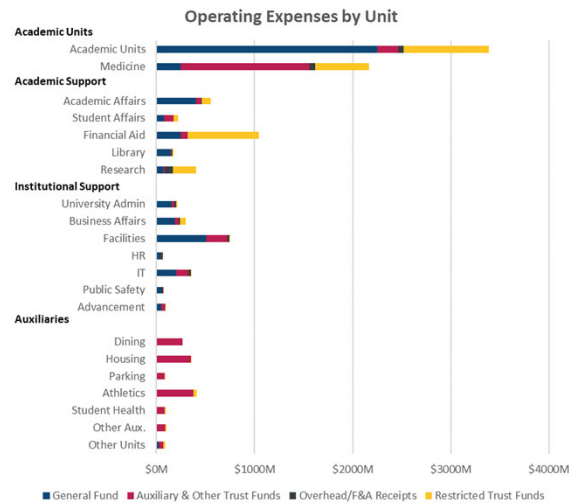
Academic Support Units

Academic Affairs
Student Affairs
Financial Aid
Libraries
Sponsored Research

Auxiliary Units

Dining
Housing
Parking & Transportation
Athletics
Student Health
Other Auxiliaries

Summary of Operating Expenses by Unit



AFB Oversight and Review

- BOG Policy Manual Chapter 100.1, *THE CODE*, Appendix 1, Section V
 - “On an annual basis, the board of trustees **shall approve** a comprehensive, “all-funds” budget of the constituent institution for the upcoming fiscal year... The board of trustees’ approval of a constituent institution all-funds budget **shall not be delegated** and shall be made by the full board of trustees.”
 - Outreach to Board of Trustee Chairs
- Cross-Divisional System Office Review Committee
 - Finance, COO, Academic & Student Affairs, Strategy & Policy reps
 - What areas need further analysis, campus follow-up, or monitoring?
- Inherent value of process transparency

Top AFB Questions BOTs Should Be Discussing

- How is your institution allocating resources to address policy priorities?
 - How does this budget promote higher rates of on-time graduation and lower student debt?
 - What other strategic investments is the university making to achieve strategic plan or university goals?
 - Does the budget reflect any decisions to stop or scale back underperforming programs/activities?
- What pressures are impacting budget allocation decisions?
 - Inflation? Enrollment? End of HEERF funding? Investment returns?
 - Are certain units disproportionately impacted by these pressures?
 - Which units are most likely to have trouble generating sufficient revenues to cover their operating costs?
- How are fund balances changing and why?
 - Are changes serving an intentional purpose or do they reflect a structural issue?

FY 2024 Budget Highlights

Supporting System-wide Strategic Priorities

■ **Student Success:**

- **FSU** – the new “Bronco One-Stop” has consolidated student support services into a single center that will remove barriers to persistence.
- **NCSU** – increasing student mental health support.
- **UNCC** – the NINERways math enhancement program will enable more students to achieve quantitative reasoning degree requirements.

■ **Meeting Workforce Needs:**

- **N.C. A&T** – new academic programs in Physician’s Assistant Studies and Data Analytics will lead to more graduates in these key workforce areas.
- **UNC-CH** – the university’s new School of Data Science will enable the university to continue to benefit society and meet UNC System goals.

■ **Affordability:**

- **WSSU** – developing a new scholarship matching platform that will identify scholarship opportunities for students based on their personalized profile.
- **UNCW** – allocating resources to support student wage growth at the Student Union. On-campus employment is a direct solution for student affordability but also aids in student retention, persistence, and graduation.



11

Investment in Institution-Specific Priorities

■ **Areas of Strategic Growth:**

- **ECSU** – new faculty for growing programs in Homeland Security, Sustainability Studies, Education, and Kinesiology.
- **N.C. A&T** – allocation of funding to support Research Competitiveness goal as they pursue transition from R2 to R1 Doctoral Research institution.

■ **Academic Program & Student Service Enhancements:**

- **NCCU** – investments to reinvigorate and enhance the Career and Professional Development Center to ensure career readiness for students connected with existing academic programs.
- **UNCA** – extending student options in global study, internships, and student Honors and Leadership programs

■ **Research Productivity:**

- **ECU** – making investments in expand research capacity and infrastructure needed to support large, multi-disciplinary projects.
- **UNC-CH** – leveraging its robust research capabilities to support start-ups and to continue to grow research activity.



12

Improving Efficiency

■ Strategies for Operational Efficiency

- **NCCU** – redeploying vacant positions and financial resources to achieve the university's most pressing needs.
- **NCSU** – leveraging a multi-tiered approach to resource reallocation, identified \$40 million of existing General Fund resources for strategic reallocation.
- **UNCG** – established a task force to identify administrative efficiencies and a task force to review the academic portfolio. Also instituted a 4% cut to departmental operating budgets.
- **UNCP** – instituted a 3% operating budget reduction for most units to establish an investment reserve, enabling the university to reallocate funding to support key strategic priorities.
- **WSSU** – converting low-producing degree programs into minors or tracks within more enrollment-healthy, relevant degree programs.

Financial Sustainability

■ Athletics

- 11 athletic departments have budgeted expenses that exceed revenues.
- 9 institutions plan to transfer funds from other sources to support expenses.
- 6 athletic departments are projecting negative fund balances.

■ Stabilizing and Growing Enrollment

- **ECU** – launched a third-party partnership to enhance the institution's academic reputation and marketing.
- **UNCA** – investing in initiatives to increase market position strength and grow enrollment.
- **UNCG** – establishing new bilingual positions in Admissions, Financial Aid, and Academic Advising to support the recruitment and retention of Hispanic students.
- **UNCP** – investments in admissions and enrollment marketing to grow new and transfer student enrollments.

■ Inflation and Labor Market Pressures

- Institutions are reallocating resources within and across units to absorb labor market and inflationary cost increases.

Enterprise Risk

■ **Public Safety Departments**

- For nine institutions, the FY 2024 budgeted expenses for the Public Safety unit exceed the FY 2023 budget.
- The System Office is working to confirm that the FY 2024 budget exceeds the FY 2023 actual activity for the remaining institutions.

■ **Mitigating Risk:**

- **N.C. A&T** – enhancing cybersecurity through critical investments in Information Technology, Human Resources, and Legal and Compliance areas.
- **UNCSA** – One Card Access Control systems to promote a physically safe environment.
- **UNCG** – using one-time funds to upgrade emergency management facilities to better respond to future emergencies.
- **UNC-CH** – ongoing lead testing and remediation

Maturing the Process

■ **System-Level:**

- Enhancing the Finance Data Mart to better align with the AFB and provide additional financial management tools.
- Providing feedback to institutions for continuous improvement.
- Identifying inconsistent business processes and mapping issues to improve comparability of data.

■ **Campus-level:**

- Institutional efforts to enhance tools used to monitor financial performance throughout the fiscal year.
- Equipping divisional leaders with tools to improve financial management.
- Improving cross-unit communication.



THE
**UNIVERSITY OF
NORTH CAROLINA
SYSTEM**

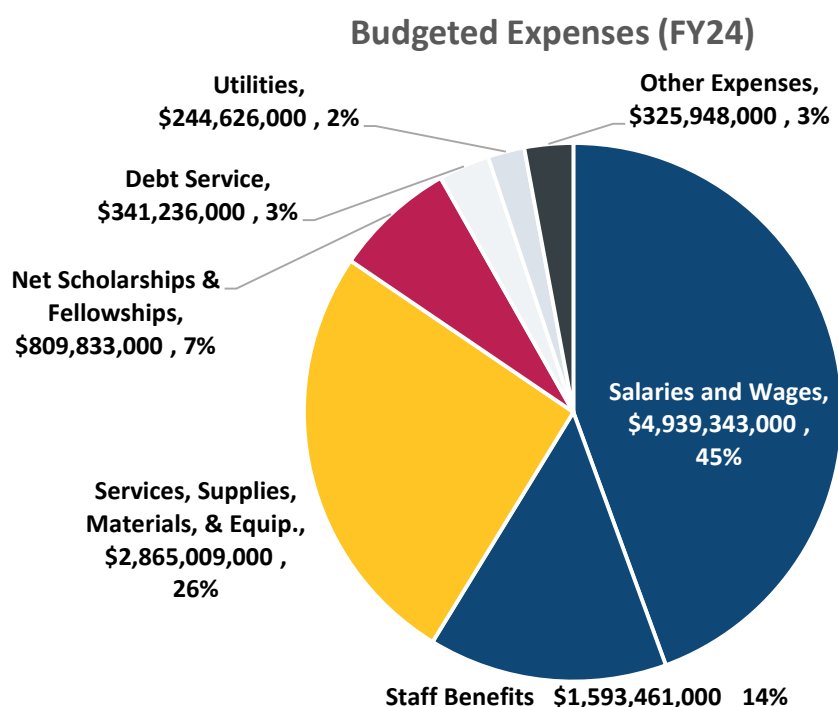
***UNC SYSTEM
2023-24 ALL-FUNDS BUDGET***

May 24, 2023

UNC System Fiscal Year 2023-24 All-Funds Budget

The UNC System is in the second year of a new All-Funds Budget process. At the direction of the Board of Governors, the constituent institutions prepared and submitted the FY 2022-23 All-Funds Budget in May 2022. That budget is currently in use by institutions for this fiscal year. Lessons learned from that process were used to refine the process further this year to ensure that the budget achieves the goals of transparency and effective financial management. This year, the system has continued to mature the process to create the FY2023-24 All-Funds Budget. The budget provides a comprehensive view of institutional operations, reflecting both General Fund and Institutional Trust Fund operating revenues and expenditures. Each budget was prepared by the institution and submitted for approval to its respective board of trustees.

The FY2023-24 All-Funds Budget comprises more than \$11 billion in operating revenues, more than half of which occur outside of the General Fund. Institutions anticipate \$2.6 billion in contract and grant activity, a 1.5% increase from the prior budget. Continued rises in non-personnel costs due to inflation are causing additional budget pressure. Enrollment funding is scheduled to decrease as enrollment fell during the 2022 calendar year at most institutions.

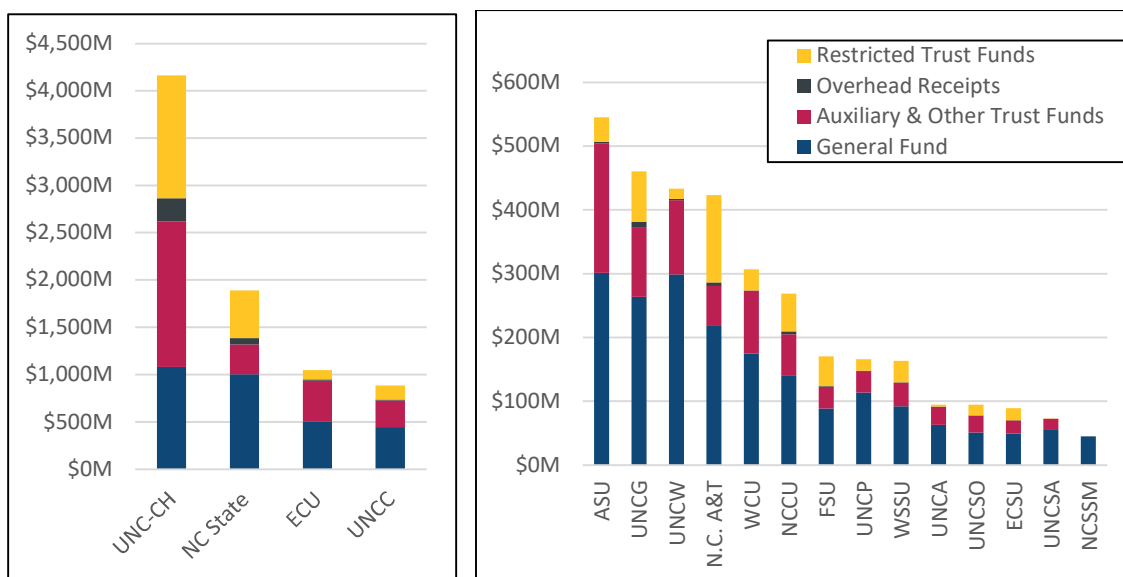


G.S. 116-1 provides that the University has a duty, in the fulfillment of its mission, to “seek an efficient use of available resources to ensure the highest quality in its service to the citizens of the State.” The comprehensive, all-funds budget provides the necessary structural foundation for the execution of the UNC System’s strategic plan and to ensure the delivery of the teaching, research, and service mission in a financially sustainable manner. Institutions have used the All-Funds Budget process to improve financial efficiency and to make targeted investments in institutional and system strategic goals. Investments in academic programs and student success initiatives will keep students on track toward degree completion. Administrative efficiencies and affordability initiatives will enable students to graduate with less debt and

will maximize the value of taxpayer investments. Investments in student mental health, enrollment strategies that target underserved populations, and improvements to faculty and staff retention will advance the UNC System’s goals in those areas.

At the same time, the UNC System is dealing with many strategic and financial challenges. Slowing enrollment and high inflation has put pressure on operating budgets. Labor market concerns have required institutions to develop thoughtful strategies for recruitment and retention. Athletic budgets face unique pressure at some institutions. The All-Funds Budget has shed light on these challenges to enable institutions to develop long-term strategies to mitigate these risks.

FY2023-24 Budgeted UNC System Revenue by Fund Type



Supporting System-Wide Strategic Priorities

Student success continues to be among the highest priorities for many institutions in FY2023-24. Institutions highlighted themes consistent with the UNC System strategic plan. Institutions are implementing plans to improve retention and academic student support. These objectives advance toward the long-term goals of improving on-time graduation and degree efficiency. Our universities are finding more effective ways to identify and support students who are most at risk of falling behind. Some institutions are using summer programs as an opportunity to help some students get back on track and to help others get ahead. Several institutions are investing in software or other resources to better track student progress and ensure that students receive support when they need it. Some institutions are making investments to improve student accessibility and remove barriers to completion.

The newly adopted performance-funding component of the enrollment funding model further aligns financial incentives with system priorities under the guidance of the Board of Governors. The performance-funding component incentivizes progress toward aggressive institution-specific goals in the 4-year graduation rate, undergraduate degree efficiency, first time and transfer student debt at graduation, education and related spending per degree, and one additional campus-selected metric from the strategic plan. Investments toward these goals will yield dividends not only for institutional financial positions, but also for the strategic goals of the system and the state.

Institutions identified connections between the system's Affordability goals with student success. Many institutions are making conscious efforts to improve affordability through limiting student costs, providing emergency grant scholarships to keep students enrolled, reducing textbook costs, and bolstering fundraising efforts for merit-based and need-based scholarships. Not only do these efforts make progress toward the UNC System's strategic goal of reducing student debt at graduation, they also enable students to progress toward a degree faster and with less risk of dropping out for financial reasons.

Institutions continue to search for ways to attract and support rural, low-income, or underrepresented student populations. Appalachian State University's new Hickory campus will expand access to one of the largest underrepresented areas in the state. UNC Greensboro continues to find ways to grow its Hispanic student enrollment. Efforts to develop and maintain diverse student bodies are key to the UNC System's Access goals.

Mental health of students and employees has become a significant priority for the system to support student success and wellbeing. Institutions have planned significant investments to increase the capacity of their mental health counseling services as well as other tools to support student wellbeing.

The UNC System's Strategic Plan has bold targets for expanding research. Many institutions are rising to that challenge by enhancing research support capabilities. Five of the system's research institutions have selected Research Productivity as their campus-selected performance metric for enrollment funding, and signs point to growing success in this area. ECU has doubled its annual sponsored award activity over the last five years and continues to be a force for rural progress, research, and growth. UNC-CH is leveraging its robust research capabilities to support start-ups and to continue to grow research activity. App State's new Conservatory for Biodiversity Education and Research is scheduled to begin construction this summer and will enhance the university's research capabilities, particularly related to the cultural and natural history of the Southern Appalachian region. These efforts are critical not only to the academic enterprise but also to the local economy.

Some examples of specific initiatives outlined by campuses include:

Student Success

- FSU – the new “Bronco One-Stop” has consolidated student support services into a single center that will remove barriers to persistence.
- UNCC – the NINERways math enhancement program will enable more students to achieve the quantitative reasoning requirements of the general education program.

Meeting Workforce Needs

- NC A&T – new academic programs in Physician's Assistant Studies and Data Analytics will lead to more graduates equipped to meet key workforce needs.
- UNC-CH – the university's new School of Data Science and Society will enable the university to continue to benefit society and meet UNC System goals.

Affordability

- WSSU – developing “Scholarship Universe,” a new scholarship matching platform that will identify scholarship opportunities for students based on their personalized profile.

- UNCW – allocating resources to support student wage growth at the Student Union. On-campus employment is a direct solution for student affordability but also aids in student retention, persistence, and graduation.

Faculty and Staff Retention

- App State – using a public-private partnership to develop housing for university employees at below-market rates.
- UNCW – strategically deploying the Labor Market Adjustment Reserve to support faculty promotion and tenure and faculty and staff recruitment and retention.
- NCSSM – reprioritizing funding to bring faculty and staff compensation in line with market rates for teachers and staff in surrounding counties.

Investment in Institution-Specific Strategic Priorities

Institutions also used the all-funds budget process to direct investments toward key institution-specific strategic priorities. There is a significant amount of overlap in the system-wide and institution-specific priorities, so many of the same themes were highlighted. Commonalities across institutional priorities were related to strategic growth of the institution. Investments included strategic program expansion, increased research support, strategies to grow economic development, and opportunities for additional public service.

Institutions have made strategic investments in existing programs to enhance the student experience, modernize technology, and find ways to optimize the return on investment to students and the state. Institutions have prioritized ensuring the career-readiness of students and enhanced academic programs to ensure that students get the most out of their time on campus.

Areas of Strategic Growth

- ECSU – new faculty for growing programs in Homeland Security, Sustainability Studies, Education, and Kinesiology.
- N.C. A&T – allocation of funding to support Research Competitiveness goal as they pursue transition from R2 to R1 Doctoral Research institution.

Academic Program and Student Service Enhancements

- App State – planned replacements of outdated IT equipment and infrastructure in the University's academic facilities.
- NCCU – investments to reinvigorate and enhance the Career and Professional Development Center to ensure career readiness for students connected with existing academic programs.
- UNCA – extending student options in global study, internships, and student Honors and Leadership programs.

Stabilizing and Growing Enrollment

The UNC System has experienced a decade of steady enrollment growth at both the undergraduate and graduate levels. New students bring new tuition and appropriation revenues. However, this period of rapid expansion has also posed challenges to our universities to maintain efficiency during growth. This growth accelerated due to the NC Promise program, which began for three institutions in 2018 and added

a fourth institution in 2023. Now, many of our institutions anticipate slowing or falling enrollment, particularly at the undergraduate level. North Carolina is graduating fewer high school students – a trend that is mirrored at the national level. The trend was exacerbated on a one-time basis in North Carolina due to a change in the age cut-off for kindergarten twelve years ago that made the 2022 high school class abnormally small (and will make the 2023 high school class unusually large). The FY2023-24 enrollment allocation is the largest funding loss in more than a decade.

This trend is particularly acute for several of our regional institutions that have experienced the most precipitous enrollment losses. Institutions are bolstering their enrollment management efforts to grow enrollments. Several institutions are turning toward nonresidents as a solution to stabilize revenues and keep seats filled – a strategy made possible due to the Board of Governors raising the cap on nonresident enrollments in anticipation of the state’s demographic changes. Institutions are also making more concerted efforts to recruit and retain students from underserved communities.

Some examples of specific initiatives outlined by campuses include:

Enrollment Strategies

- ECU – launched a third-party partnership to enhance the institution’s academic reputation and marketing.
- UNCG – establishing new bilingual positions in Admissions, Financial Aid, and Academic Advising to support the recruitment and retention of Hispanic students.
- UNCP – investments in admissions and enrollment marketing to grow new and transfer student enrollments.

Improving Efficiency

Institutions used the all-funds budget process to identify tangible opportunities for efficiency improvements. For institutions facing enrollment losses, this practice is essential as state funds become scarcer. For institutions with stable or increasing enrollment, the savings created through this process can be passed on to students and taxpayers or used for opportunities for reinvestment in institutional success.

Several institutions implemented strategies to reduce departmental budgets. Institutions are redesigning or decommissioning low-producing degrees, reallocating vacant positions to realign staffing with the areas of greatest need, implementing cost-saving improvements to their information technology, and identifying alternative sources of funding including fundraising, fund balances, or one-time federal funding. Institutions also cited the budget process as a way to ensure that financial resource allocation is aligned with institutional priorities.

Some examples of specific initiatives outlined by campuses include:

Strategies for Operational Efficiency

- WSSU – converting low-producing degree programs into minors or tracks within more enrollment-healthy, relevant degree programs.
- UNCP – instituted a 3% operating budget reduction for most units to establish an investment reserve, enabling the university to reallocate funding to support key strategic priorities.
- NCCU – redeploying vacant positions and financial resources to achieve the university’s most pressing needs.

Financial Sustainability and Enterprise Risk

Institutions highlighted efforts to address and manage significant risks. Chief among these risks is inflation, particularly as it applies to the labor market, energy costs, and other program-specific costs. One-time aid through the Higher Education Emergency Relief Fund (HEERF) as well as other COVID-19-related funds have been used to mitigate these factors in the short-term as universities develop long-term strategies for financial sustainability. Labor market competition has forced institutions to develop thoughtful strategies for recruitment and retention, but institutions raised concerns about their long-term ability to ensure that compensation remains competitive. The impacts of the labor market are being felt most acutely in auxiliary and trust-fund units. These units do not receive state funds to support legislatively mandated salary increases – a problem that frequently leads to student fee increases. Institutions have been able to grow financial reserves based on a strong investment performance in FY22, which serves as a safeguard against financial volatility. These changes have led several institutions to receive credit rating upgrades, despite growing financial risks. Athletic programs felt a unique increase in financial limitations. Travel-related inflation and increasing staff costs have led to growing athletic budget deficits at several institutions. Funding for athletics is critical to ensure that athletes compete in safe environments with the equipment necessary to facilitate competition. Athletic revenues for smaller institutions have stagnated, with institutions forced to rely on the Athletics Fee to meet compliance and safety objectives.

In September 2022, the Board of Governors passed a motion that would require FY 2024 spending on campus security to remain at or above the level of spending for FY 2023. For nine institutions, the FY 2024 budgeted expenses for the Public Safety unit exceed the FY 2023 budget. We are working to confirm that the FY 2024 budget exceeds the FY 2023 actual activity for the remaining institutions.

Some examples of specific initiatives outlined by institutions include:

Mitigating Risk

- UNCSA – One Card Access Control systems to promote a physically safe environment.
- UNCG – using one-time funds to upgrade emergency management facilities to better respond to future emergencies.
- NC A&T – enhancing cybersecurity through critical investments in Information Technology, Human Resources, and Legal and Compliance areas.
UNC-CH – ongoing lead testing and remediation

Maturing the Process

The UNC System's comprehensive all-funds budget continues to grow and improve. The budget has already become a tool to strengthen the fiscal accountability of the Boards of Trustees. It provides significant transparency into strategic investments of UNC System institutions. Institutions are developing best practices for using the budget as a management tool rather than just a planning process. UNCC has implemented the FY2022-23 budget as a means to understand their financials throughout the fiscal year. Other institutions are exploring ways to equip divisional leaders with tools to continue to improve transparency and operational efficiency. The UNC System is enhancing the Finance Data Mart to give the system an additional financial management tool. The FY2023-24 guidance incorporated feedback from the FY2022-23 process – a practice that we anticipate will continue as the process matures. There will be continual assessment of how the process and format of the budget can be improved.

Appalachian State University — All Funds Budget Narrative FY 2023-2024

Appalachian State University has developed the All Funds Budget to advance App State's strategic priorities, as well as UNC System strategic goals. The UNC System strategic plan includes access, affordability and efficiency, student success, economic impact and community engagement, and excellent and diverse institutions. App State's budget includes funding for the following initiatives to address university/System goals and priorities:

App State Hickory Campus

In November 2021, App State purchased the former Corning Optical Communications building (225,800 square foot building on 15.7 acres) in Hickory to establish the new App State Hickory Campus. This campus will serve the Hickory/Lenoir/Morganton metro area population — previously the state's largest metropolitan area without a UNC System university. This campus provides additional growth capacity and market potential for App State's on-campus and online programs, and will increase critical educational opportunities in the Hickory metro area to equip the local workforce with the skills required to meet the current demands of employers. This initiative will also allow App State to achieve multiple system-wide strategic goals, including increased access to higher education and a state/local partnership that will improve local communities and benefit the state economically. The university received \$9M in capital funding from the General Assembly in the FY 2023 State budget which is being used to make the necessary repairs and renovations to open the facility for instruction in Fall 2023.

Initial on-site services will provide resources and support, including advisors dedicated to App State Hickory students, a library facility, health and counseling services, tutoring, success coaching, career development services, technical support, computer labs and more. Other on-site services such as student clubs and organizations, recreation opportunities and leadership experiences will also be available as the campus evolves and grows in the coming years.

Lab Schools

App State began partnering with Elkin City Schools to open the university's second laboratory school in August 2022. Along with the Appalachian Academy at Middle Fork in Walkertown which opened in 2018, our lab schools provide future teachers in the Reich College of Education with opportunities to apply their skills in the classroom. The local communities benefit from the App State partnerships, which strengthen learning, teaching and school leadership. In FY 2024, App State's lab schools will be funded primarily with federal, state and local funds; however, App State may be required to reallocate internal funding in order to cover projected expenses at both Middle Fork and Elkin.

Auxiliary Enterprises

Renovations of the university's two primary dining facilities, Rivers Street Cafe in Roess Dining Hall and Park Place at the Pond in Trivette Hall, will take place in summer 2023 in advance of the fall semester. The planned upgrades for the facilities' service areas are designed to improve the functionality, efficiency and overall student experience as part of the All You Care to Eat dining format offered at both locations. All You Care to Eat, launched in fall 2022, is an accessible, buffet-style format that fosters community building and enhances the student experience.

The Holmes Center Parking Deck project will provide approximately 600 on-campus parking spaces through the construction of a new, five- to six-level parking deck next to App State's Holmes Convocation Center. The primary use for the new deck will be faculty, staff and student parking, with event parking as needed. App State has the flexibility to offer visitor parking in select lots as needed upon demand. The additional parking will also support events at the Holmes Center as well as the 30,000-seat Kidd Brewer multipurpose stadium. This project is being funded by a \$20M bond issuance that will be repaid with parking revenues.

A comprehensive renovation of more than 15,000 square feet of first-floor retail and service space in App State's University Bookstore is scheduled to be completed in summer 2023, which will lead to increased sales revenues that will enhance the bookstore's scholarship contributions for App State students. Bookstore profits support student scholarships at App State. Since 2014, the bookstore has contributed nearly \$5.2 million in scholarship funds to help App State students finance their education.

In addition, the nearly \$7 million renovation of App State's Newland Residence Hall is expected to extend the useful life of the building by 15-20 years. This project will address moisture and mold mitigation issues at the source and reduce operational costs, as well as improve the overall indoor air quality for the building's residents.

Appalachian State University — All Funds Budget Narrative FY 2023-2024

The All Funds Budget will support the progress towards the institution's [2022-2027 Strategic Plan](#). App State's institutional financial plans are in alignment with these priorities.

Providing Exceptional Educational Experiences

The university prioritizes providing exceptional educational experiences for its students and is committed to enhancing the student learning experience and providing support for teaching, research and scholarly activities. App State is shifting the majority of undergraduate online programs away from a cohort-based model to a flexible model to better support students' academic needs. This flexible model allows more adult students and returning Mountaineers to complete bachelor's degrees, while also allowing the university to scale up high-demand online programs. As such, the University is making increased investments in smart classrooms and IT resources needed for online/virtual learning.

App State will also utilize funding allocated by the N.C. General Assembly to begin extensive modernizations and renovations to both Wey Hall and Edwin Duncan Hall beginning in 2023. Wey Hall was built in 1976 and is home to the Department of Art, which offers more than 100 course sections to approximately 1,400 students. The building's classrooms are also used for general education and first-year seminar courses. Duncan Hall was constructed in 1965 and contains office space, classrooms and labs. Each of these projects will improve and adapt the space in these academic facilities to current and future programming needs, which includes offering more technologically advanced classrooms.

Other examples of the University's commitment to providing exceptional educational experiences include:

- The addition of new faculty and academic advising positions in 2023-24, which will be funded with enrollment growth funding and tuition receipts;
- A planned campus-wide IT network infrastructure refresh scheduled to begin in FY24 which will replace outdated IT equipment and infrastructure in the University's academic facilities;
- Lab school operations located in Walkertown and Elkin which continue to provide real-world teaching opportunities for students. *App State remains the only UNC campus to operate multiple lab schools.*

Advancing Research, Innovation and Creativity

Construction of the University's Conservatory for Biodiversity Education and Research (Conservatory) is scheduled to begin in summer 2023 and is being funded with a \$54M appropriation allocated by the N.C. General Assembly. The Conservatory will be the first academic building of App State's Innovation District, located at the site of the former Broyhill Inn and Conference Center. This facility, which is included in the first development phase for the district, will include cross-disciplinary collaboration and encourage K-12 partnerships. Paired with the adjacent Nature Preserve, the Conservatory will advance knowledge surrounding the natural and cultural history of the Southern Appalachian region and build on existing opportunities available through the Department of Biology's teaching and research facilities.

Advancing Local, Regional and Global Engagement

Furthering its commitment to providing affordable access to higher education in the Catawba Valley area, App State will make available over 100 undergraduate major programs of study at its Hickory Campus beginning in Fall 2023. In addition, Chancellor Everts has formed the App State @ Hickory Advisory Council, which consists of a group of business, education, government and civic leaders from Hickory and the surrounding area and regularly meets to discuss the area's needs and how App State can meet these needs via its academic offerings. Chancellor Everts has also announced that the University would utilize Institutional Trust fund reserves to provide the \$2,000 "Hickory First" scholarships which will be available to the first 500 first-year and transfer students who enroll at the Hickory Campus in 2023. This aid will help incoming students offset their educational expenses during their first year.

Investing in Faculty and Staff Excellence

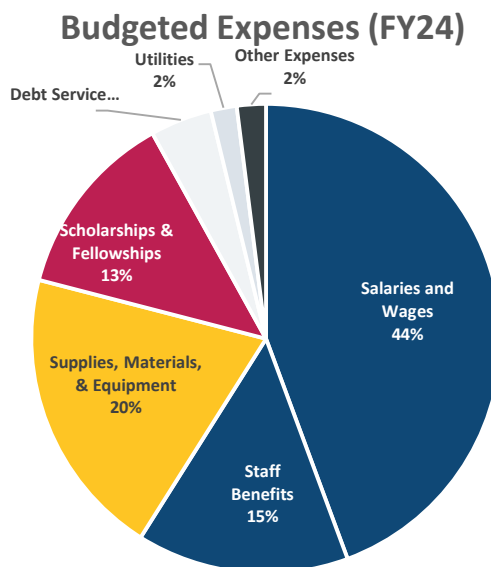
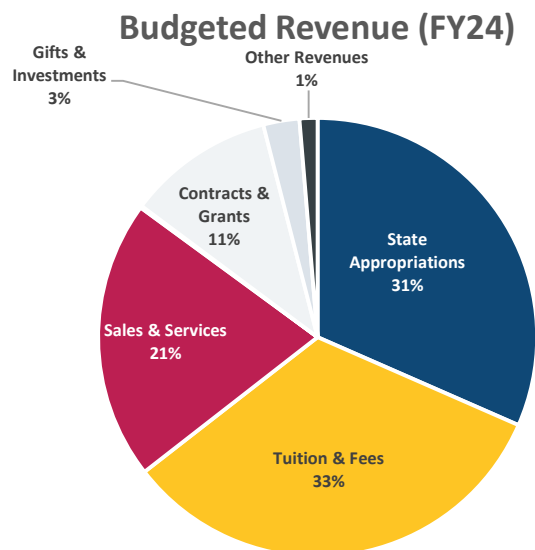
App State has received UNC Board of Governors approval to authorize public-private partnerships to develop approximately 156 multi-family residential units which will provide below market housing for university employees at below-market rates. In our highly competitive housing market, we expect this to positively impact our ability to recruit and retain talented faculty and staff. These projects are public-private partnerships and will not rely upon

Appalachian State University — All Funds Budget Narrative FY 2023-2024

State funds or any capital from the university. Construction is scheduled to begin this summer and units are expected to be ready for occupancy in 2025.

Strengthen Resilience and Sustainability

App State will begin the development of the zero-carbon district energy system, which will begin to transition the Boone campus away from steam power. Leveraging public-private partnerships, the University will develop, construct and operate a net-zero carbon district energy system, which will generate and distribute energy to support the planned buildings in the Innovation District, including the aforementioned Conservatory and faculty and staff housing. As with the faculty-staff housing project previously mentioned, this project will not rely upon State funds or any capital from the University. The energy system is expected to become operational in 2025 and will not only supply a stable source of energy but will also contribute significant savings in avoided energy costs for the university.



Operating Expenses by Unit

Academic Units

Arts & Sciences
Business
Education
Health Sciences
Arts
Music

Academic Support

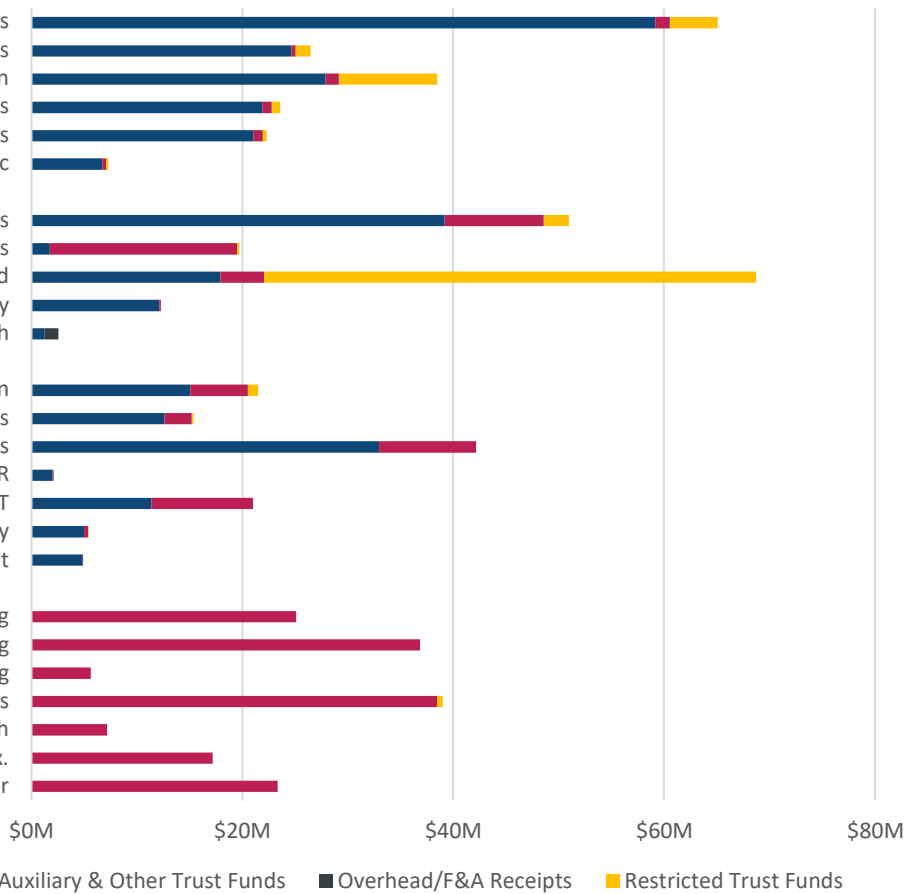
Academic Affairs
Student Affairs
Financial Aid
Library
Research

Institutional Support

University Admin
Business Affairs
Facilities
HR
IT
Public Safety
Advancement

Auxiliaries

Dining
Housing
Parking
Athletics
Student Health
Other Aux.
New River Light and Power



**Appalachian State University
FY 2023-24 All-Funds Budget**

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 185,952,000	\$ -	\$ -	\$ -	\$ 185,952,000
	Tuition & Fees	\$ 116,770,000	\$ 77,224,000	\$ -	\$ -	\$ 193,994,000
	<i>Less Discounts and Allowances</i>	\$ (9,461,000)	\$ (5,541,000)	\$ -	\$ (28,738,000)	\$ (43,740,000)
	Sales & Services	\$ 2,065,000	\$ 118,878,000	\$ -	\$ 354,000	\$ 121,297,000
	Patient Services	\$ -	\$ 800,000	\$ -	\$ -	\$ 800,000
	Contracts & Grants	\$ 5,435,000	\$ -	\$ -	\$ 58,288,000	\$ 63,723,000
	Gifts & Investments	\$ 2,000	\$ 6,774,000	\$ -	\$ 8,913,000	\$ 15,689,000
	Other Revenues	\$ 757,000	\$ 4,988,000	\$ 2,000,000	\$ -	\$ 7,745,000
Revenues Total		\$ 301,520,000	\$ 203,123,000	\$ 2,000,000	\$ 38,817,000	\$ 545,460,000
Expenses	Salaries and Wages	\$ 195,624,000	\$ 54,458,000	\$ 969,000	\$ 8,114,000	\$ 259,165,000
	Staff Benefits	\$ 65,563,000	\$ 17,254,000	\$ 381,000	\$ 2,130,000	\$ 85,328,000
	Services, Supplies, Materials, & Equip.	\$ 25,709,000	\$ 82,185,000	\$ 198,000	\$ 9,158,000	\$ 117,250,000
	Scholarships & Fellowships	\$ 15,388,000	\$ 12,565,000	\$ -	\$ 47,712,000	\$ 75,665,000
	<i>Less Discounts and Allowances</i>	\$ (9,461,000)	\$ (5,541,000)	\$ -	\$ (28,738,000)	\$ (43,740,000)
	Debt Service	\$ 2,052,000	\$ 22,687,000	\$ -	\$ -	\$ 24,739,000
	Utilities	\$ 6,102,000	\$ 4,379,000	\$ -	\$ -	\$ 10,481,000
	Other Expenses	\$ 2,346,000	\$ 9,329,000	\$ -	\$ -	\$ 11,675,000
Expenses Total		\$ 303,323,000	\$ 197,316,000	\$ 1,548,000	\$ 38,376,000	\$ 540,563,000
Net Transfers		\$ 4,881,000	\$ (10,188,000)	\$ -	\$ -	\$ (5,307,000)
Change in Fund Balance			\$ (4,381,000)	\$ 452,000	\$ 441,000	\$ (410,000)

ECU All Funds Budget

East Carolina University remains steadfast in our commitment to be a national model for student success, public service, and regional transformation. Through education, research, health care, community engagement, cultural enrichment and more, ECU enhances the quality of life for our students, our region, our state, and our world.

Future focused. Innovation driven. is ECU's strategic plan for 2023-2028. A refresh of the university's 2017-2022 strategic plan, it highlights the intersection of ECU's mission, vision, and values for advancing the university during the next five years. The plan, which launched in April 2023, sets ambitious vision priorities focused on social and economic mobility, workforce success, and rural health and well-being. During the summer, we will launch planning efforts across divisions to align with the new strategic plan.

ECU continues its focus on strategic enrollment initiatives, including improving retention and graduation rates, growing enrollment pipelines – which includes expansion of out of state students and adult learners, and strategic growth in high demand programs. We launched a partnership this Spring with University Admissions, University communications, and a 3rd party to collaborate and enhance ECU's academic reputation and marketing to attract faculty, parents and partners. This collaboration will extend into next fiscal year.

ECU and MrBeast, LLC., signed an exclusive educational partnership that is developing a non-curricular credentialing program to address the growing demand for a skilled workforce in the creator industry. The content creator industry, with a worldwide valuation more than \$100 billion in 2022, is seen as an emerging leader of the global economy. This program will not focus on finding the next YouTube star, but instead will provide training and credentialing for employees who work for the companies that produce creator content. The first cohort of students is expected in late Fall 2023.

Research remains a strategic priority for the University. ECU is investing in people, tools, and facilities to seek solutions to societal challenges and areas of strategic priority including education, health and well-being, coastal change and resiliency, rural economic and community development, and advanced manufacturing. Through partnerships and discovery, we will be a force for rural progress, achievement, and growth. Between 2017 and 2022, ECU doubled its sponsored awards from about \$40 million to \$82.1 million annually. Planned expenditures for fiscal year 2024 include investment in core facilities and shared equipment to advance ECU's contributions across the research enterprise. Our plan is to grow large, multidisciplinary projects funded by federal agencies. To accomplish this goal, we are investing by providing seed funding for new ECU faculty researchers with active research programs. We will also make research infrastructure investments to facilitate the administration and compliance of extramurally sponsored activities. Together, these expenditures will enable ECU to leverage the expertise of faculty in life and physical sciences, along with engineering

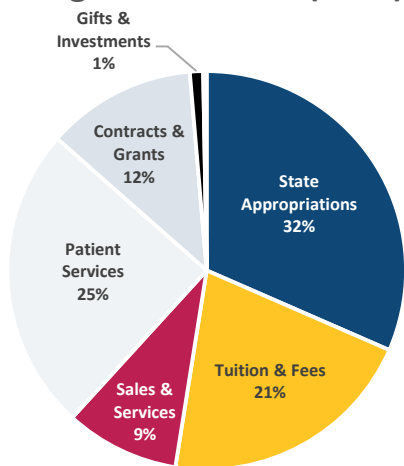
social sciences and the humanities to address issues germane to the region, state, nation and the world. Growing the number of students participating in research projects – both at the graduate and undergraduate levels – is one strategy ECU is using to meet employer demands for a workforce with analytical and critical thinking skills that complement their technical training. Additionally, the University plans to expand faculty professional development opportunities that encourage faculty engagement in extramurally supported research.

Our third area of focus is affordability. Student fee supported areas and auxiliaries underwent a review of operations and identified areas of need based on facilities, staffing, and programming offered throughout the units. The evaluation yielded permanent and temporary realignments within the student activities fee. The total approved increase for student activities fee for 2024 is \$16. By realigning these fees, the University is ensuring the continuity of operations and improved ability to respond to issues within areas that operate facilities. On an ongoing basis, leadership will continue reviewing these operations to ensure they are structured at an appropriate size and with appropriate programs and services that are in alignment with both enrollment and the strategic plans of the UNC System and ECU.

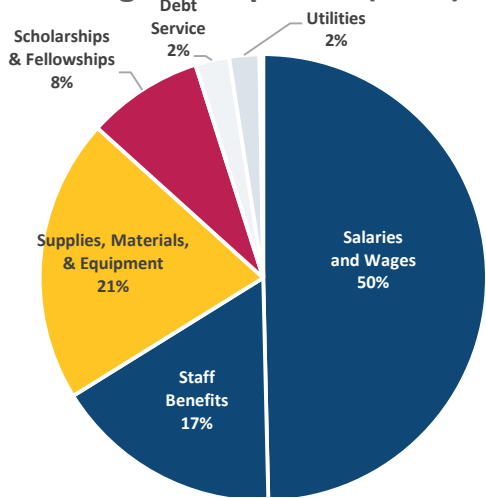
Cost challenges for next year include competitive labor markets and the inflationary impact of supplies, materials, and services. The labor market adjustment reserve from the General Assembly in 2023 provided much needed resources for state funded positions, however, nonstate funds had similar costs added without new resources. The university continues to absorb the growing impact of inflationary increases, limiting our ability to reallocate funding to new initiatives.

ECU continuously monitors its financial performance with monthly metrics identified and reported to the Board of Trustees at each regularly scheduled meeting. ECU monitors its nonstate activity with central oversight and approval for all capital spending and use of reserves. Resource reallocation is managed centrally by the Chancellor and senior leadership team based on university priorities. Annually, at the completion of the financial statement audit, financial ratios, including Composite Financial Index is calculated and evaluated.

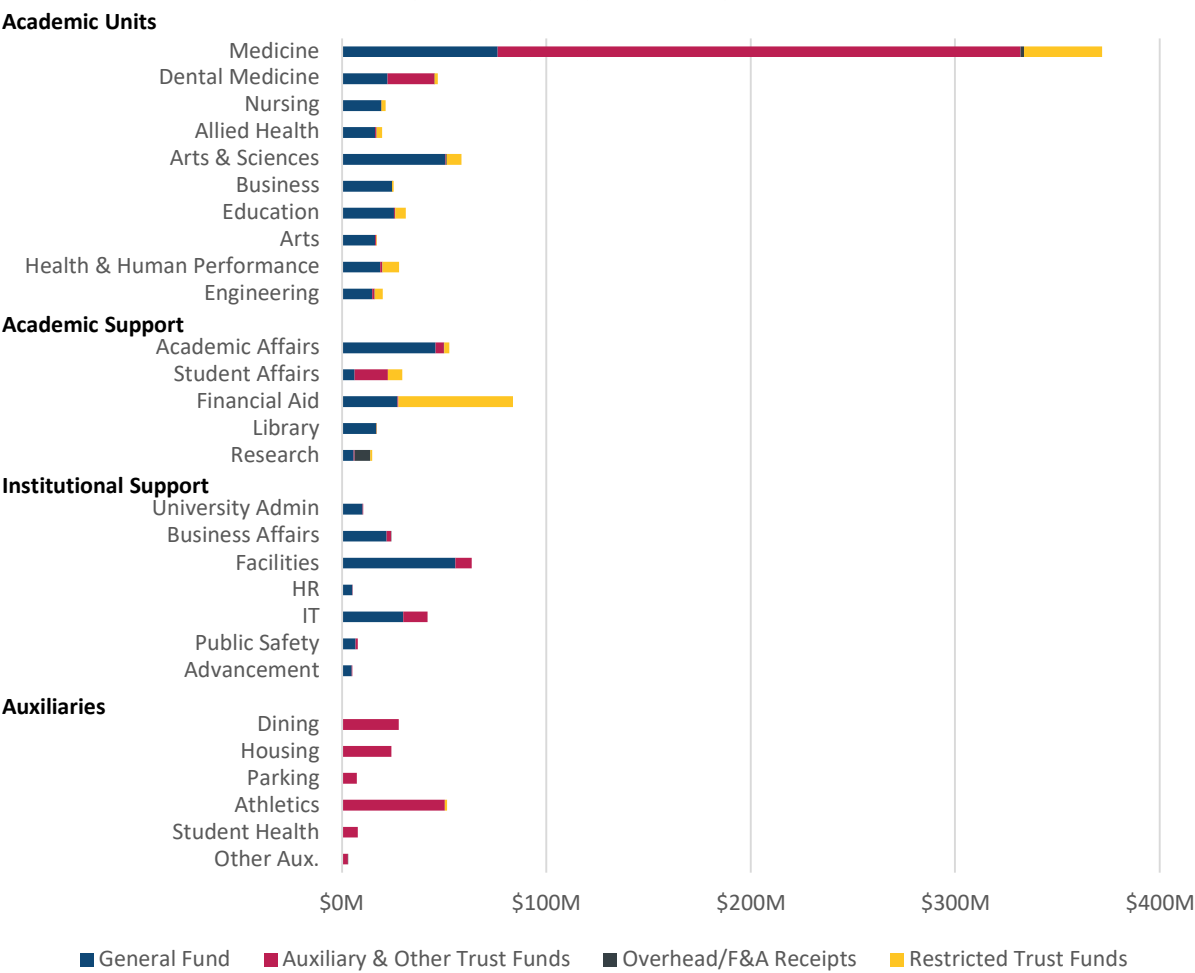
Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit



East Carolina University
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 349,182,000	\$ -	\$ -	\$ -	\$ 349,182,000
	Tuition & Fees	\$ 169,916,000	\$ 53,655,000	\$ -	\$ 8,344,000	\$ 231,915,000
	<i>Less Discounts and Allowances</i>	\$ (17,113,000)	\$ (5,519,000)	\$ -	\$ (35,858,000)	\$ (58,490,000)
	Sales & Services	\$ 1,835,000	\$ 97,928,000	\$ -	\$ 2,816,000	\$ 102,579,000
	Patient Services	\$ -	\$ 272,523,000	\$ -	\$ 1,112,000	\$ 273,635,000
	Contracts & Grants	\$ 1,614,000	\$ 246,000	\$ 12,059,000	\$ 120,595,000	\$ 134,514,000
	Gifts & Investments	\$ -	\$ 9,464,000	\$ -	\$ 2,273,000	\$ 11,737,000
	Other Revenues	\$ 741,000	\$ 2,414,000	\$ -	\$ -	\$ 3,155,000
Revenues Total		\$ 506,175,000	\$ 430,711,000	\$ 12,059,000	\$ 99,282,000	\$ 1,048,227,000
Expenses	Salaries and Wages	\$ 310,446,000	\$ 205,014,000	\$ 4,136,000	\$ 31,334,000	\$ 550,930,000
	Staff Benefits	\$ 104,547,000	\$ 68,640,000	\$ 1,287,000	\$ 8,779,000	\$ 183,253,000
	Services, Supplies, Materials, & Equip.	\$ 57,277,000	\$ 134,423,000	\$ 5,041,000	\$ 30,999,000	\$ 227,740,000
	Scholarships & Fellowships	\$ 27,567,000	\$ 8,745,000	\$ 7,000	\$ 56,860,000	\$ 93,179,000
	<i>Less Discounts and Allowances</i>	\$ (17,113,000)	\$ (5,519,000)	\$ -	\$ (35,858,000)	\$ (58,490,000)
	Debt Service	\$ -	\$ 19,078,000	\$ -	\$ 8,179,000	\$ 27,257,000
	Utilities	\$ 23,399,000	\$ 571,000	\$ -	\$ 33,000	\$ 24,003,000
	Other Expenses	\$ 3,191,000	\$ -	\$ -	\$ 3,000	\$ 3,194,000
Expenses Total		\$ 509,314,000	\$ 430,952,000	\$ 10,471,000	\$ 100,329,000	\$ 1,051,066,000
Net Transfers		\$ (1,952,000)	\$ (3,789,000)	\$ (725,000)	\$ (3,713,000)	\$ (10,179,000)
Change in Fund Balance			\$ (4,030,000)	\$ 863,000	\$ (4,760,000)	\$ (7,927,000)



Elizabeth City State University's Fiscal Year 24 (FY24) All-Funds Budget reflects continued progress towards meeting the UNC System's strategic goals, ECSU's strategic goals, improved efficiency, financial sustainability, and minimizing enterprise risks.

The FY24 All-Funds Budget was prepared to allow ECSU to expand on the successes achieved in FY23. Despite a nationwide decline in the number of college-age students and flat tuition rates, ECSU was able to realize an increase in enrollment, improve the facilitation of degree completion, improve retention and degree efficiency, minimize cost per degree, and minimize student debt for degree holders. Additionally, our FY23 investment in the Division of University Advancement has resulted in increased participation and giving to ECSU.

The FY24 All-Funds Budget allocates new resources for additional faculty in high demand academic programs, key support staff positions, and continued reserve funding.

With student support services addressed in the FY23 budget, the resources allocated in FY24 for new faculty are critical as they allow for the expansion of our academic program offerings and learning opportunities, all which align with community demand, meets the needs of employers, and is consistent with our Strategic Plan. The new faculty positions are in Homeland Security, Sustainability Studies, Education, and Kinesiology degree programs. Each program is expanding; and additional faculty are required to deliver the curriculum and to also stay in compliance with The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC).

Resources have also been allocated to hire additional professional staff to include an Associate General Counsel position, an Assistant Internal Auditor position, and an Architect/Engineer position. These positions are critical to maintain the necessary professional support for ECSU as enrollment continues to grow, capital projects increase, and to meet the increased demand for contracted services and other legal matters. Maintaining this type of support is consistent with our Strategic Plan. Regarding personnel growth, as identified last year, ECSU had a 5% drop in headcount from FY16 to FY20 per the 2016-2020 Workforce Analysis Summary; whereas the UNC System averaged an 8% increase in headcount during this time. In keeping with the strategy of maintaining a lean workforce, requests for new positions are fully vetted and must also show that they align with the ECSU Strategic Plan.

Additionally, ECSU is also continuing to invest in building its reserves. Resources have been allocated in FY24 to General Fund reserves that allow for a healthy 7/1/24 General Fund reserve of 7.82% of the overall General Fund budget. Non-General Fund use of fund balance is reserved for one-time purchases only and Trust & Auxiliary fund managers are required to budget revenues in excess of expenses in order to build a fund balance that equals one year of that fund's operating expenses.

Additional investments have been and continue to be made in reaching university-specific goals as detailed in the ECSU 2020-2025 Strategic Plan. While many of ECSU's strategic goals mirror the priorities set forth by the UNC Board of Governors and the UNC System President, ECSU has also identified the goals "ensure student services align with student needs and expectations" and to "cultivate and promote our unique Viking culture and pride". In working towards these and other Strategic Plan goals, a new, centralized ECSU Welcome Center will be the front door to campus for future Vikings and their families. This welcome center will house all of the enrollment functions in one building. It will also provide current students with direct access to key university resources in one centralized location. ECSU's FY23 and FY24 budgets reflect strategic investments to fulfill this goal.

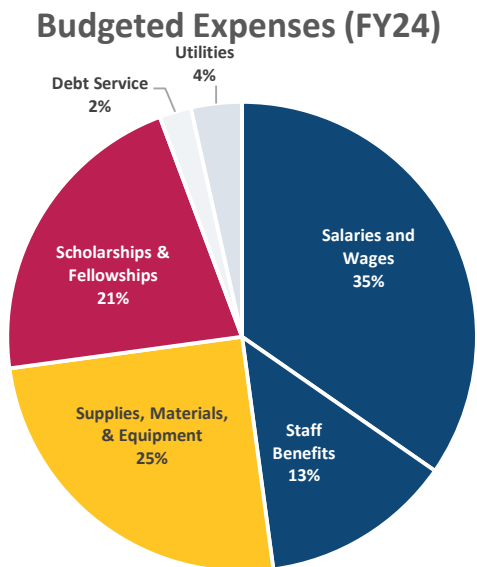
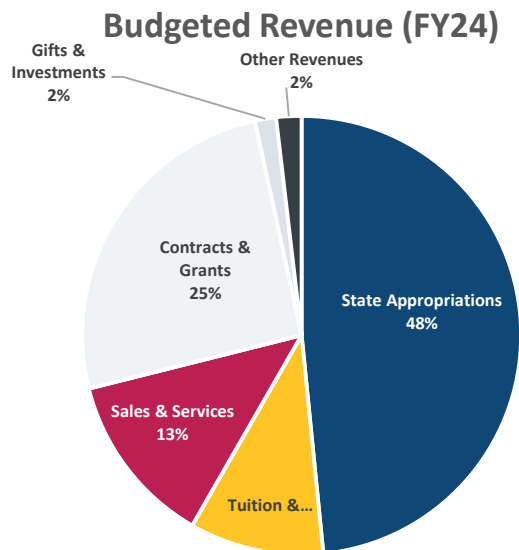
Consistent with our Strategic Plan, the FY24 All-Funds Budget also shows ECSU'S efforts to generate greater value and efficiency with limited fiscal resources. For example, the University is conducting a campuswide review of all 3rd party technical services to determine which services can be assumed by our existing Information Technology department with the savings being used to fund new priorities. Another example of ECSU's move towards achieving greater efficiency is the strategic investment in technology in the Division of Business & Finance. Building upon efficiencies created during the past three years, the Division has purchased new travel management and budgeting software that will automate as many tasks as possible to reduce human error, save time, and add to the efficiencies of its operations.

ECSU continues to make great strides towards reaching financial sustainability and limiting enterprise risk. In FY24, new recurring General Fund expenses are supported with new recurring General Fund revenues. Collective Trust and Auxiliary fund balances as well as our financial ratios continue to be at their highest level in many years. Our newly implemented reserve level policy for trust and auxiliary funds ensures that adequate reserve levels exist in future years.

These efforts were recognized in July 2022 when Moody's Investors Service upgraded ECSU's bond rating from a Baa2 (stable outlook) to a Baa1 (stable outlook). ECSU's dedication to increasing enrollment, sustaining material improvements in operating performance, and increasing wealth and unrestricted liquidity were vital to the increased rating.

Funding Athletics remains a challenge as \$1,155,201 (39.8%) of its expense in the FY24 budget will be strategically funded from the unrestricted resources. This funding is critical to ensure our student athletes compete in safe environments with the equipment necessary to facilitate competition.

The ECSU Board of Trustees approved the ECSU FY24 All-Funds Budget on March 16, 2023.



Operating Expenses by Unit

Academic Units

Humanities & Social Sciences
Education & Business
Science, Aviation, Health, & Tech

Academic Support

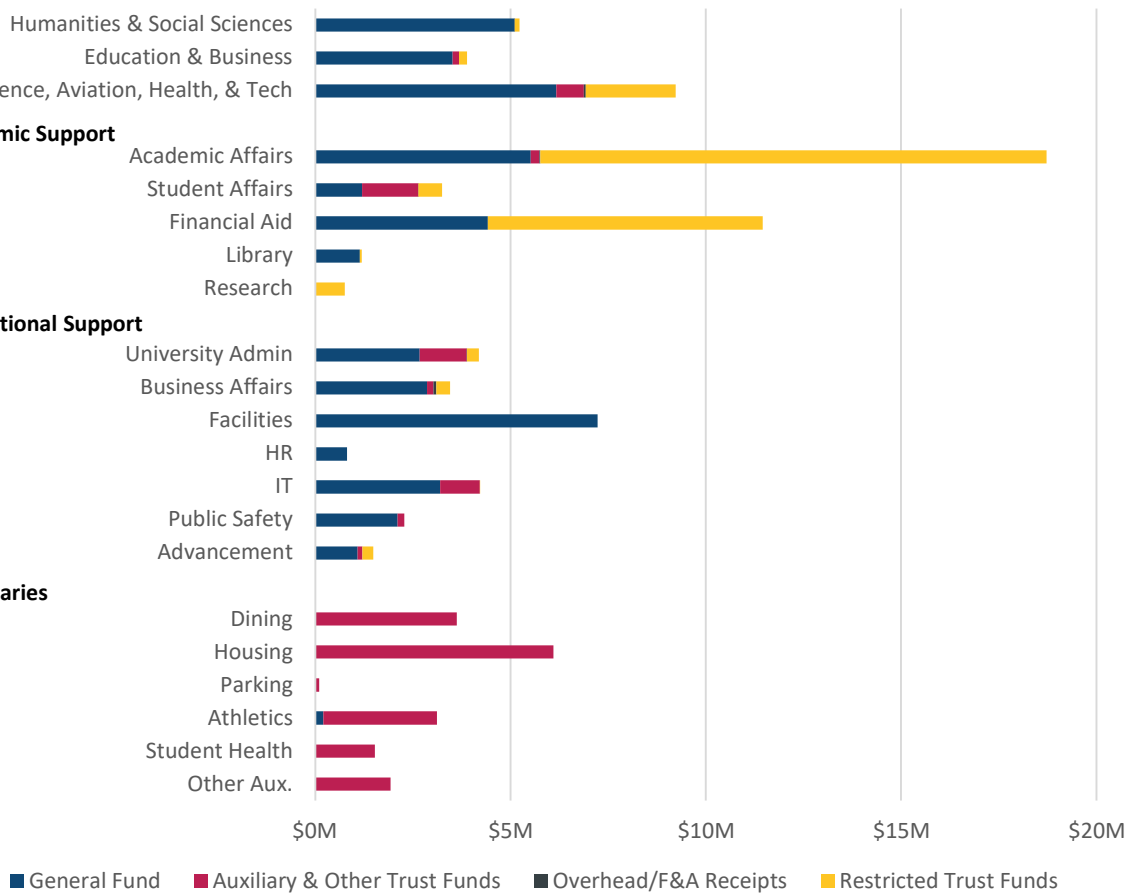
Academic Affairs
Student Affairs
Financial Aid
Library
Research

Institutional Support

University Admin
Business Affairs
Facilities
HR
IT
Public Safety
Advancement

Auxiliaries

Dining
Housing
Parking
Athletics
Student Health
Other Aux.



Elizabeth City State University
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 46,927,000	\$ -	\$ -	\$ -	\$ 46,927,000
	Tuition & Fees	\$ 3,387,000	\$ 6,202,000	\$ -	\$ -	\$ 9,589,000
	<i>Less Discounts and Allowances</i>	\$ (1,490,000)	\$ (235,000)	\$ -	\$ (6,250,000)	\$ (7,975,000)
	Sales & Services	\$ -	\$ 12,376,000	\$ -	\$ -	\$ 12,376,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ -	\$ -	\$ -	\$ 24,703,000	\$ 24,703,000
	Gifts & Investments	\$ -	\$ 1,263,000	\$ -	\$ 242,000	\$ 1,505,000
	Other Revenues	\$ 853,000	\$ 780,000	\$ 178,000	\$ -	\$ 1,811,000
Revenues Total		\$ 49,677,000	\$ 20,386,000	\$ 178,000	\$ 18,695,000	\$ 88,936,000
Expenses	Salaries and Wages	\$ 25,274,000	\$ 4,710,000	\$ 79,000	\$ 3,790,000	\$ 33,853,000
	Staff Benefits	\$ 9,959,000	\$ 1,831,000	\$ 28,000	\$ 1,082,000	\$ 12,900,000
	Services, Supplies, Materials, & Equip.	\$ 9,582,000	\$ 11,064,000	\$ 71,000	\$ 3,674,000	\$ 24,391,000
	Scholarships & Fellowships	\$ 3,925,000	\$ 637,000	\$ -	\$ 16,399,000	\$ 20,961,000
	<i>Less Discounts and Allowances</i>	\$ (1,490,000)	\$ (235,000)	\$ -	\$ (6,250,000)	\$ (7,975,000)
	Debt Service	\$ -	\$ 2,135,000	\$ -	\$ -	\$ 2,135,000
	Utilities	\$ 2,427,000	\$ 995,000	\$ -	\$ -	\$ 3,422,000
	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses Total		\$ 49,677,000	\$ 21,137,000	\$ 178,000	\$ 18,695,000	\$ 89,687,000
Net Transfers		\$ -	\$ 123,000	\$ -	\$ -	\$ 123,000
Change in Fund Balance			\$ (628,000)	\$ -	\$ -	\$ (628,000)

To: Jennifer Haygood, Senior VP for Finance and Administration/Chief Financial Officer

From: Lillian Wanjagi, Vice Chancellor for Business and Finance/Chief Financial Officer



Date: May 3, 2023

Subject: Fayetteville State University All Funds Budget

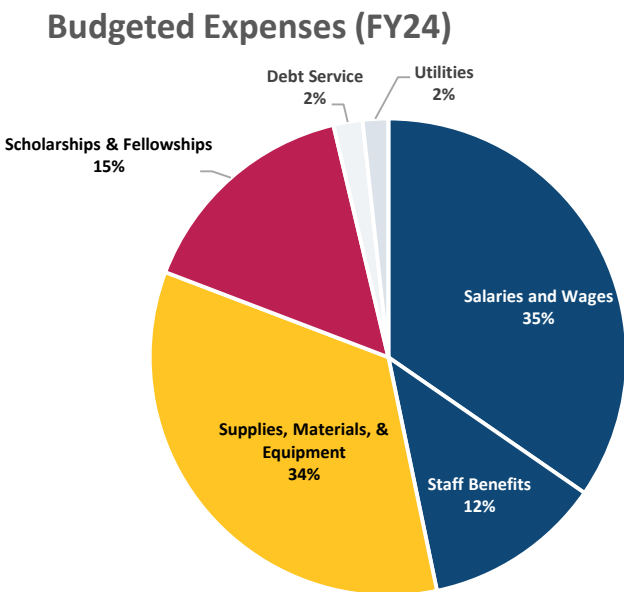
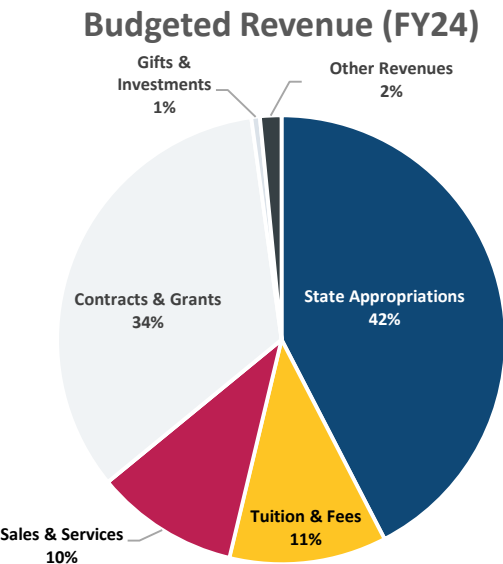
Fayetteville State University has prepared its FY 23-24 All Funds Budget. The 23-24 university's budget provides the prioritization of student success by allocating its limited resources to meet the University's and system-wide strategic goals of access, student success, affordability and degree efficiency.

FSU has devoted much of its funding towards these mission-critical goals:

- The University's 30-60-90 program: This is a multi-faceted program focused on retention and graduation efforts. This program is critical to achieving the FSU and UNC System goal of timely degree completion. FSU has pursued and secured direct donor support for this program that totals approximate \$6.5 million to date. Our program data shows that this program has been very successful in meeting its stated objectives - students who attended 30-60-90 Free Summer School in 2022 were more likely to return in the fall (86%) compared to students who did not attend 30-60-90 Free Summer School (39%). Higher retention and progression rates are directly related to increased 4-year graduation rates. FSU has made additional investments in this program of \$3 million from the Higher Education Emergency Relief Funding (HEERF) to assist students who would otherwise drop out because of financial challenges. This program alleviates financial obstacles to summer school attendance for those students that are making progress towards degree and therefore increasing the opportunity for timely graduation completion.
- Fayetteville State University has repurposed much of its Title III programing to align with its strategic plan. Approximately \$3m was invested in labor to create a reimagined student services center called Bronco One Stop. This area physical houses enrollment management representatives, academic advisors, retention counselors, degree planning counselors, tutors, and other student support positions. The centralized student center will remove barriers to persistence that have historically affected Fayetteville State University students.
- To help increase course completion, graduation rates and reduce time to degree, the University has reserved \$1 million of HEERF to provide financial assistance to those students in financial need. Additionally, the University has set aside up to \$1.2m to relieve students of their past due account balances. This will directly alleviate affordability concerns and will have an overall effect of reducing the utilization of student loans as an education financing vehicle. This increases the likelihood that students will persist through their creasing timely completion metrics as it removes one of the barriers to degree completion.

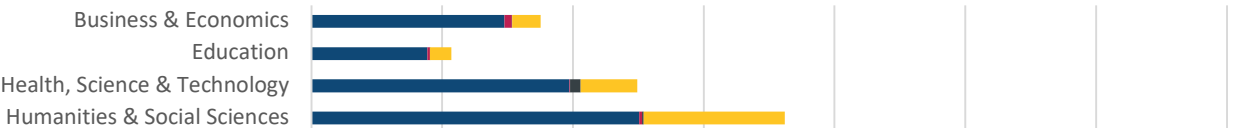
- The new administration at Fayetteville State has prioritized improving its balance sheet position. This is reflected in the recent upgrade of the FSU S&P rating from "BBB+" to "A-" based on improved operating performance over the past two years boosted by federal COVID relief funding.

The accompanying budget provides a balanced general fund budget, surplus generating trust fund and restricted trust funds to meet the objectives of the University's strategic plan, the UNC System priorities and, most importantly, allocates resources to improve student success for FSU students.

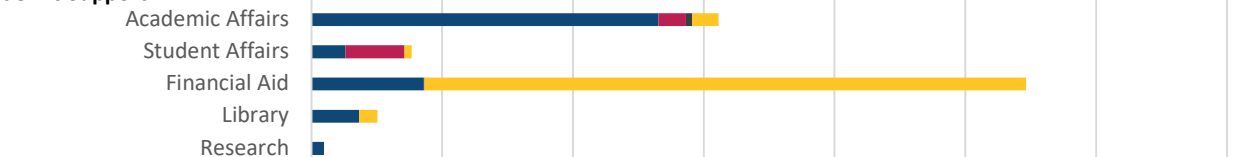


Operating Expenses by Unit

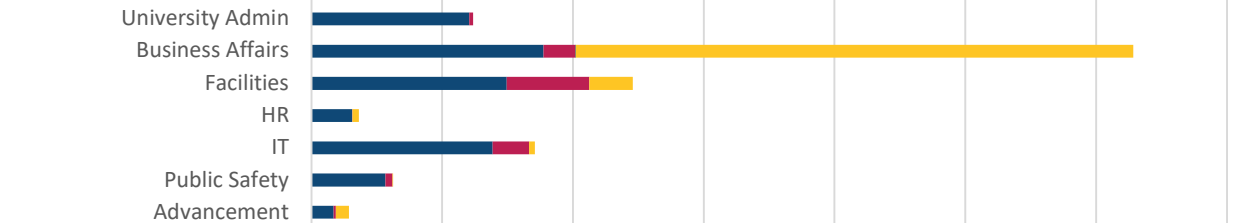
Academic Units



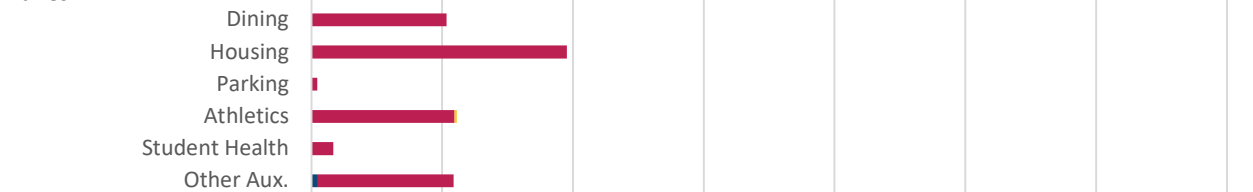
Academic Support



Institutional Support



Auxiliaries



■ General Fund ■ Auxiliary & Other Trust Funds ■ Overhead/F&A Receipts ■ Restricted Trust Funds

Fayetteville State University
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 80,441,000	\$ -	\$ -	\$ -	\$ 80,441,000
	Tuition & Fees	\$ 9,500,000	\$ 12,009,000	\$ 4,000	\$ -	\$ 21,513,000
	<i>Less Discounts and Allowances</i>	\$ (1,635,000)	\$ (541,000)	\$ -	\$ (16,978,000)	\$ (19,154,000)
	Sales & Services	\$ 265,000	\$ 19,341,000	\$ -	\$ 3,000	\$ 19,609,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ -	\$ 248,000	\$ 827,000	\$ 62,969,000	\$ 64,044,000
	Gifts & Investments	\$ -	\$ 500,000	\$ 15,000	\$ 652,000	\$ 1,167,000
	Other Revenues	\$ 29,000	\$ 2,790,000	\$ 13,000	\$ 99,000	\$ 2,931,000
Revenues Total		\$ 88,600,000	\$ 34,347,000	\$ 859,000	\$ 46,745,000	\$ 170,551,000
Expenses	Salaries and Wages	\$ 52,239,000	\$ 6,021,000	\$ 83,000	\$ 5,851,000	\$ 64,194,000
	Staff Benefits	\$ 19,044,000	\$ 1,753,000	\$ 17,000	\$ 1,640,000	\$ 22,454,000
	Services, Supplies, Materials, & Equip.	\$ 12,757,000	\$ 22,426,000	\$ 631,000	\$ 27,362,000	\$ 63,176,000
	Scholarships & Fellowships	\$ 3,957,000	\$ 1,092,000	\$ 6,000	\$ 23,675,000	\$ 28,730,000
	<i>Less Discounts and Allowances</i>	\$ (1,635,000)	\$ (541,000)	\$ -	\$ (16,978,000)	\$ (19,154,000)
	Debt Service	\$ -	\$ 3,665,000	\$ -	\$ -	\$ 3,665,000
	Utilities	\$ 2,172,000	\$ 1,019,000	\$ -	\$ 2,000	\$ 3,193,000
	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses Total		\$ 88,534,000	\$ 35,435,000	\$ 737,000	\$ 41,552,000	\$ 166,258,000
Net Transfers		\$ (66,000)	\$ 1,831,000	\$ 306,000	\$ (2,270,000)	\$ (199,000)
Change in Fund Balance		\$ -	\$ 743,000	\$ 428,000	\$ 2,923,000	\$ 4,094,000

¹ Contracts and Grants(Restricted Trust Funds) includes approximately \$15M of Higher Education Emergency Relief Funding



April 14, 2023

Jennifer Haygood
University of North Carolina- General Administration
Senior Vice President for Finance & Administration and CFO
223 S West St Suite 1800
Raleigh, NC 27603

North Carolina A&T State University (the University) has developed the FY23-24 All Funds Budget to advance the UNC System strategic goals, as well as NC A&T's strategic priorities. The UNC System strategic plan includes access, affordability and efficiency, student success, economic impact and community engagement, and excellent and diverse institutions. In direct support of the goals the University presents a \$423 Million budget for Board of Governor Approval.

University Impact to the State of North Carolina

North Carolina A&T State University continues to provide an education that supports the goals of the UNC System, as detailed in its Strategic Plan. The University provides affordable education to our in-state students without imposing significant burdens to our taxpayers. Our tuition and fees are the 7th lowest in the UNC System.

By producing well-educated professionals ready to enter fields such as engineering, healthcare, agriculture, advanced manufacturing, logistics, media and many other fields, N.C. A&T helps the state attract businesses that create thousands of new jobs. The University is a major contributor to the economy, as evidenced by the approximate \$1.6 Billion economic impact to the State. Sponsored Research Awards are expected to surpass \$100 Million in the FY 23 fiscal year. As per the U.S. News & World Report, our early career graduates have the second highest career salaries among all universities in the UNC System.

The University has experienced unprecedented growth. Since 2010, our enrollment has increased from 10,759 to 13,487 for an increase of 24%. The current enrollment level is larger than any HBCU in history. Over this same period of time, the number of degrees awarded has increased from 1,680 to 2,568 for an increase of 53%. The fact that the percentage increase of degrees awarded far outpaces the percentage increase in enrollment is a strong indicator of the enhanced efficient use of resources provided by the citizens in support of the University and the effectiveness in the execution of the strategies per the University's and the UNC System Strategic Plans.

The University appreciates the continued support from the taxpayers in supporting our students, as indicated by the projected appropriation of \$114 Million in FY 2024. However, over the last 10 years the University has continued to reduce the reliance on state appropriation in comparison to tuition revenues. Tuition revenues have grown from \$56 Million in FY 2014 to a budgeted amount of \$100 Million in FY2024, for an increase of \$44 Million or 56%. Over this same period of time, the State Appropriation has increased from \$97 million to \$114 million for a \$17 million or 18%. This has enabled the university to provide a quality education to our in-state students without placing excessive demands on our taxpayers.



The University remains committed to success of students with significant financial need. Our total Fall 2022 UG enrollment was 11,833 and of that Undergraduate Pell Eligible students was 5,235 (44%) of our total enrollment. The university awards on average \$5,643 in pell awards per year for these students. Our success at graduating our students, and especially Pell students, has greatly contributed to social mobility. The University has been recognized by the US News & World Report as Top 50 in Social Mobility and Economic Diversity.

FY 2024 Budget

Tuition and Fees, State Appropriations, and Contracts and Grants comprise approximately 27%, 24%, and 36% of total revenues, respectively. The most significant revenue comprising the contracts and grants category is Pell Grant Revenues. Pell Grant revenues also comprise the predominance of the student aid category. Consistent with most University, salaries and benefits comprises the greatest portion of our expenses at 47%. The services category includes major items such as facilities contracted services and food services contracts, and housing and athletic expenses.

FY 2024 Budget Investments

For FY2024, North Carolina A&T is allocating funding to develop and implement degree programs, minors and certificates based on market research, industry demand and strategic partnerships. This is in support of our goal Research Competitiveness as we pursue our transition from R-2 to R-1 Doctoral Research institution. We allocated funding for new programs that support the Physician Assistants Program, Data Analytics program and the College of Agriculture and Environmental Sciences.

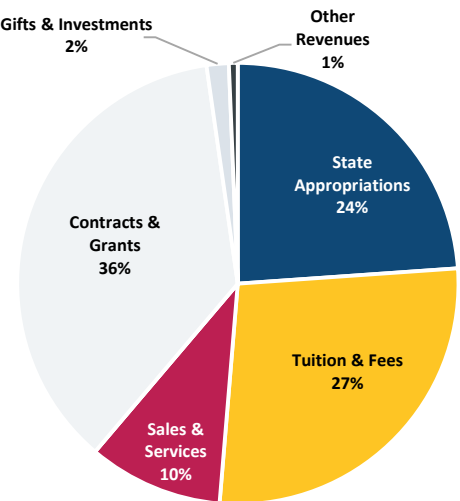
North Carolina A&T is also investing in evidence-based initiatives to enhance the undergraduate and graduate student success and experience. One such investment initiative is, EMPOWER: Exceptional Men Pursuing Opportunities Within Education & Research whose goal is to recruit and retain black male students by hosting events. The College of Education, whose research is also centered on Black males in Education and Black Male wellbeing, will provide great faculty mentors to engage these scholars in research and outreach activities. We also aim to increase the number of women and African American Students pursuing a doctoral degree in Nanoengineering. We plan to accomplish this by providing more graduate assistantships. The implementation of this goal will lead to impactful and inclusive recruitment and student success plan for under-represented students (e.g., Black male students, rural, etc.).

To help support student success, the University is also making investments in high growth Colleges and Majors, such as the College of Health Sciences, building capacity in enrollment management, and enhancing cybersecurity and compliance by making critical investments in the Information Technology, Human Resources, and Legal and Compliance areas.

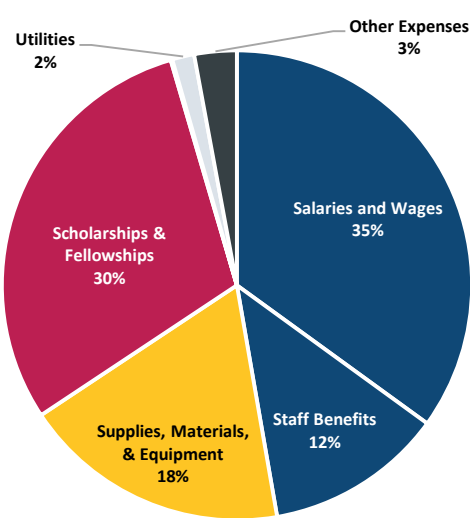
The Board of Trustees approved the FY23-24 All-Funds Budget during our April 14, 2023 meeting.

cc: Robert Pompey

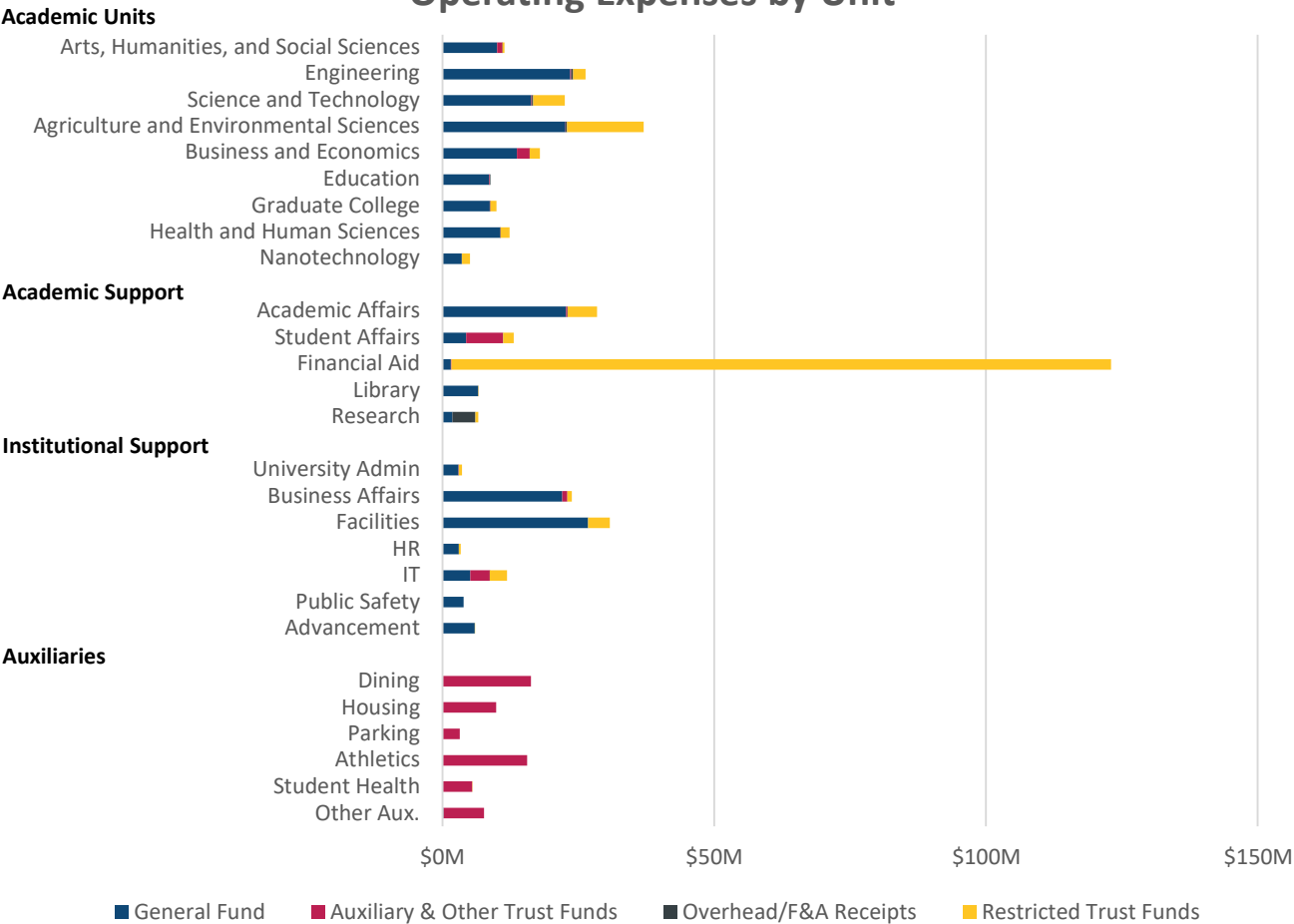
Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit



North Carolina A&T State University
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 114,258,000	\$ -	\$ -	\$ -	\$ 114,258,000
	Tuition & Fees	\$ 100,414,000	\$ 30,609,000	\$ -	\$ 66,000	\$ 131,089,000
	<i>Less Discounts and Allowances</i>	\$ -	\$ (15,005,000)	\$ -	\$ (39,966,000)	\$ (54,971,000)
	Sales & Services	\$ 2,013,000	\$ 42,976,000	\$ -	\$ 2,286,000	\$ 47,275,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ 510,000	\$ 1,049,000	\$ 5,434,000	\$ 167,517,000	\$ 174,510,000
	Gifts & Investments	\$ -	\$ 2,283,000	\$ -	\$ 5,467,000	\$ 7,750,000
	Other Revenues	\$ 1,016,000	\$ 626,000	\$ -	\$ 1,540,000	\$ 3,182,000
Revenues Total		\$ 218,211,000	\$ 62,538,000	\$ 5,434,000	\$ 136,910,000	\$ 423,093,000
Expenses	Salaries and Wages	\$ 128,845,000	\$ 19,030,000	\$ 2,829,000	\$ 15,413,000	\$ 166,117,000
	Staff Benefits	\$ 46,831,000	\$ 7,511,000	\$ 850,000	\$ 3,026,000	\$ 58,218,000
	Services, Supplies, Materials, & Equip.	\$ 30,217,000	\$ 39,970,000	\$ 1,616,000	\$ 15,739,000	\$ 87,542,000
	Scholarships & Fellowships	\$ 12,109,000	\$ 6,984,000	\$ -	\$ 122,200,000	\$ 141,293,000
	<i>Less Discounts and Allowances</i>	\$ -	\$ (15,005,000)	\$ -	\$ (39,966,000)	\$ (54,971,000)
	Debt Service	\$ -	\$ 514,000	\$ -	\$ -	\$ 514,000
	Utilities	\$ 6,497,000	\$ 736,000	\$ -	\$ -	\$ 7,233,000
	Other Expenses	\$ 516,000	\$ 727,000	\$ 139,000	\$ 12,483,000	\$ 13,865,000
Expenses Total		\$ 225,015,000	\$ 60,467,000	\$ 5,434,000	\$ 128,895,000	\$ 419,811,000
Net Transfers		\$ 6,810,000	\$ (4,443,000)	\$ -	\$ (2,367,000)	\$ -
Change in Fund Balance			\$ (2,372,000)	\$ -	\$ 5,648,000	\$ 3,276,000

North Carolina Central University

All Funds Budget – Narrative Justification

North Carolina Central University did not receive any ‘net new’ funding, therefore current resources have been strategically repurposed to meet the goals and objectives. The University has adopted a strategy to redeploy and realign existing resources, including the use of vacant positions to achieve the University’s most pressing needs. The budget was developed through the lens of one budget with many parts, versus several individual budgets. This allows NCCU to develop, budget and allocate resources with a singular goal in mind.

The Academic Affairs budget provides the base to directly support the strategic priorities of the University of North Carolina System, North Carolina Central University and the Division of Academic Affairs with an emphasis on:

- **Student achievement and success by expanding retention efforts and support for academic programs;**
- **Programmatic excellence by strengthening the design and implementation of courses across different instructional modes;**
- **Professional development for further advancement of faculty and staff; and**
- **Community support and partnerships by aligning programs with educational and workforce needs.**

The FY24 Budget request includes funding for various efforts and initiatives that support instruction and foster research activities. For the FY24 Budget Cycle, there are no new requests to the Academic Affairs’ funding allocation.

In addition, the Academic Affairs budget request across the schools and colleges, reflects the bulk of adjustments for enrollment reduction. In order to reset for continued growth, the reduction was achieved through the realignment of resources from areas with little to no growth. During this process, areas of focus for continued high growth or focused growth (programs that have been slated for future growth) were also identified. This allows the University to push forward while mitigating the enrollment reduction.

Additionally, emphasis on initiatives to support recruitment and retention. Additional resources have been redirected to support both undergraduate and graduate admissions, University College and upper division retention efforts, inclusive of graduate programs and the School of Law.

The budget request also reflects efforts to stimulate additional research as this remains a top priority of the University as we push towards a research II classification. Continuous investments are made to provide faculty with support to enhance their research and scholarly production.

The budget request for Student Affairs reflects continued efforts to reinvigorate and enhance the Career and Professional Development Center to ensure career readiness of our students that connects with the existing academic programs. Funding has also been strategically allocated to support students’ sense of

connection both on campus and within the larger community of Durham. Additional funding through the student activity fee (fee increase) supports the rise in costs to maintain the student center.

In Housing and Residence life, additional funding has been allocated (through tuition and fee request) to support maintenance and renovation related to life safety and ADA compliance.

The budget request for Administration and Finance reflects an effort to collaborate with other University partners to achieve overall University objectives, this includes positions in Environmental Health and Safety that support the expansion of research. In facilities, funding is allocated for preventative maintenance program and master contract usage. The budget for police and public safety provides strategic use of campus security funding to support initiatives that create a sense of presence, provide ongoing threat assessment training and necessary equipment for campus safety. Security positions are also being repurposed to provide strategic patrols.

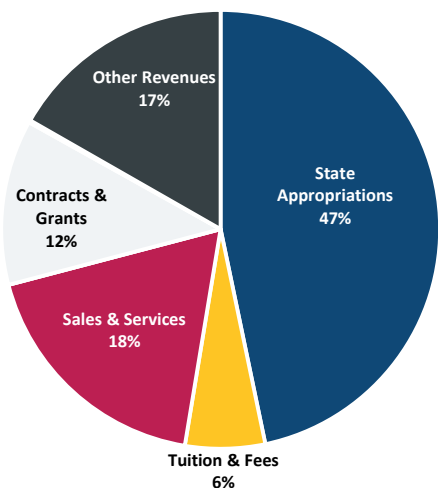
In Advancement and Athletics, funding is allocated to support a full complement of advancement staff as the University ramps up for a capital campaign that seeks to engage alumni, identify potential donors and expand partnerships. The athletics budget reflects strategic efforts pointed to fundraising and game guarantees that allow full support of coaches as well infrastructure support.

A fee increase in the education and technology budget allows additional budget support for the rising costs of hardware and software maintenance. Additionally, a fee increase in dining services allows the budget to continue to offer high quality retail services throughout the campus. This is an important focus for NCCU as we are located in an area designated as a food desert. It also allows for strategic investment in infrastructure improvements.

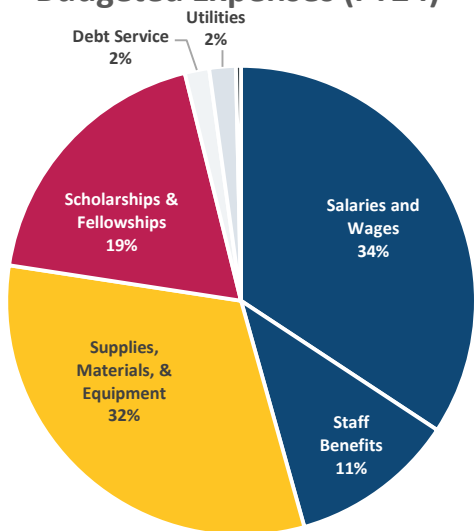
The budget request also addresses other critical areas of Administrative Services including support of continuing operations in Human Resources, Legal Affairs and Communication and Marketing. Strategic realignment allowed the addition of select positions to support efforts with Title IX investigations, compliance, strategic marketing and Internal Audit.

The budget development process involved stakeholders across the campus and allowed all to review how well the unit budgets performed against metrics and goals in FY 23 as a measure on how best to realign for FY 24. Each division reviewed the University strategic goals, as well as division specific goals in developing the request. Overall the NCCU budget process had a focus on continued and increased revenue generation that helps move the University forward. The all funds budget was ultimately reviewed by the University Budget committee and the Extended Leadership Council. It was advanced to the Board of Trustees during their regularly scheduled meeting on April 26, 2023. The all funds budget was approved for submission to the UNC System.

Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit

Academic Units

Arts, Social Sciences & Humanities
Health & Sciences
Business
Education
Library/Information Science
Law

Academic Support

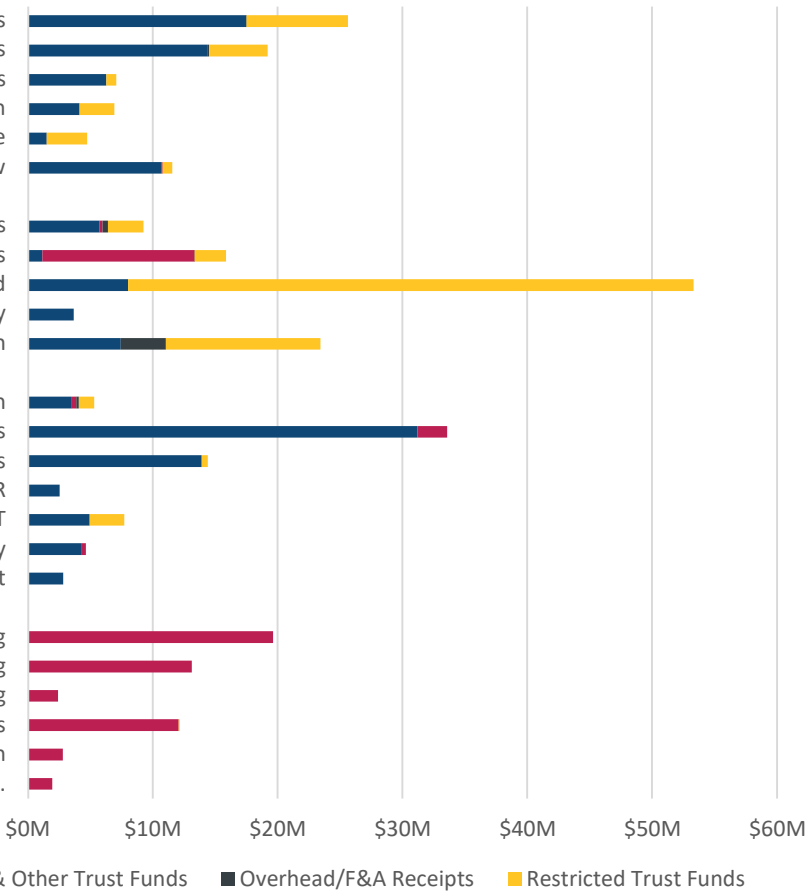
Academic Affairs
Student Affairs
Financial Aid
Library
Research

Institutional Support

University Admin
Business Affairs
Facilities
HR
IT
Public Safety
Advancement

Auxiliaries

Dining
Housing
Parking
Athletics
Student Health
Other Aux.

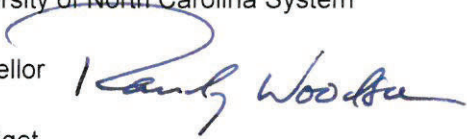


North Carolina Central University
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 143,469,000	\$ -	\$ -	\$ -	\$ 143,469,000
	Tuition & Fees	\$ -	\$ 11,160,000	\$ -	\$ 6,892,000	\$ 18,052,000
	<i>Less Discounts and Allowances</i>	\$ (2,724,000)	\$ (5,503,000)	\$ -	\$ (30,194,000)	\$ (38,421,000)
	Sales & Services	\$ -	\$ 54,949,000	\$ -	\$ 1,309,000	\$ 56,258,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ -	\$ -	\$ 4,823,000	\$ 32,555,000	\$ 37,378,000
	Gifts & Investments	\$ -	\$ 500,000	\$ -	\$ -	\$ 500,000
	Other Revenues	\$ -	\$ 2,976,000	\$ -	\$ 48,406,000	\$ 51,382,000
Revenues Total		\$ 140,745,000	\$ 64,082,000	\$ 4,823,000	\$ 58,968,000	\$ 268,618,000
Expenses	Salaries and Wages	\$ 86,601,000	\$ 13,676,000	\$ 913,000	\$ 2,861,000	\$ 104,051,000
	Staff Benefits	\$ 28,268,000	\$ 5,082,000	\$ 335,000	\$ 882,000	\$ 34,567,000
	Services, Supplies, Materials, & Equip.	\$ 16,149,000	\$ 38,393,000	\$ 3,011,000	\$ 38,882,000	\$ 96,435,000
	Scholarships & Fellowships	\$ 7,105,000	\$ 4,400,000	\$ -	\$ 45,360,000	\$ 56,865,000
	<i>Less Discounts and Allowances</i>	\$ (2,724,000)	\$ (5,503,000)	\$ -	\$ (30,194,000)	\$ (38,421,000)
	Debt Service	\$ -	\$ 5,135,000	\$ -	\$ -	\$ 5,135,000
	Utilities	\$ 4,970,000	\$ 591,000	\$ -	\$ -	\$ 5,561,000
	Other Expenses	\$ 376,000	\$ 342,000	\$ 217,000	\$ 103,000	\$ 1,038,000
Expenses Total		\$ 140,745,000	\$ 62,116,000	\$ 4,476,000	\$ 57,894,000	\$ 265,231,000
Net Transfers		\$ -	\$ (2,542,000)	\$ -	\$ 74,000	\$ (2,468,000)
Change in Fund Balance			\$ (576,000)	\$ 347,000	\$ 1,148,000	\$ 919,000

MEMORANDUM

TO: Jennifer Haygood, Senior Vice President for Finance & Administration and Chief
Financial Officer, University of North Carolina System

FROM: W. Randolph Woodson, Chancellor 

SUBJECT: NC State's FY24 All-Funds Budget

DATE: April 26, 2023

I am pleased to provide NC State's FY 2023-24 All-Funds Budget and accompanying narrative. NC State's Board of Trustees reviewed the All-Funds Budget over the past few months and voted to approve the budget on April 14, 2023, as attached.

We ask that you please note NC State's General Fund budget comprises of three separate budget codes for Academic Affairs, Agricultural Research, and Cooperative Extension as was included in the Board of Governors meeting materials last year.

We look forward to working with you in the future on the All-Funds Budget process. Please let me know if you have any questions.

FY 2023-24 All-Funds Budget for NC State University

NC State's land-grant mission to provide education, research, and outreach that benefits all North Carolinians drives the university's path forward and is reflected in the goals identified in our strategic plan, "Wolfpack 2030: Powering the Extraordinary." A strong North Carolina depends on attracting students from all backgrounds, providing them with a high-quality experiential education, making extensive efforts to ensure they graduate in a timely manner, and positioning them to solve society's grand challenges. Our state benefits greatly from NC State's position as a pre-eminent research enterprise, which continues to create and grow economic, societal, and intellectual prosperity. With the local, national, and global landscape constantly changing, we seek to improve the future by preparing today's students for tomorrow's careers in science, technology, engineering, and mathematics.

NC State is home to 37,873 (or 36,700, our IPEDS number) students and 9,593 (or 9,569 IPEDS) faculty and staff. Our footprint in Wake County includes our main campus (home to eight of our eleven colleges), centennial campus (home to the College of Engineering, Wilson College of Textiles, interdisciplinary research spaces and co-located industry partners) and the centennial biomedical campus (home to the College of Veterinary Medicine and their industry partners). In addition, NC State has locally focused agricultural extension services in every North Carolina county and the Eastern Band of Cherokee. We manage a budget of \$2 billion consisting of state and federal appropriations, tuition and fees, contracts and grants, sales and services and other sources. The scope and scale of who we are and what we do requires a strategic approach to resource management.

NC State's recent successes were achieved through aligning resources (budget) with strategic goals and initiatives including:

- In the past 10 years, NC State's first-year retention rate climbed to **94.8%**.
- Our six-year graduation rate increased from 73% to **85.8%** for students entering NC State as full-time first time students and graduating from NC State.
- The UNC SO uses a 4-year graduation rate based on an assessment of completions at any accredited institution of higher education. NC State's 4-yr graduation rate on this basis is **70%**, a 4% increase over two years.
- First-year applications for enrollment have increased to nearly **40,000** for Fall 2023, a **20%** increase over Fall 2021 applications.
- We've seen recent gains in the proportion of incoming female students, Black students, Hispanic students, first-generation students and rural students
- Rural enrollments are up **10%** from fall 2017.
- To date, more than **190 startups and spinoffs** — new companies — have been created from NC State intellectual property. And **18** of those were launched in the most recently completed fiscal year (FY22).
- The Association of University Technology Managers ranks us **No. 4** among all U.S. universities without medical schools for research-based startups.
- And we're **No. 1** nationwide for active licenses and options among universities without a medical school.

The outcome measures cited above provide evidence that NC State has been engaged in best practices encouraged by the All-Funds Budget initiative for over a decade; and continues with this focus. To achieve these successes, NC State reviews budgets and expenditures in all funding sources relative to strategic initiatives in an ongoing, cyclic way both centrally and within the campus units. Specifically, the college annual review conducted by the Provost, with participation by the Chief Financial Officer and the Chief Research Officer, evaluates a suite of data that captures college based performance relative to our mission. Data categories include student, faculty and staff as well as credit hour production, credentials awarded and graduation rates. Strategic budget planning meetings are conducted with all colleges and units to review budgets from a multi-year perspective, analyze funding needs, and allocate resources for strategic initiatives. Annual reviews of research, trust and fee supported units (non-credit hour producing units) also undergo annual performance review with discussion of budget performance and management.

NC State continually monitors changes in financial condition or resources that could affect our standing in the capital markets. Particular attention is given to the impact of inflation and competitive employment markets on our labor costs, materials, and supplies, and an increase in institutional debt burden. NC State's debt burden, with under \$560 million of total debt outstanding at June 30, 2022, is also lower than other large research/land grant universities.

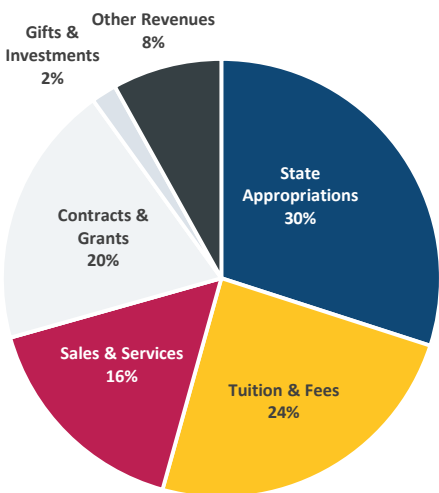
Our resource reallocation strategy involves a tiered approach beginning with departments and programs realigning existing funds to pursue strategic priorities and address unforeseen circumstances. College and unit leadership similarly assesses and realigns resources across their respective organizations to address needs that cannot be resolved with department level resources. It is difficult to measure the full magnitude of the university's resource reallocation strategy as a result of the tiered approach and on-going assessment of resource allocations made by the units. However, through the FY 2022-23 annual budget planning review process, college and unit leaders presented 77 projects amounting to \$49M. Utilizing existing funds, the university leadership activated 42 projects reallocating \$22M to these strategic initiatives. Colleges and units will continue their resource reallocation strategies in pursuit of their long range budget plans. The university also continues to absorb the growing impact of inflationary increases further challenging our ability to reallocate to new initiatives. For FY 2023-24, our budget planning has identified \$40M of existing General Fund resources for strategic reallocation.

NC State embarks upon "Wolfpack 2030: Powering the Extraordinary," our newly established strategic plan which provides new goals supporting our core mission of teaching, research and engagement, as well as campus culture, university effectiveness, partnerships and brand and reputation. In the spring of 2023, NC State announced the first cycle of the implementation actions supporting our Wolfpack 2030 goals and published our university strategic plan metrics. In addition, the UNC System Office published their refreshed Higher Expectations 2022-2027 strategic plan metrics and is finalizing targets for each institution. Together these sets of metrics provide a rich assessment of progress toward goals.

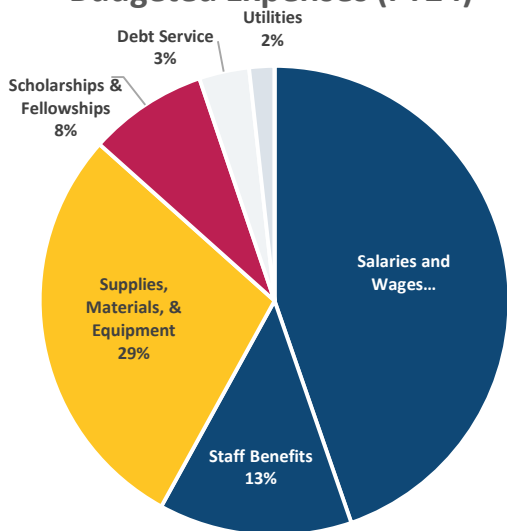
NC State's FY24 All-Funds Budget aligns planned investments with strategic initiatives articulated by unit leadership and by the university as part of implementing these strategic plans. Actions at both the unit level and the university level together will contribute to the success of our new strategic plan. Some of these include:

- **STEM Education** - FY24 is the second year of efforts to plan and implement expansion of the College of Engineering by approximately 4,000 students. Funds are strategically budgeted to begin building capacity through the planned hiring of 135 additional faculty and 35 academic and institutional support staff to ensure the success of the students while enhancing the global reputation of the college and the university.
- **Student Mental Health Support** - The FY24 All-Funds Budget increases funding for Student Health Counseling and Prevention Services from \$6.4M in FY22 to \$8.0M in FY24. The budget also supports the recent addition of eight new counseling clinical positions.
- **Degree Completions** - Provides student support including academic advisors, academic and institutional affairs professionals, and health care and mental health professionals who are essential to helping our students thrive, and who have proven highly successful in achieving significant increases in student success metrics.
- **Affordability** - The FY24 budget continues a tradition of low resident tuition and fees offering an affordable education for North Carolinians. Undergraduate resident tuition is not increasing for the 7th consecutive year. Mandatory student fees are decreasing by \$23. Housing and Dining rates are increasing by 3.7% and 4.5% respectively, well below inflation. Overall, NC State ranks 12th out of 13 peer institutions for undergraduate in-state average tuition and fees.
- **Research** - Includes a variety of positions that support and advance NC State's research enterprise, which has achieved record levels of grants and other external funding support and has driven tremendous economic benefit throughout the state.
- **Extension and Public Service** - Increases the capacity of the university to apply expertise that benefits all communities in all 100 counties across North Carolina in agriculture, engineering, textiles and other disciplines.

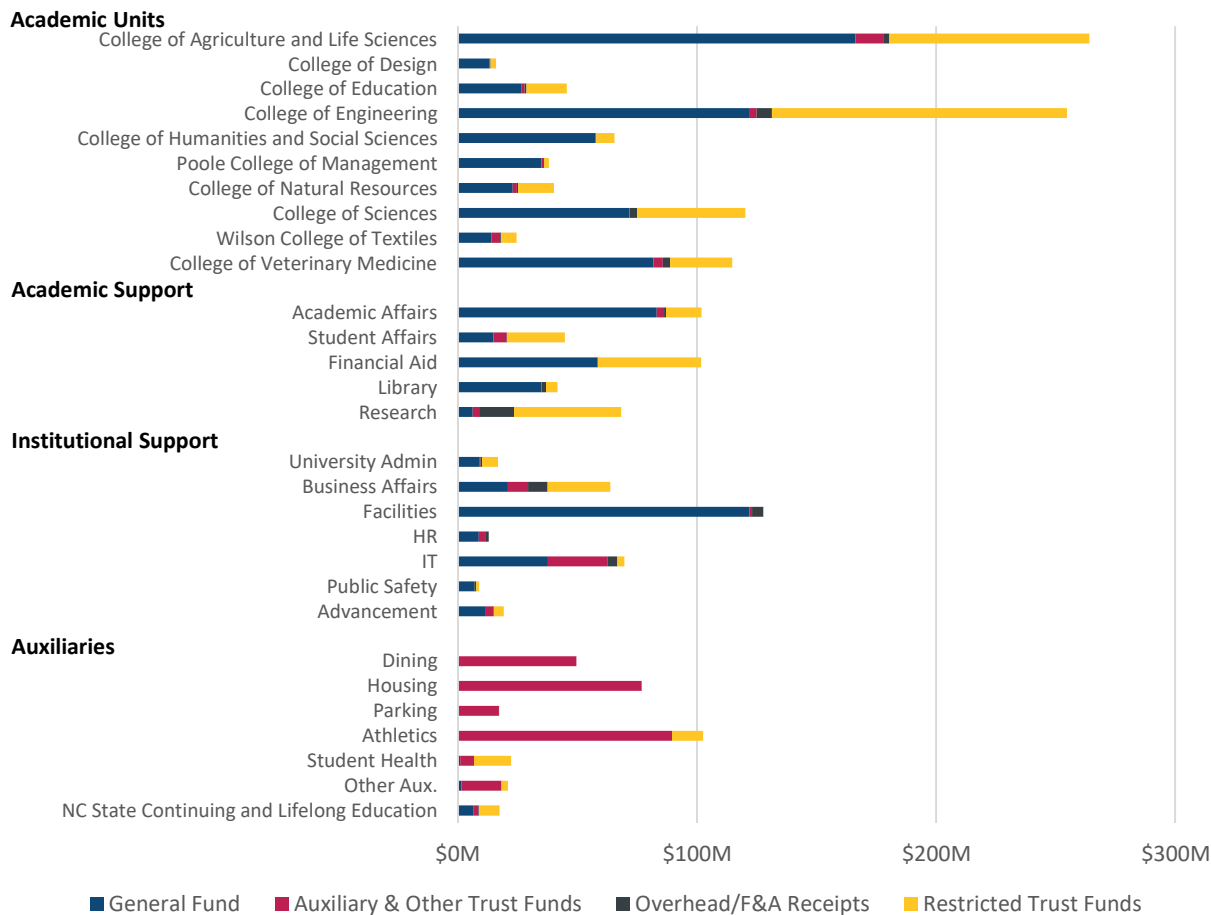
Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit



North Carolina State University
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 606,581,000	\$ -	\$ -	\$ -	\$ 606,581,000
	Tuition & Fees	\$ 376,633,000	\$ 19,938,000	\$ -	\$ 96,422,000	\$ 492,993,000
	<i>Less Discounts and Allowances</i>	\$ (52,834,000)	\$ (9,354,000)	\$ -	\$ (71,950,000)	\$ (134,138,000)
	Sales & Services	\$ 44,885,000	\$ 282,612,000	\$ -	\$ 2,272,000	\$ 329,769,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ 200,000	\$ 15,000	\$ -	\$ 392,998,000	\$ 393,213,000
	Gifts & Investments	\$ -	\$ 1,786,000	\$ -	\$ 36,254,000	\$ 38,040,000
	Other Revenues	\$ 27,039,000	\$ 21,704,000	\$ 65,163,000	\$ 49,209,000	\$ 163,115,000
Revenues Total		\$ 1,002,504,000	\$ 316,701,000	\$ 65,163,000	\$ 505,205,000	\$ 1,889,573,000
Expenses	Salaries and Wages	\$ 594,737,000	\$ 105,891,000	\$ 17,650,000	\$ 172,031,000	\$ 890,309,000
	Staff Benefits	\$ 188,358,000	\$ 27,157,000	\$ 6,014,000	\$ 43,398,000	\$ 264,927,000
	Services, Supplies, Materials, & Equip.	\$ 162,020,000	\$ 136,110,000	\$ 31,236,000	\$ 240,406,000	\$ 569,772,000
	Scholarships & Fellowships	\$ 84,080,000	\$ 936,000	\$ 171,000	\$ 77,950,000	\$ 163,137,000
	<i>Less Discounts and Allowances</i>	\$ (52,834,000)	\$ (9,354,000)	\$ -	\$ (71,950,000)	\$ (134,138,000)
	Debt Service	\$ 8,896,000	\$ 32,150,000	\$ 611,000	\$ 26,965,000	\$ 68,622,000
	Utilities	\$ 30,026,000	\$ 2,879,000	\$ 1,396,000	\$ 454,000	\$ 34,755,000
	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses Total		\$ 1,015,283,000	\$ 295,769,000	\$ 57,078,000	\$ 489,254,000	\$ 1,857,384,000
Net Transfers		\$ (3,201,000)	\$ (27,957,000)	\$ (3,491,000)	\$ (17,566,000)	\$ (52,215,000)
Change in Fund Balance			\$ (7,025,000)	\$ 4,594,000	\$ (1,615,000)	\$ (4,046,000)

UNC Asheville FY2023-2024 All Funds Budget

The UNC System strategic plan includes access, affordability and efficiency, student success, economic impact and community engagement, and excellent and diverse institutions. Through the following initiatives, UNC Asheville will be better positioned to achieve several of these key strategic elements and establish a framework that delivers these important priorities as we move forward.

UNC Asheville developed an All Funds Budget for Fiscal Year 2023-2024 that enhances progress toward several priorities in the UNC System Strategic Plan as well as the UNC Asheville Strategic Plan, including a recently presented Revitalization Plan funded by the North Carolina State Legislature.

Guided by our current campus-wide UNC Asheville 2022-2028 Revitalization Plan, we remain focused on three strategic institutional imperatives: 1) to build fiscal capacity for the university through enrollment and retention, philanthropy, new program revenues and market positioning; 2) to evolve and modernize our academic and co-curricular programs; and 3) to enhance and expand existing and new private public partnerships.

Through a collaborative budgeting process involving university faculty and staff, we have identified the highest impact use of these resources to focus on initiatives that significantly improve institutional quality and fiscal capacity through measurable results in:

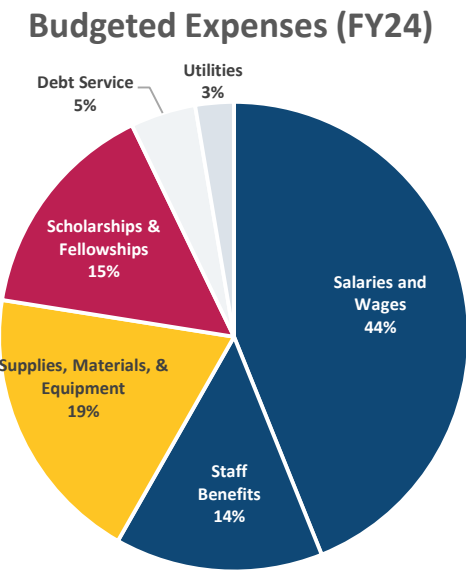
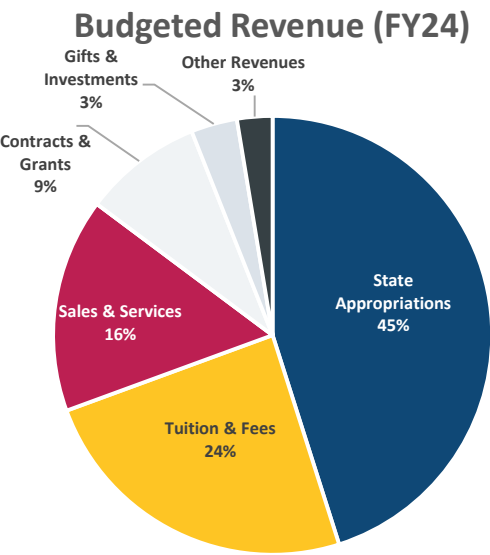
- Undergraduate enrollment and market position strength
- Launching Graduate programs and building enrollment
- Retention, student success, and degree completion
- 3, 4, 5 and 6-year graduation rates and degree efficiency
- Modernizing student life activities and high impact processes and strengthening career and graduate acceptance results
- Extending student options in global study, internships, and student Honors and Leadership programs.

The key categories of expenditures in these efforts break down as follows:

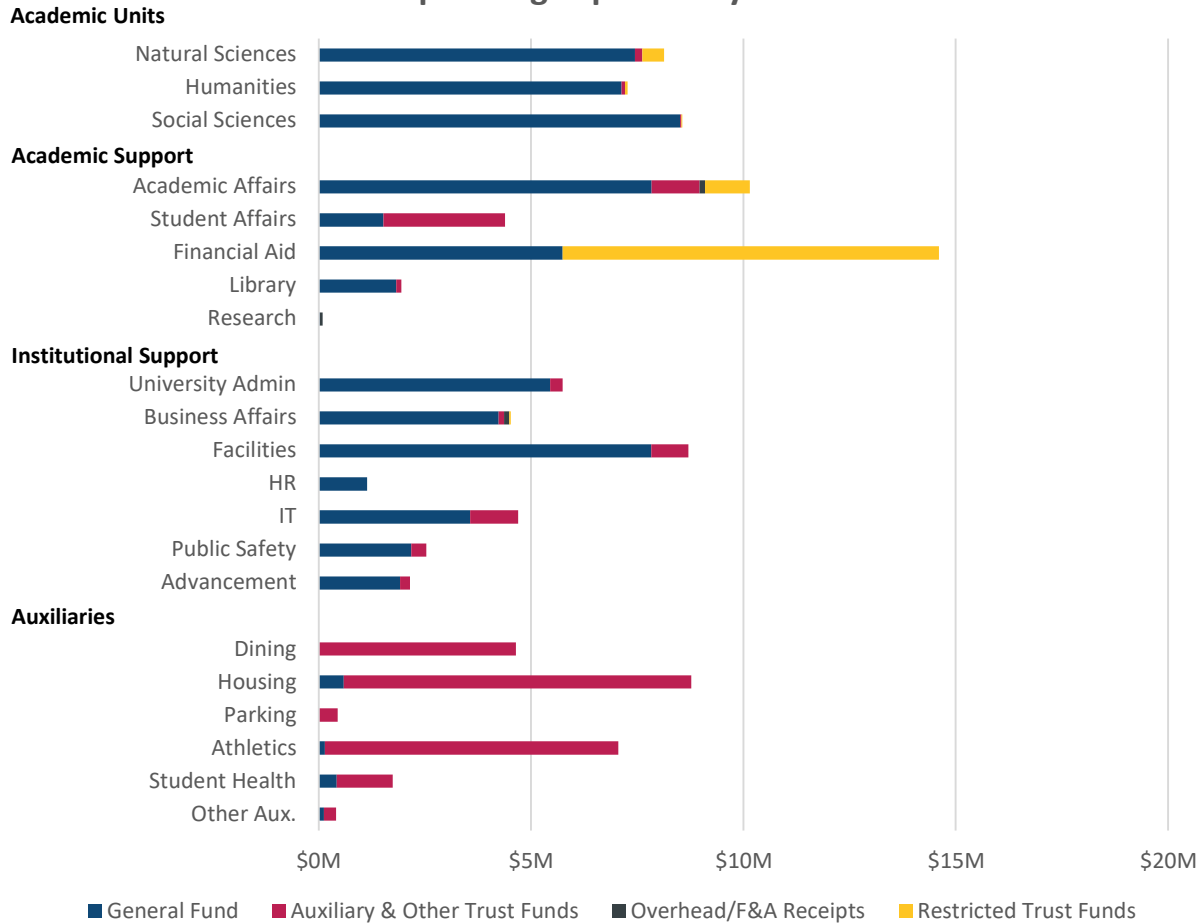
- Strengthen Enrollment of New Students
- Student Retention Initiatives
- Student Life Experiences through Program Development and Major Improvements
- Substantial investment in branding & marketing UNC Asheville to potential students

In addition, the North Carolina State Legislature has approved recurring funding for the UNC Asheville Talent Scholarship in the annual amount of \$2 Million to drive UNC Asheville's competitiveness in yielding and retaining its strongest applicants. The University will use this scholarship to support merit-based and need-linked scholarships for students from rural, first-generation, or underrepresented communities.

With recent declines in enrollment and the corresponding revenue (including appropriations as impacted by the Enrollment Funding Model), UNC Asheville is undertaking an extensive review of all aspects of the operating budget to identify opportunities for program efficiencies where those funds can be reinvested in strategic opportunities. Senior Staff has begun a process of re-aligning funding into opportunities to enhance revenues and operate the institution more effectively as enrollment begins to recover and eventually grow.



Operating Expenses by Unit



UNC Asheville
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 49,009,000	\$ -	\$ -	\$ -	\$ 49,009,000
	Tuition & Fees	\$ 17,015,000	\$ 9,417,000	\$ -	\$ -	\$ 26,432,000
	<i>Less Discounts and Allowances</i>	\$ (4,524,000)	\$ (1,889,000)	\$ -	\$ (7,440,000)	\$ (13,853,000)
	Sales & Services	\$ 10,000	\$ 17,150,000	\$ -	\$ -	\$ 17,160,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ 16,000	\$ 569,000	\$ -	\$ 8,947,000	\$ 9,532,000
	Gifts & Investments	\$ -	\$ 1,987,000	\$ -	\$ 1,700,000	\$ 3,687,000
	Other Revenues	\$ 1,535,000	\$ 745,000	\$ 566,000	\$ -	\$ 2,846,000
Revenues Total		\$ 63,061,000	\$ 27,979,000	\$ 566,000	\$ 3,207,000	\$ 94,813,000
Expenses	Salaries and Wages	\$ 38,548,000	\$ 7,749,000	\$ 168,000	\$ 830,000	\$ 47,295,000
	Staff Benefits	\$ 12,819,000	\$ 2,371,000	\$ 61,000	\$ 181,000	\$ 15,432,000
	Services, Supplies, Materials, & Equip.	\$ 9,084,000	\$ 10,908,000	\$ 91,000	\$ 667,000	\$ 20,750,000
	Scholarships & Fellowships	\$ 5,390,000	\$ 2,250,000	\$ -	\$ 8,880,000	\$ 16,520,000
	<i>Less Discounts and Allowances</i>	\$ (4,524,000)	\$ (1,889,000)	\$ -	\$ (7,440,000)	\$ (13,853,000)
	Debt Service	\$ -	\$ 4,856,000	\$ -	\$ -	\$ 4,856,000
	Utilities	\$ 1,800,000	\$ 1,057,000	\$ -	\$ -	\$ 2,857,000
	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses Total		\$ 63,117,000	\$ 27,302,000	\$ 320,000	\$ 3,118,000	\$ 93,857,000
Net Transfers		\$ 56,000	\$ (122,000)	\$ (243,000)	\$ (87,000)	\$ (396,000)
Change in Fund Balance			\$ 555,000	\$ 3,000	\$ 2,000	\$ 560,000

To: Jennifer Haygood
Senior Vice President for Finance & Administration and CFO, UNC System

From: Nate Knuffman
Vice Chancellor for Finance and Operations and CFO, UNC-Chapel Hill

Date: May 9, 2023

Re: UNC-Chapel Hill FY24 All-Funds Budget Narrative

The fiscal year 2023-24 (FY24) budget for the University of North Carolina at Chapel Hill was adopted by the Board of Trustees on April 27, 2023. This all-funds budget is balanced and is consistent with UNC system guidelines, supporting both the System and University strategic priorities. In the previous fiscal year, the University instituted a prospective, comprehensive funding plan for the first time, marking significant accomplishments in eliminating a structural deficit, achieving a balanced budget, building a process based on transparency and visibility, and investing in new initiatives. In our second year of developing an all-funds budget, we continue to promote transparency of the centralized budget process, tying resource allocation with our strategic initiatives.

The FY24 All-Funds Budget totals \$4.2 billion, reflecting the broad scope and impact of the University's mission. Following a year of significant investments in top priorities, the primary focus for the FY24 budget is to maintain our financial position and focus on carrying out currently funded initiatives. As such, campus units were asked to maintain their base budgets in their proposals, with the understanding that there would be limited availability of recurring and nonrecurring funding for new initiatives. The University's budget process started in fall 2022 and included more than 30 meetings between campus units and the Chancellor and other campus leaders to discuss fiscal challenges, opportunities and priorities.

The centralized process and resulting budget meetings were an effective way for units to highlight their successes over the last fiscal year and help tie any additional funding requests to this year's four budget priorities. These priorities, which were informed by the University's strategic plan **Carolina Next: Innovations for Public Good**, create the framework for the University's strategic investment and decision-making over a three-year horizon.

FY24 Budget Priorities

- **Fiscal Responsibility**
 - Respond to and prepare for economic conditions.
 - Achieve a balanced budget.
 - Maintain affordability.
 - Continue to build reserves.
- **Enable Career Development**
 - Support enrollment expansion to meet critical workforce needs.
 - Expand career planning services.

- Increase accessibility and student support services.
- **Discover**
 - Reserve funds for pan-campus research infrastructure investments.
 - Bolster research enterprise.
 - Support University start-up and research.
- **Serve to Benefit Society**
 - Increase resources to meet demand for programs, such as data science and computer science.
 - Sustain Carolina Across 100.
 - Increase training and support for local government.
 - Invest in the local economy.

Additional funds were prioritized to support strategic, collaborative initiatives that illustrated benefit to multiple units across campus, with a focus on addressing operational uncertainties and curricular expansion:

- Ongoing lead testing and remediation.
- Information technology review.
- Operational support for dentistry.
- Campus-wide accessibility projects.
- Continued build out of School of Data Science and Society.
- Curriculum development: “School of Civic Life and Leadership.”

Allocation of even modest additional funding in this second year of all-funds budget implementation was possible due to the enormous efforts of our partners across campus to support our values of fiscal responsibility and sound financial stewardship. Campus units are underpinning the budget process with development of administrative efficiencies to absorb increases in energy costs and personnel costs, along with inflation-related and other miscellaneous program cost increases.

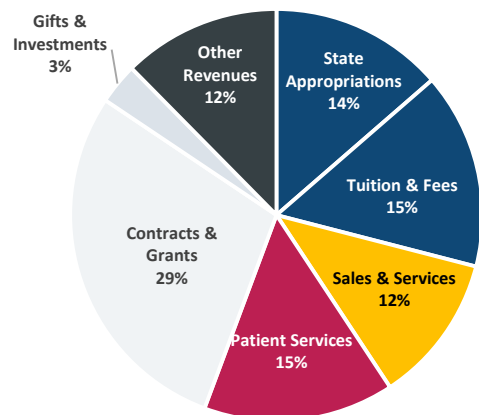
To further the goal of fiscal responsibility, the FY24 budget includes efficiency plans, such as restructuring funding relationships with certain associated entities; reviews of select administrative operations; consolidation of leased space and reduction of leasing costs; and new tuition and appropriation allocation in the College of Arts and Sciences to better align resources with growing enrollment in demand areas.

Limiting our cost increases, remaining affordable and accessible to students, and sticking to our values of good financial stewardship — as guided by the UNC System’s strategic plan — enables us to invest strategically in our mission. This was recognized in March 2023 by Moody’s Investors Service, when they issued our Aaa stable credit profile, specifically stating that the “move to all funds budgeting and closer expense alignment efforts support the likelihood that the university’s operating performance gains in fiscal 2021 and 2022 will remain durable.”

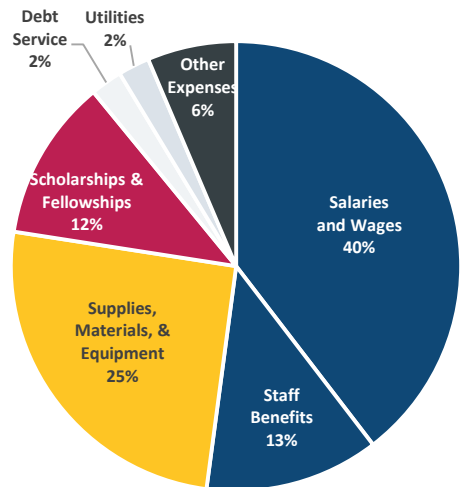
As the oldest public university in the United States and the flagship university of the University of North Carolina system, Carolina has a long tradition of leading the way for our peers in the state and nationwide. In that spirit, last year we published our first Budget Book for FY23, held up as a model of transparency for the budget process and supporting partnerships across the University, the System and the state.

As we present our budget for FY24, we are proud of the work we have done to develop a balanced all-funds budget for the second year, built on lessons learned from year one and a shared commitment to creating the next generation of leaders in North Carolina, the United States and across the globe.

Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit

Academic Units

- Arts and Sciences
- Business
- Education
- Government
- Information and Library Science
- Journalism
- Law
- Nursing
- Pharmacy
- Public Health
- Social Work
- Dentistry
- Medicine

Academic Support

- Academic Affairs
- Student Affairs
- Financial Aid
- Library
- Research

Institutional Support

- University Admin
- Business Affairs
- Facilities
- HR
- IT

Auxiliaries

- Public Safety
- Advancement
- Dining
- Housing
- Parking
- Athletics
- Student Health
- Other Auxiliaries



UNC Chapel Hill
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 587,948,000	\$ -	\$ -	\$ -	\$ 587,948,000
	Tuition & Fees	\$ 542,720,000	\$ 121,644,000	\$ -	\$ 24,000	\$ 664,388,000
	<i>Less Discounts and Allowances</i>	\$ (53,418,000)	\$ (6,708,000)	\$ -	\$ (96,874,000)	\$ (157,000,000)
	Sales & Services	\$ 973,000	\$ 499,629,000	\$ -	\$ 4,660,000	\$ 505,262,000
	Patient Services	\$ -	\$ 647,006,000	\$ -	\$ -	\$ 647,006,000
	Contracts & Grants	\$ 1,700,000	\$ 69,771,000	\$ 244,236,000	\$ 924,075,000	\$ 1,239,782,000
	Gifts & Investments	\$ -	\$ 12,864,000	\$ 240,000	\$ 125,364,000	\$ 138,468,000
	Other Revenues	\$ 68,000	\$ 194,382,000	\$ -	\$ 340,807,000	\$ 535,257,000
Revenues Total		\$ 1,079,991,000	\$ 1,538,588,000	\$ 244,476,000	\$ 1,298,056,000	\$ 4,161,111,000
Expenses	Salaries and Wages	\$ 591,287,000	\$ 616,288,000	\$ 76,711,000	\$ 425,632,000	\$ 1,709,918,000
	Staff Benefits	\$ 183,302,000	\$ 202,857,000	\$ 28,465,000	\$ 125,754,000	\$ 540,378,000
	Services, Supplies, Materials, & Equip.	\$ 133,482,000	\$ 501,848,000	\$ 80,013,000	\$ 379,695,000	\$ 1,095,038,000
	Scholarships & Fellowships	\$ 108,677,000	\$ 68,649,000	\$ 5,494,000	\$ 319,294,000	\$ 502,114,000
	<i>Less Discounts and Allowances</i>	\$ (53,418,000)	\$ (6,708,000)	\$ -	\$ (96,874,000)	\$ (157,000,000)
	Debt Service	\$ -	\$ 71,789,000	\$ 25,752,000	\$ 830,000	\$ 98,371,000
	Utilities	\$ 76,789,000	\$ 20,566,000	\$ 280,000	\$ 139,000	\$ 97,774,000
	Other Expenses	\$ 34,221,000	\$ 131,181,000	\$ 21,611,000	\$ 88,942,000	\$ 275,955,000
Expenses Total		\$ 1,074,340,000	\$ 1,606,470,000	\$ 238,326,000	\$ 1,243,412,000	\$ 4,162,548,000
Net Transfers		\$ (5,650,000)	\$ (1,369,000)	\$ (6,150,000)	\$ (34,667,000)	\$ (47,836,000)
Change in Fund Balance			\$ (69,251,000)	\$ -	\$ 19,977,000	\$ (49,274,000)



May 2, 2023

Ms. Jennifer Haygood
Senior Vice President for Finance and Administration and CFO
The University of North Carolina System

Re: University of North Carolina at Charlotte - All-Funds Budget Narrative FY 2023-24

Dear Ms. Haygood,

The All-Funds Budget for the University of North Carolina at Charlotte for fiscal year 2023-24 was developed consistent with UNC System guidelines to support the System and University strategic plans. The budget process began in late 2022 and included significant cross-university collaboration and support with the final budget approved by the UNC Charlotte Board of Trustees on April 27, 2023. This budget includes revenue and expenditure information for all University auxiliary units as well as academic and administrative units. As requested, the following sections provide additional detail on how the FY 2023-24 All-Funds Budget aligns resources with strategic priorities.

Progress towards system-wide strategic goals and UNC Charlotte strategic plan

The FY 2023-24 budget reflects UNC Charlotte's priority to continuously improve student outcomes, affordability, and success. One major initiative included in this budget is a NINERways math enhancement that will improve student success in quantitative reasoning requirements of the general education program. Through coordinated, and enhanced math courses, the university will decrease student failure rates, reduce equity gaps, and increase four-year graduation rates. Also included in the budget is a university-wide textbook program that will reduce the cost of attendance and improve student outcomes by lowering the cost of textbooks and ensuring every student has access to affordable textbooks on the first day of class. Additionally, the FY 2023-24 budget includes reduced summer fees and tuition to encourage increased summer participation, which will better utilize facilities and resources and reduce time to graduation for students.

Administrative Efficiency

UNC Charlotte continues to streamline programs and departments across campus to reduce layers of management and administration. With reduced labor pools and increasing vacancies, the University continues to review opportunities to economize and rethink administration and resources through the

*Vice Chancellor for
Business Affairs*

Reese Building
9201 University City Boulevard
Charlotte, NC 28223-0001

704.687.5750 tel
704.687.5371 fax
vcba@charlotte.edu

*An Equal Opportunity/
Affirmative Action Employer*





redeployment of positions and resources. The FY 2023-24 budget includes internal reorganizations that are anticipated to reduce long-term costs and improve effectiveness and communication across the campus. Included in those reorganizations is the move of the Student Activities Center from Student Affairs to the Athletic budget, which this consolidation will benefit from economies of scale. Also included is the move of the Student Orientation and Academic Resources (SOAR) program from Student Affairs to the Enrollment department (in Academic Affairs) which will consolidate resources and focus efforts on student success.

Financial Sustainability

Strategic decisions for FY 2023-24 include utilizing fund balances to cover inflationary costs, support capital and equipment expenditures in auxiliaries and other-than-general fund budgets, and leverage economies of scale. Fund balances and administrative efficiencies continue to allow the university to absorb inflationary increases in the costs of construction, equipment, supplies, and services without increasing student fees or undergraduate tuition. Campus auxiliary enterprises anticipate using fund balances to maintain existing infrastructure, renovate aging facilities, and improve various assets in need of maintenance. These planned, necessary expenditures will extend the life of critical infrastructure and provide ongoing student and university support. Other uses of fund balances from fees, research revenue, and restricted funds in FY 2023-24 are budgeted for equipment purchases necessary to support campus IT infrastructure, research, and academic programs. These purchases reflect planning that continues to require saving fees and other revenue over multiple years.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Amon'.

Dr. Richard Amon
Vice Chancellor for Business Affairs

Cc: Susan DeVore, Board of Trustees Chair
Dr. Sharon Gaber, Chancellor
Dr. Alicia Bertone, Vice Chancellor for Academic Affairs/Provost
Kim Bradley, Chief of Staff
Ken Smith, AVC of Budgets & Chief Budget Officer
Carrie Smith, Deputy Chief Budget Officer

***Vice Chancellor for
Business Affairs***

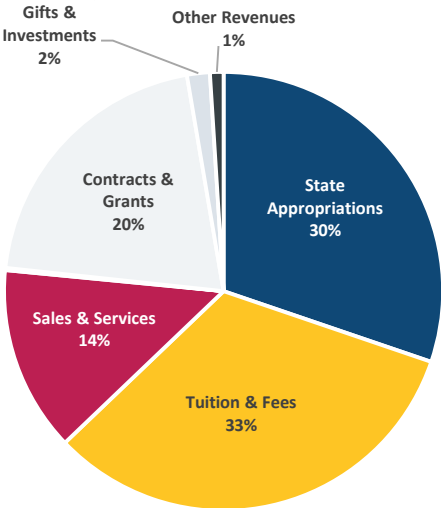
Reese Building
9201 University City Boulevard
Charlotte, NC 28223-0001

704.687.5750 tel
704.687.5371 fax
vcba@charlotte.edu

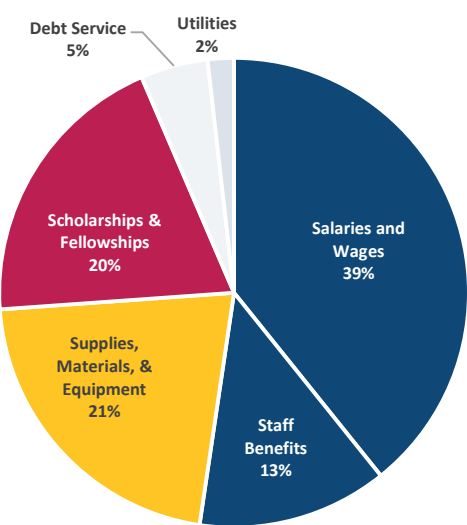
*An Equal Opportunity/
Affirmative Action Employer*



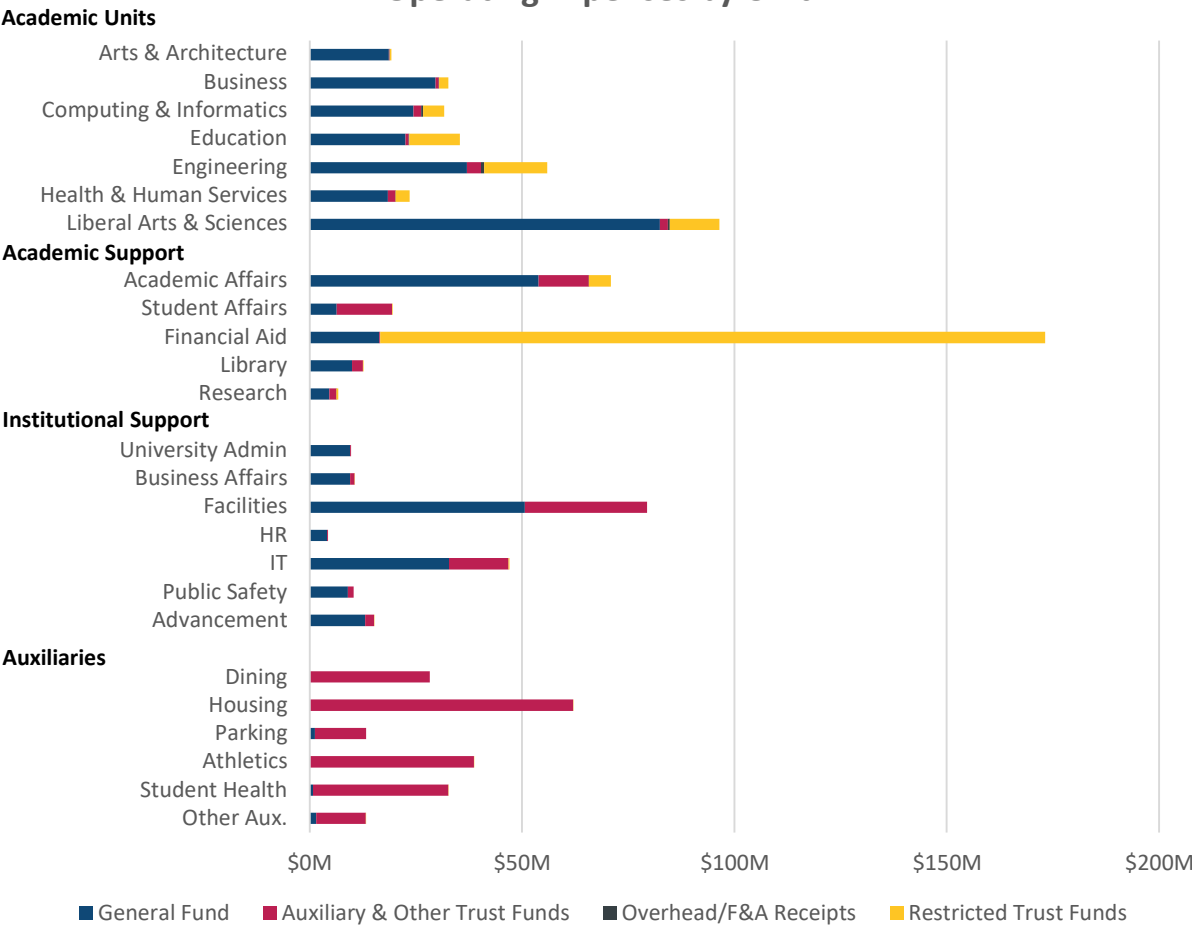
Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit



UNC Charlotte
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 288,499,000	\$ -	\$ -	\$ -	\$ 288,499,000
	Tuition & Fees	\$ 172,655,000	\$ 138,976,000	\$ -	\$ -	\$ 311,631,000
	<i>Less Discounts and Allowances</i>	\$ (17,204,000)	\$ (4,689,000)	\$ -	\$ (48,538,000)	\$ (70,431,000)
	Sales & Services	\$ -	\$ 130,292,000	\$ -	\$ 248,000	\$ 130,540,000
	Patient Services	\$ -	\$ 1,588,000	\$ -	\$ -	\$ 1,588,000
	Contracts & Grants	\$ 1,150,000	\$ -	\$ 10,611,000	\$ 185,021,000	\$ 196,782,000
	Gifts & Investments	\$ -	\$ 5,301,000	\$ -	\$ 10,831,000	\$ 16,132,000
	Other Revenues	\$ 760,000	\$ 8,610,000	\$ -	\$ 123,000	\$ 9,493,000
Revenues Total		\$ 445,860,000	\$ 280,078,000	\$ 10,611,000	\$ 147,685,000	\$ 884,234,000
Expenses	Salaries and Wages	\$ 298,404,000	\$ 55,503,000	\$ 674,000	\$ 18,757,000	\$ 373,338,000
	Staff Benefits	\$ 95,133,000	\$ 26,055,000	\$ 128,000	\$ 3,458,000	\$ 124,774,000
	Services, Supplies, Materials, & Equip.	\$ 40,325,000	\$ 146,189,000	\$ 732,000	\$ 17,540,000	\$ 204,786,000
	Scholarships & Fellowships	\$ 17,429,000	\$ 7,680,000	\$ 25,000	\$ 162,078,000	\$ 187,212,000
	<i>Less Discounts and Allowances</i>	\$ (17,204,000)	\$ (4,689,000)	\$ -	\$ (48,538,000)	\$ (70,431,000)
	Debt Service	\$ 983,000	\$ 41,502,000	\$ 1,750,000	\$ -	\$ 44,235,000
	Utilities	\$ 12,687,000	\$ 4,348,000	\$ (50,000)	\$ -	\$ 16,985,000
	Other Expenses	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
Expenses Total		\$ 447,832,000	\$ 276,588,000	\$ 3,259,000	\$ 153,295,000	\$ 880,974,000
Net Transfers		\$ 1,971,000	\$ (18,960,000)	\$ -	\$ (24,000)	\$ (17,013,000)
Change in Fund Balance			\$ (15,470,000)	\$ 7,352,000	\$ (5,634,000)	\$ (13,752,000)

UNCG All Funds Budget Narrative

The 2023-24 All Funds Budget will support UNCG's strategic priorities and the UNC System Office goals.

Affordability and Efficiency

The 2023-24 All Funds Budget (AFB) continues UNCG's Path Forward to explore areas of innovation, reinvention, and operational efficiency to adjust to the structural enrollment and budget challenges faced by regional public universities like UNCG. A new task force has been established by the chancellor to identify and develop administrative recommendations to make the University more efficient and cost-effective and another task force to review the academic portfolio.

UNCG is deep into a significant capital campaign. Currently, this campaign has raised a total of \$158 million toward a goal of \$200 million. This will allow UNCG to provide more scholarships to students and increase endowments to respond to future needs of the university.

Student Transformation

We continue to modernize the enrollment management function. These improvements include the purchase of student tracking software, remote proctoring software, academic catalog management software, and a student success platform. New strategic initiatives include the use of an international agency for recruitment and enrollment, engaging a new vendor called Verto Education to assist in the growth of out of state enrollment, and further investment in the CHANCE (Campamento Hispano Abriendo Nuestro Camino a la Educación) summer program to support the increase enrollment of the Hispanic student demographic starting at the high school level.

Student success initiatives are designed to assist students earlier in the learning process to ensure success, retention and graduation. It requires collaboration from several areas. These initiatives include additional academic support programming such as reading a syllabus, time management strategies, study habits, test taking strategies, and introduction to the various academic support resources on campus. Many of these services will be targeted at high enrollment and high drop classes, withdrawal, and failure rates. Through more effective training, faculty can recognize the signs of a struggling student earlier and guide them to assistance quicker.

A strategic investment fund, from reallocated resources, has been established and will grow over time to address initiatives that will have a high return on investment. It is anticipated that these initiatives could be new academic programs, new student success initiatives, and enrollment management priorities. To support the increased Hispanic community recruitment initiatives, increase funding has been added to hire more bilingual positions in Admissions, Financial Aid, and Academic Advising.

eSports is a growing field of study in higher education. UNCG received an initial allocation of \$2.4 million to start this program back in FY2022. Pending general fund legislative changes include a potential \$1.5m recurring and \$7m non-recurring in the next biennium 2023-25. It is expected to draw new students in various fields of study including computer science, informatics and data analytics, business administration, etc.

Upgrading classroom equipment to include lecture capture equipment to facilitate a hybrid-flexible learning environment. This technology allows students to receive the same learning experience whether they are in-person or online.

To continue to invest in Canvas, UNCG's learning management system. It is the primary way in which faculty create and deliver content to students beyond the physical classroom.

The deployment of remote access technologies to support research for both graduate and undergraduate research. UNCG also plans to provide remote access to computer labs through the MyCloud service offerings.

Risk Management

Modernize IT infrastructure by moving core server infrastructure to the cloud, requiring multi-factor authentication, and deploying remote device management software.

Moving core servers to the cloud ensures availability when local network connectivity is lost, reduces IT costs, provides better business continuity, provides access to automatic updates, back-ups can be dispersed geographically, provides scalability, and provides high speed access to data.

UNCG has implemented multi-factor authentication to help minimize cyber risk. This requires at least two different methods of authentication before someone can log into the computer system. This minimizes the risk of unauthorized use of the computer network.

UNCG has upgraded our emergency management facilities, with HERRF investments to better respond to future emergencies.

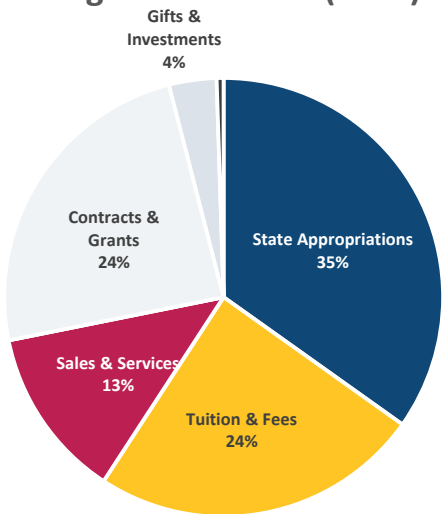
The UNC System Office increased the security fee last year. This will continue to provide salary increases to campus police officers to reduce turnover, Title IX, emergency management, and Student Health Services.

Strategy to Address Budget Constraints

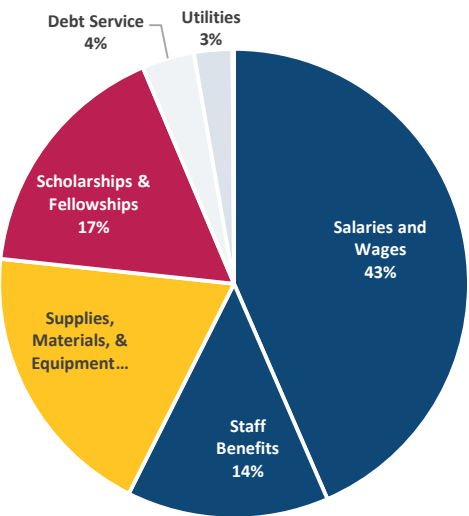
UNCG has a three-pronged approach to addressing its budget situation.

- First UNCG is seeking relief from current state personnel regulations to begin right sizing our workforce consistent with our enrollment. Key to this strategy is the early retirement incentive under consideration FY 24. This is UNCG's highest priority as we work towards aligning declining revenues with fixed expenses that based on current state regulations disallow easy adjustment.
- Second, UNCG has cut departmental operating budgets 2% in FY23 and 4% in FY2024.
- Third, UNCG will work closely with the system office on implementing the new workload policy to assure that we are as efficient and productive as possible under the new guidelines.

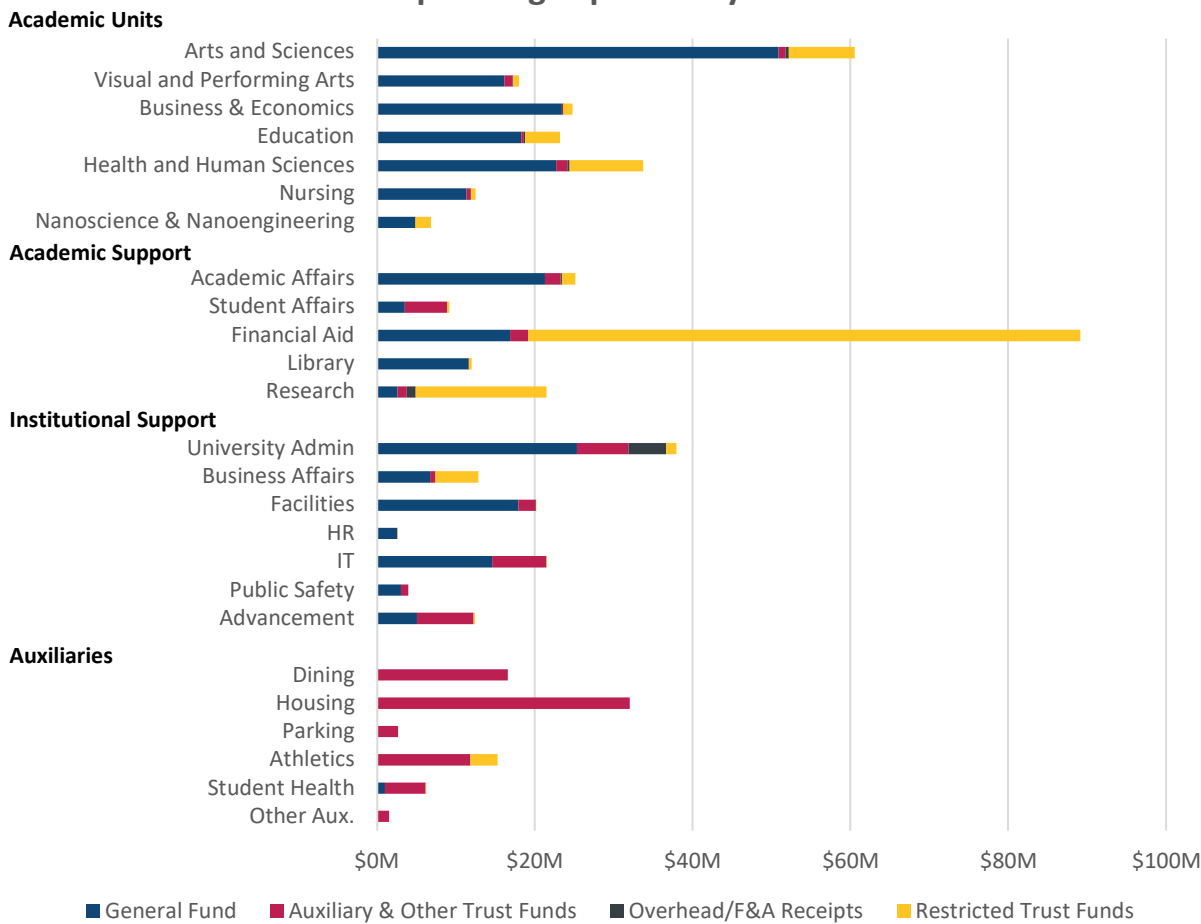
Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit



UNC Greensboro
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 181,509,000	\$ -	\$ -	\$ -	\$ 181,509,000
	Tuition & Fees	\$ 92,000,000	\$ 34,825,000	\$ -	\$ -	\$ 126,825,000
	<i>Less Discounts and Allowances</i>	\$ (10,050,000)	\$ (3,138,000)	\$ -	\$ (46,949,000)	\$ (60,137,000)
	Sales & Services	\$ 89,000	\$ 64,614,000	\$ -	\$ 1,182,000	\$ 65,885,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ 132,000	\$ 2,086,000	\$ 8,062,000	\$ 115,403,000	\$ 125,683,000
	Gifts & Investments	\$ -	\$ 8,400,000	\$ -	\$ 9,874,000	\$ 18,274,000
	Other Revenues	\$ 13,000	\$ 2,422,000	\$ -	\$ 195,000	\$ 2,630,000
Revenues Total		\$ 263,693,000	\$ 109,209,000	\$ 8,062,000	\$ 79,705,000	\$ 460,669,000
Expenses	Salaries and Wages	\$ 175,741,000	\$ 31,304,000	\$ 1,169,000	\$ 22,220,000	\$ 230,434,000
	Staff Benefits	\$ 56,507,000	\$ 10,453,000	\$ 338,000	\$ 6,418,000	\$ 73,716,000
	Services, Supplies, Materials, & Equip.	\$ 33,063,000	\$ 38,729,000	\$ 5,769,000	\$ 24,673,000	\$ 102,234,000
	Scholarships & Fellowships	\$ 15,029,000	\$ 2,112,000	\$ -	\$ 72,789,000	\$ 89,930,000
	<i>Less Discounts and Allowances</i>	\$ (10,050,000)	\$ (3,138,000)	\$ -	\$ (46,949,000)	\$ (60,137,000)
	Debt Service	\$ -	\$ 19,027,000	\$ -	\$ -	\$ 19,027,000
	Utilities	\$ 10,154,000	\$ 3,914,000	\$ -	\$ 2,000	\$ 14,070,000
	Other Expenses	\$ -	\$ 524,000	\$ -	\$ -	\$ 524,000
Expenses Total		\$ 280,444,000	\$ 102,925,000	\$ 7,276,000	\$ 79,153,000	\$ 469,798,000
Net Transfers		\$ 6,605,000	\$ (11,416,000)	\$ 903,000	\$ 3,115,000	\$ (793,000)
Change in Fund Balance			\$ (5,132,000)	\$ 1,689,000	\$ 3,667,000	\$ 224,000

The University of North Carolina at Pembroke

FY 2024 All-Funds Budget Narrative

The University of North Carolina at Pembroke's proposed FY24 All-Funds Budget simultaneously manages decreased recurring operating revenues and invests in strategic priorities identified by the system and the university. Overall general fund recurring operating revenues are decreasing approximately 4.0%, reflecting decreased enrollment in calendar year 2022; however, this decline in revenue is somewhat offset by enrollment assumptions used in the FY24 budget that include modest increases in new freshmen, new graduate students and new transfers.

UNC Pembroke strategically held recurring funding from prior years' enrollment growth in "reserve" (i.e., only available for one-time uses in successive years) due to uncertainty about the impacts of the "new" funding model, as well as anticipation of a reduction in enrollment funding in FY24. These reserves allow the university to absorb the anticipated revenue reductions.

To invest in priorities, UNC Pembroke will reallocate funds internally. To accomplish this reallocation, most units within the university will have to reduce their budgets by a little over 3%. This reduction, in conjunction with utilizing remaining "reserves," allows the university to reallocate approximately \$5.6 million to support the following priorities:

Student Success (System and University Priorities)

UNC Pembroke's investments for FY24 include funding allocations for initiatives to improve student success. Academic success and student retention are critical to UNCP's mission and resources to continually improve these metrics are imperative. Investments include providing four additional professional student advisor positions, advancing the university's move to a wholly professional advising model which started during FY23 with the conversion of some existing staff positions into advisors. The university is also investing in *Degree Works*, a software tool used to help students graduate on time, a critical strategic goal. Finally, the Office of Financial Aid will receive two positions to provide more timely, responsive, and effective counseling to students.

Economic Impact and Innovative Programs (System and University Priorities)

Investments will be made to support newer degrees and concentrations including cybersecurity, business analytics, and occupational therapy. As our online degree programs grow, UNCP will continue to dedicate resources to support these programs. UNC Pembroke will also set aside funding to support growth in Nursing and new potential healthcare related degrees. By making these investments, UNC Pembroke is fulfilling its strategic plan goals of providing innovative programs for students and improving the surrounding communities by supplying critically needed workers in high demand skills.

Enrollment (University priority)

UNC Pembroke made significant investments in admissions and enrollment in FY23 using one-time funds. These investments yielded higher new student and transfer student enrollment in the Spring 2023 semester and leading indicators for the Fall 2023 semester are significantly higher than last year at this time. These investments need to be regularized in the recurring budget and expanded upon to ensure that the university succeeds in bringing students who will thrive at UNC Pembroke. These investments include an enrollment marketing firm, incremental funds for marketing, two positions in Admissions, and elevating the Assistant Vice Chancellor of Enrollment to Vice Chancellor and member of cabinet.

All Funds Perspective

While most of the discussion has focused on general funds, student fee and auxiliary revenue are also impacted by decreasing enrollments and shifting student types (i.e., more online students reduce mandatory fees). The largest impact from changes in student fees affects Athletics, whose student fee revenue has not recovered to its pre-pandemic high in FY20. At the same time inflation and changing regulatory and economic environments are forcing increased expenditures for athletic programs to remain compliant and competitive. Although the proposed budget generally makes no attempt to predict legislative or policy changes that may be enacted, the singular exception is in Athletics where it is assumed that some expenses will be allowed to move onto state funding sources thus relieving some pressure on auxiliary funds. Even with that accommodation, the auxiliary budget for Athletics continues to show a deficit.

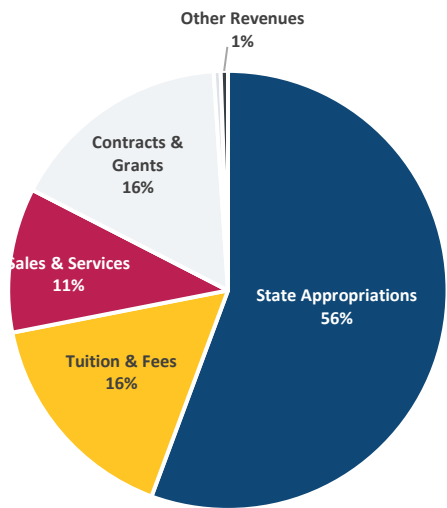
Auxiliary fund balances have been negatively impacted in FY23 by the closure of a residence hall, reduced enrollments, and support provided to Athletics and other university priorities. Evaluations of the three largest auxiliaries (housing, dining, bookstore) are underway to improve both top and bottom-line performance. Strategies unique to each auxiliary have been identified and are being implemented for FY24 which go beyond just hoping that enrollment numbers return to prior levels.

Any new appropriations approved during the state budget process will positively impact the preceding discussion by allowing greater investments in priority areas and/or reducing some of the projected reallocations.

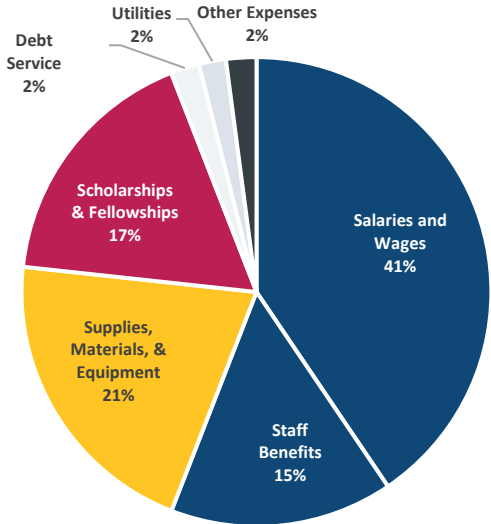
Beyond FY24

The university will weather the challenges in FY24 and will invest in strategic areas. Early modelling for FY25 indicates that the lingering effect of decreased enrollment in FY23 will negatively impact that year as well before revenues turn up again in FY26. However, if actual enrollments robustly rebound in FY24 and the same can be safely assumed for FY25, the resulting decrease in revenue can be managed with just small reductions and use of carry-forward funding.

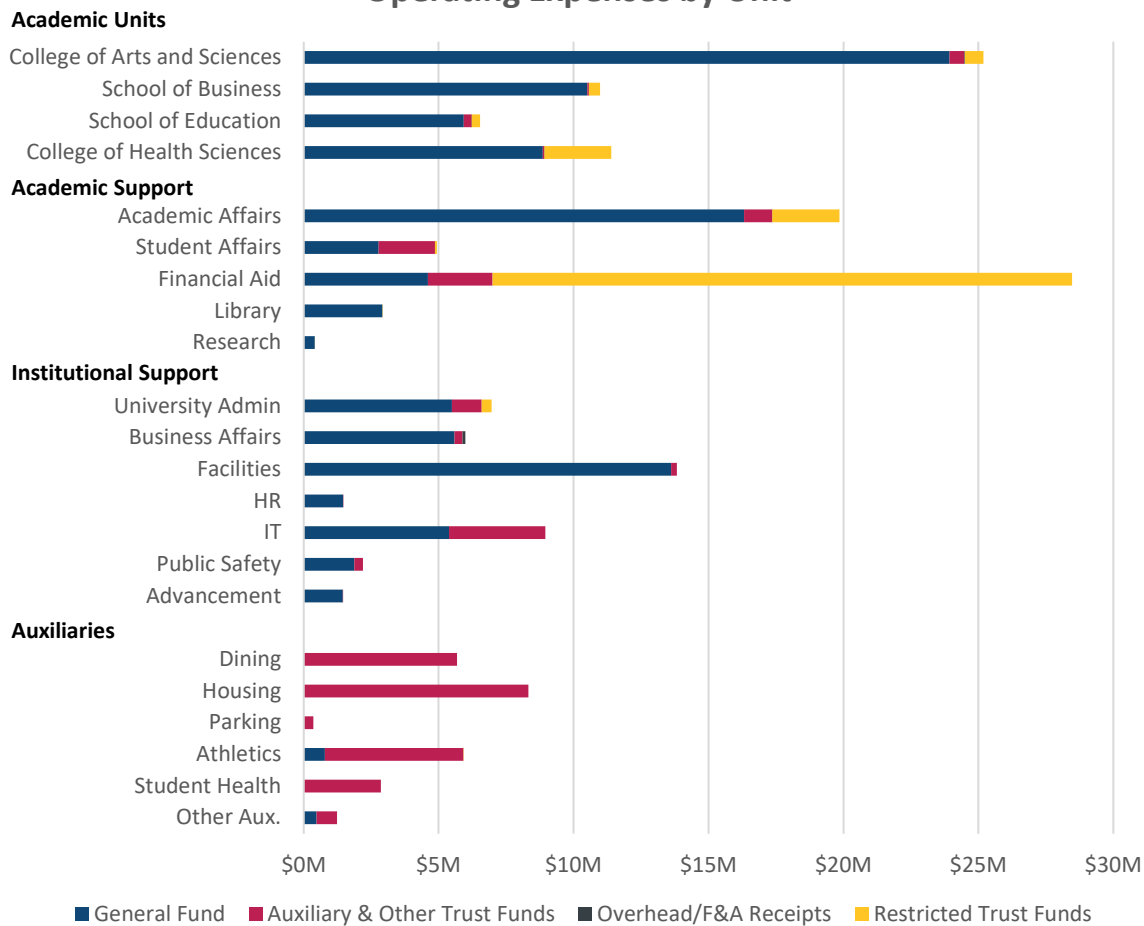
Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit



UNC Pembroke
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 98,551,000	\$ -	\$ -	\$ -	\$ 98,551,000
	Tuition & Fees	\$ 16,405,000	\$ 12,405,000	\$ -	\$ -	\$ 28,810,000
	<i>Less Discounts and Allowances</i>	\$ (1,270,000)	\$ (809,000)	\$ -	\$ (9,252,000)	\$ (11,331,000)
	Sales & Services	\$ 68,000	\$ 18,782,000	\$ -	\$ 10,000	\$ 18,860,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ -	\$ 2,234,000	\$ 282,000	\$ 26,528,000	\$ 29,044,000
	Gifts & Investments	\$ -	\$ 163,000	\$ -	\$ 747,000	\$ 910,000
	Other Revenues	\$ 141,000	\$ 695,000	\$ -	\$ 81,000	\$ 917,000
Revenues Total		\$ 113,895,000	\$ 33,470,000	\$ 282,000	\$ 18,114,000	\$ 165,761,000
Expenses	Salaries and Wages	\$ 64,528,000	\$ 5,968,000	\$ 68,000	\$ 2,051,000	\$ 72,615,000
	Staff Benefits	\$ 24,771,000	\$ 2,059,000	\$ 29,000	\$ 655,000	\$ 27,514,000
	Services, Supplies, Materials, & Equip.	\$ 16,699,000	\$ 18,294,000	\$ 57,000	\$ 2,269,000	\$ 37,319,000
	Scholarships & Fellowships	\$ 3,499,000	\$ 4,357,000	\$ -	\$ 23,300,000	\$ 31,156,000
	<i>Less Discounts and Allowances</i>	\$ (1,270,000)	\$ (809,000)	\$ -	\$ (9,252,000)	\$ (11,331,000)
	Debt Service	\$ 417,000	\$ 3,110,000	\$ -	\$ -	\$ 3,527,000
	Utilities	\$ 2,221,000	\$ 1,117,000	\$ -	\$ -	\$ 3,338,000
	Other Expenses	\$ 3,710,000	\$ -	\$ -	\$ -	\$ 3,710,000
Expenses Total		\$ 114,575,000	\$ 34,096,000	\$ 154,000	\$ 19,023,000	\$ 167,848,000
Net Transfers		\$ 887,000	\$ (2,336,000)	\$ -	\$ 935,000	\$ (514,000)
Change in Fund Balance			\$ (2,962,000)	\$ 128,000	\$ 26,000	\$ (2,808,000)

UNC Wilmington

All Funds Budget Narrative



Through the FY24 All Funds Budgeting process, the University of North Carolina Wilmington developed a budget which will help support system-wide strategic goals as well as strategic priorities identified by the university. In addition, the budget further reflects an institutional commitment to efficient operations and financial plans which are responsive to enterprise risks. Examples of how UNCW's budget supports each of the aforementioned efforts is provided below.

UNC System Strategic Goals

UNCW continues to make student access and success a priority. This is reflected in UNCW's strong performance across various UNC System priority metrics – particularly: (1) Undergraduate Degree Efficiency (UGDE), (2) First Time Student Debt at Graduation, (3) Transfer Student Debt at Graduation, and (4) Education and Related Expenses per Degree. To build upon existing efforts at UNCW to enhance student access and success, the FY24 budget provides additional investments across a number of areas – including, but not limited to:

- *Student Aid:* Additional investments will be used to appropriately scale the campus's need-based aid budget to its growing student body and to enable UNCW to remain accessible and affordable to students with demonstrated need. As a result, these investments should inversely impact the amount of debt that resident students need to incur to attend UNCW.
- *Student Employee Wage Adjustments:* Additional funding is budgeted to increase wages for students working in the Student Union. On-campus employment not only reduces the need for students to borrow, it is a high-impact practice that aids in student retention, persistence, and graduation. In addition, the applicable positions within the Student Union are intended to complement the student's academic and career goals.
- *Physical and Mental Health Services:* Additional funding will enable the Student Health Center to cover the costs associated with mandatory and discretionary salary adjustments for clinical care professionals (which are necessary to attract/retain the high quality staff which provide important medical services to students). Further, increased funding will also support the hiring of an additional psychologist at the counseling center to better meet growing student demand for mental health services and enable the university to offer enhanced after hours support for students in need.

UNCW Strategic Priorities

The FY24 budget continues to make important investments which directly align with the university's existing strategic plan goals, while holding some funding in reserve to provide immediate support for new strategic priorities identified in the updated strategic plan (anticipated to be completed in the summer of 2023). Existing strategic plan priorities supported by the FY24 budget include, but are not limited to:

- *Attracting/Retaining Students:* Supported by maintaining recent investments in the Student Learning Center (to ensure convenient access to tutoring services), along with investments at the Disability Resources Center (to ensure convenient access to assistive technologies and associated services for eligible students). This priority is also supported

through enhanced investments in institutional based financial aid and student support services (as referenced in the preceding section).

- *Attracting/Retaining Faculty and Staff:* Supported through the strategic deployment of the Labor Market Adjustment Reserve (originally provided to UNCW in FY23), which enabled campus to address considerable salary issues in more than 400 positions across campus. Additional investments being made in FY24 to support this priority include (1) Faculty Promotion & Tenure Adjustments and (2) increases to the UNCW faculty and staff recruitment and retention fund.
- *Fundraising and Aligning Donor Support with Strategic Priorities:* Supported through the hiring of an additional Major Gifts Officer which is necessary as the university stands up two new academic colleges.¹

Improved Efficiency

UNCW seeks to provide students with a high-quality education in a manner which is efficient and provides excellent value to taxpayers. That commitment is reflected in UNCW's performance pursuant to the UGDE metric and Education and Related Expenses per Degree metric. Specifically, UNCW's UGDE score of 28 (using FY21 data) is among the highest and/or best in the system, while its education and related expenses per degree of \$42,310 (using FY21 data), is among the lowest and/or best in the system.

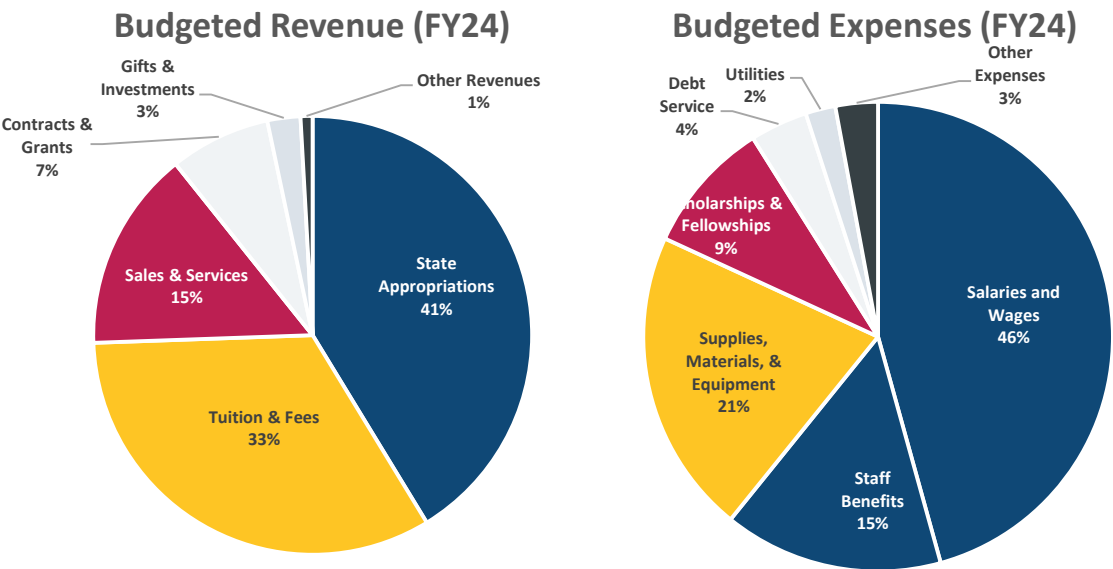
While UNCW has arguably been one of the most efficient campuses in the UNC System in recent years, we continue to evaluate opportunities to improve operations/operate more efficiently, while maintaining the quality experience that students expect and deserve. This commitment to improvement is apparent in UNCW's approach to the development of the All-Funds-Budget for FY24. Specifically, UNCW's divisions were tasked with identifying savings opportunities in units where efficiency opportunities existed and where we expect variable expenses will naturally decline as student demand changes and enrollment attrits in applicable disciplines. This process resulted in budget savings across UNCW of more than \$2 million² (which will be used offset the FY24 appropriations reduction (related to SCH change), and therefore fully preserves the \$2.3 million appropriations increase for campus (related to performance) so that the performance funding can be deployed in a manner which supports UNCW's new strategic plan.

Enterprise Risks

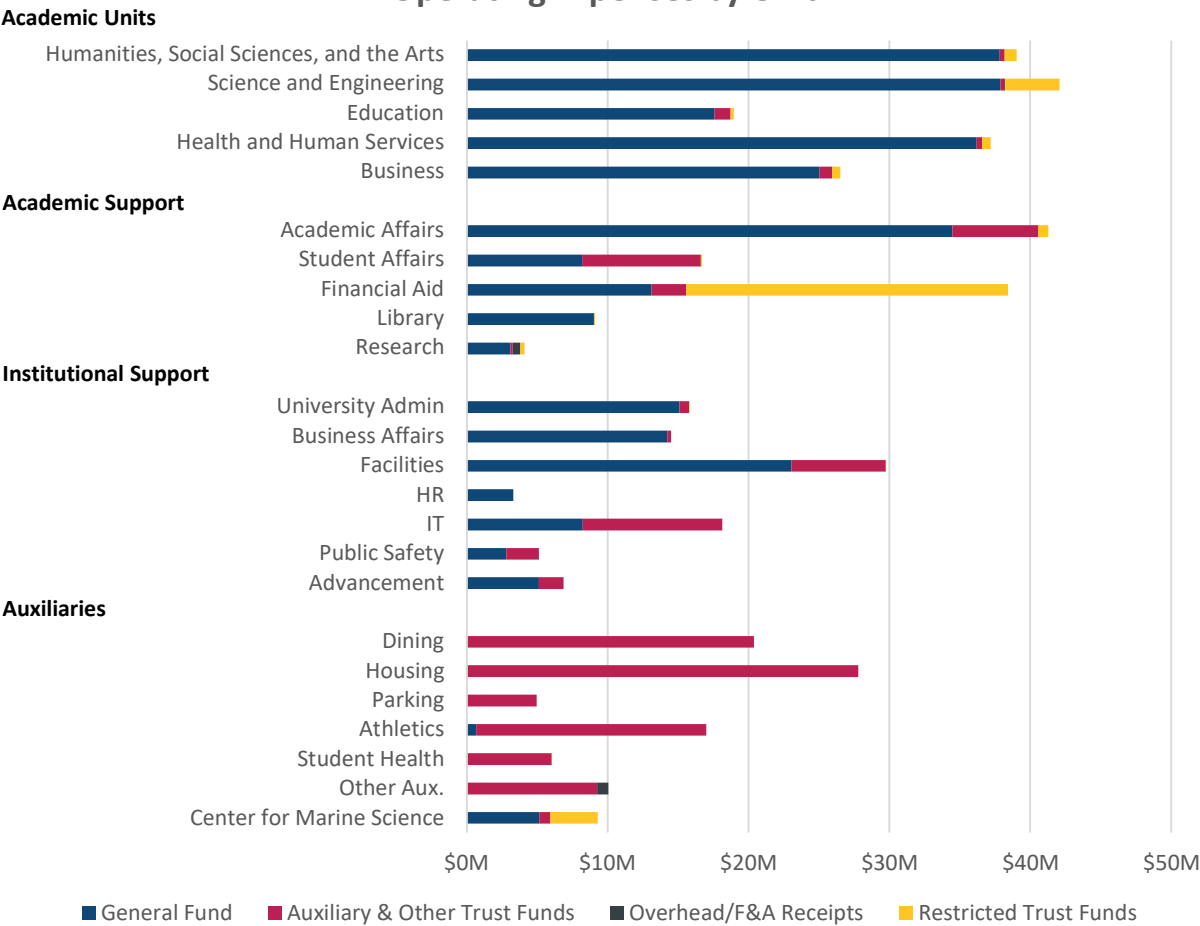
Enterprise Risk Management and Internal Audit collaborate each year to identify the top enterprise risks across the university. These risks and corresponding mitigation strategies are taken into account as a component of the annual budgeting process. For example, Human Capital (recruiting/retaining) was identified as a prevailing risk in FY22 and FY23. Accordingly, and consistent with UNCW's strategic plan goals, the university has established a recruitment/retention fund (as referenced above) and used University Risk Management and Insurance Association risk classifications to help prioritize allocations from the Labor Market Adjustment Reserve (in an effort to help minimize employee turnover in positions which are essential for managing key risk functions).

¹ *Necessitated by the dissolution of the College of Arts and Sciences, and the creation of two new colleges – specifically: (1) College of Science and Engineering, and (2) College of Humanities, Social Sciences, and the Arts.*

² *The source of savings/budget reductions (by division) is as follows: Academic Affairs at \$1.563 million, Business Affairs at \$296k, Central Administration at \$81k, and Student Affairs at \$58k.*



Operating Expenses by Unit



**UNC Wilmington
FY 2023-24 All-Funds Budget**

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 190,717,000	\$ -	\$ -	\$ -	\$ 190,717,000
	Tuition & Fees	\$ 111,467,000	\$ 41,746,000	\$ -	\$ -	\$ 153,213,000
	<i>Less Discounts and Allowances</i>	\$ (6,032,000)	\$ (4,435,000)	\$ -	\$ (18,010,000)	\$ (28,477,000)
	Sales & Services	\$ 131,000	\$ 68,279,000	\$ -	\$ 6,000	\$ 68,416,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ 2,276,000	\$ -	\$ 1,892,000	\$ 30,150,000	\$ 34,318,000
	Gifts & Investments	\$ -	\$ 7,296,000	\$ -	\$ 3,960,000	\$ 11,256,000
	Other Revenues	\$ 132,000	\$ 3,724,000	\$ -	\$ 184,000	\$ 4,040,000
Revenues Total		\$ 298,691,000	\$ 116,610,000	\$ 1,892,000	\$ 16,290,000	\$ 433,483,000
Expenses	Salaries and Wages	\$ 179,973,000	\$ 22,819,000	\$ 119,000	\$ 4,736,000	\$ 207,647,000
	Staff Benefits	\$ 58,117,000	\$ 9,731,000	\$ 27,000	\$ 779,000	\$ 68,654,000
	Services, Supplies, Materials, & Equip.	\$ 36,971,000	\$ 52,685,000	\$ 457,000	\$ 5,637,000	\$ 95,750,000
	Scholarships & Fellowships	\$ 12,123,000	\$ 7,336,000	\$ 4,000	\$ 22,273,000	\$ 41,736,000
	<i>Less Discounts and Allowances</i>	\$ (6,032,000)	\$ (4,435,000)	\$ -	\$ (18,010,000)	\$ (28,477,000)
	Debt Service	\$ 896,000	\$ 16,278,000	\$ 796,000	\$ -	\$ 17,970,000
	Utilities	\$ 6,391,000	\$ 3,040,000	\$ -	\$ -	\$ 9,431,000
	Other Expenses	\$ 10,252,000	\$ 2,782,000	\$ 6,000	\$ 191,000	\$ 13,231,000
Expenses Total		\$ 298,691,000	\$ 110,236,000	\$ 1,409,000	\$ 15,606,000	\$ 425,942,000
Net Transfers		\$ -	\$ (1,964,000)	\$ 154,000	\$ 752,000	\$ (1,058,000)
Change in Fund Balance			\$ 4,410,000	\$ 637,000	\$ 1,436,000	\$ 6,483,000

The University of North Carolina School of the Arts (UNCSA) All-Funds Budget for FY 2023-2024 supports the strategic priorities set by the UNC System and Board of Governors, as well as UNCSA's strategic plan which was inspired by our mission to provide gifted emerging artists with the experience, knowledge and skills needed to excel in their disciplines and in their lives, and to enrich the cultural and economic prosperity of the people of North Carolina. In addition, the UNCSA All-Funds Budget reflects examples of addressing student affordability and supporting campus safety.

Supporting System-Wide Strategic Priorities

Increase Access for Underserved Populations

- The Admissions budget is used for recruitment efforts that are focused on, among other things, underserved populations as UNCSA seeks to recruit and enroll top-tier emerging artists.

Address Student Affordability

- The Advancement division's budget focuses on cultivating donors and fundraising opportunities, the results of which directly support student scholarships. These scholarships allow UNCSA to recruit and retain historically underrepresented students and assist our students, so they graduate with as little debt as possible.

Improve Student Mental Health

- The Health Services budget provides accessible, quality health care and educational services to promote the health and well-being of UNCSA students. Services are provided through our partnership with Atrium Health Wake Forest Baptist and include diagnosis and treatment of general medical problems, immunizations, testing, athletic training, and a licensed pharmacy.
- The Counseling Services budget provides individual and group sessions that include a confidential environment where students can discuss issues from personal problems to life goals. Counselors help students identify stresses, explore acceptable forms of emotional expression and behavior, and establish healthy mental attitudes to facilitate both personal and professional growth.

Investing in Institution-Specific Strategic Priorities

Advance Mental Health Support Infrastructure

- The Police and Public Safety budget is used to ensure all officers and tele-communicators receive CIT (Crisis Intervention Training). This program gives officers more tools to increase

their knowledge about mental illness while simultaneously increasing the likelihood that individuals will receive mental health services.

- The Human Resources budget supports the services provided for the Employee Assistance Program – ComPsych as well as Ginger, which provides mental health services.

Support and Advocate for Safety and Wellbeing

- The Police and Public Safety budget supports operations that include One Card Access Control systems which help promote a physically safe environment.
- The Police and Public Safety and Facilities budgets are utilized for the installation/maintenance of lighting and blue light emergency call boxes to promote a physically safe environment.
- The Information Technology budget supports efforts associated with securing our network and the various technology tools utilized by our students, faculty, and staff.
- During their educational experience at UNCSA our college and high school students are likely to spend at least half of their time in their residence, which for many will include on-campus housing. The Housing budgets enable students to experience a sense of community and belonging among their room/suite /hall mates. In addition, the Residence Life staff coordinate educational and culturally responsive programs that help foster a safe and welcoming climate for high school students.

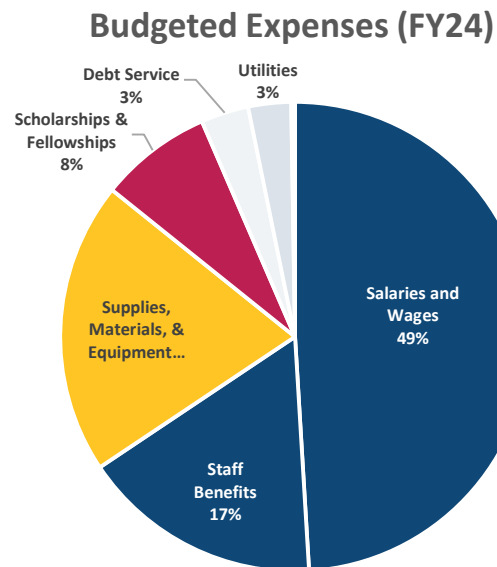
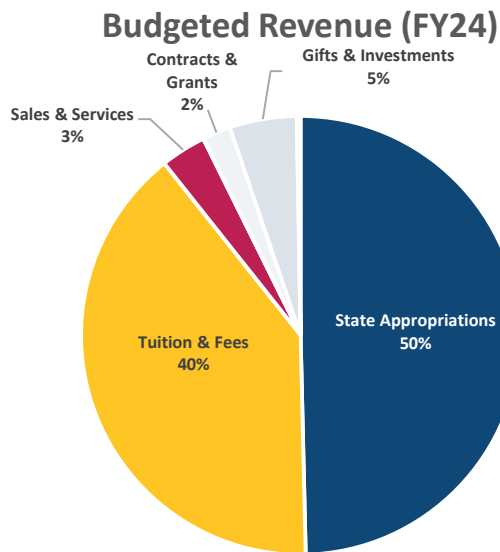
Increase Fiscal Sustainability

- UNCSA continues to review its technology applications to identify opportunities to eliminate redundancies, increase efficiencies, and promote cost savings. We are piloting a project with a new vendor for their managed 24/7 endpoint services. If it goes well, we can replace the current services which will generate approximately \$70,000 in savings that can be repurposed to other strategic priorities in FY24.

Maintain and Expand Industry Relevance

- Budgets for the Art Schools are used to purchase necessary items needed in the classroom to teach our students the elements of stage, film, dance, and opera work they will use after graduation in getting employment in the entertainment industry. The Budgets also support industry related trips, and workshops, including health and wellness sessions, and classroom technology.
- The School of Filmmaking's Media and Emerging Technology program collaborated with other educational partners to develop a highly customized virtual reality training platform for nurses. As we continue to develop this type of training platform, it enables our students to expand their employment opportunities after graduation.

UNCSA's All-Funds Budget for FY 2023-2024 supports the University's strategic plan, the strategic plans of our campus departments, and the strategic priorities set by the UNC System and Board of Governors.



Operating Expenses by Unit

Academic Units

Dance
Design and Production
Drama
Filmmaking
Music
Liberal Arts
High School

Academic Support

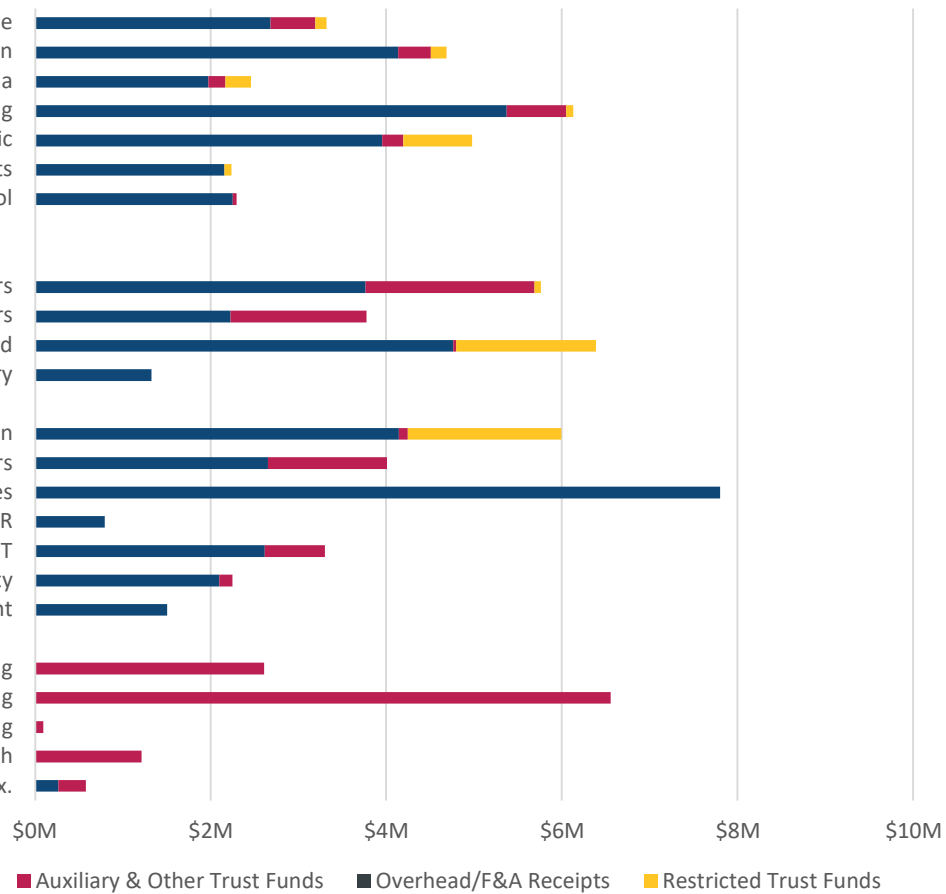
Academic Affairs
Student Affairs
Financial Aid
Library

Institutional Support

University Admin
Business Affairs
Facilities
HR
IT
Public Safety
Advancement

Auxiliaries

Dining
Housing
Parking
Student Health
Other Aux.



**UNC School of the Arts
FY 2023-24 All-Funds Budget**

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 39,704,000	\$ -	\$ -	\$ -	\$ 39,704,000
	Tuition & Fees	\$ 16,784,000	\$ 14,981,000	\$ -	\$ -	\$ 31,765,000
	<i>Less Discounts and Allowances</i>	\$ (1,509,000)	\$ (854,000)	\$ -	\$ (4,403,000)	\$ (6,766,000)
	Sales & Services	\$ -	\$ 2,671,000	\$ -	\$ -	\$ 2,671,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ -	\$ -	\$ -	\$ 1,669,000	\$ 1,669,000
	Gifts & Investments	\$ -	\$ 675,000	\$ -	\$ 3,290,000	\$ 3,965,000
	Other Revenues	\$ -	\$ 221,000	\$ -	\$ -	\$ 221,000
Revenues Total		\$ 54,979,000	\$ 17,694,000	\$ -	\$ 556,000	\$ 73,229,000
Expenses	Salaries and Wages	\$ 31,782,000	\$ 6,402,000	\$ -	\$ 1,077,000	\$ 39,261,000
	Staff Benefits	\$ 10,892,000	\$ 2,115,000	\$ -	\$ 261,000	\$ 13,268,000
	Services, Supplies, Materials, & Equip.	\$ 7,285,000	\$ 7,181,000	\$ -	\$ 1,673,000	\$ 16,139,000
	Scholarships & Fellowships	\$ 4,433,000	\$ 23,000	\$ -	\$ 1,742,000	\$ 6,198,000
	<i>Less Discounts and Allowances</i>	\$ (1,509,000)	\$ (854,000)	\$ -	\$ (4,403,000)	\$ (6,766,000)
	Debt Service	\$ -	\$ 2,632,000	\$ -	\$ -	\$ 2,632,000
	Utilities	\$ 2,095,000	\$ 269,000	\$ -	\$ 4,000	\$ 2,368,000
	Other Expenses	\$ -	\$ -	\$ -	\$ 201,000	\$ 201,000
Expenses Total		\$ 54,978,000	\$ 17,768,000	\$ -	\$ 555,000	\$ 73,301,000
Net Transfers		\$ -	\$ 70,000	\$ -	\$ -	\$ 70,000
Change in Fund Balance			\$ (4,000)	\$ -	\$ 1,000	\$ (3,000)

Memorandum

To: Jennifer Haygood, Senior VP for Finance and Administration and CFO

From: Michael T. Byers, Vice Chancellor for Administration and Finance

Date: May 3, 2023

Subject: 2023-24 All-Funds Budget Narrative



Western Carolina University (WCU) has a tradition and culture of transparency and campus-wide involvement in its incremental budget process. We are hopeful that the All-Funds Budget forecast, as a component of our budget process, will become a logical “layer” of an existing process that is very highly valued. Again, this year, the development of this All-Funds Budget forecast has been an exercise in capturing what we need from our existing process and beginning a more deliberate campus-wide engagement in the development of it. We believe that over time, the All-Funds Budget forecast will become an important component of the current, mature WCU budget process.

WCU’s campus budget process for the 2023-24 fiscal year began in the spring of 2022, with the development of planning for 2023-24 Tuition, Fees, Rates and Charges (TFRC). This annual process requires campus units with responsibility or interests in TFRC to communicate their intent regarding proposals/requests with their division head and with the Budget Office. Vetted requests are allowed to be presented in the summer to the Chancellor’s Leadership Council during its annual retreat, where Deans and Department heads provide a presentation on their proposed change and the presenter undergoes a mock BOG presentation. Proposals that survive this process are developed into a slate of proposed changes to TFRC for consideration by the Tuition and Fee Committee (made up of 50% students and 50% faculty and staff) in the fall. This committee makes recommendations to the Chancellor late in the fall for consideration by the Board of Trustees at its November retreat and subsequently at its December regular meeting. If approved by the Board of Trustees, any tuition or fee changes that require approval by the Board of Governors are considered by that body in February/March each year. Thus, tuition, fees rates and charges are set for inclusion in the WCU All-Funds Budget forecast by March each year. The robust vetting of the proposed changes ensures that affordability is at the forefront of these decisions.

WCU’s campus budget process for changes in enrollment funding for the 2023-24 fiscal year began in

fall 2022, as it does each year. This incremental budget process seeks requests for both recurring and non-recurring funds originating at the department level to be communicated to the Budget Office by December 31 each year and are finalized in the spring by each division after a series of open forums. All requests must cite their alignment with the WCU Strategic Plan, including the impact the budget request will have on enrollment, affordability, retention, graduation, risk mitigation, health and safety issues, efficiency, and effectiveness. These division requests are presented at a campus forum by division heads. During these presentations, division heads are expected to report on any reallocation of resources made or planned within the division during the prior or upcoming period. In April, a prioritization exercise is undertaken by campus leadership (Chancellor's Leadership Council and the Budget Advisory Committee) and is intended to be coupled with the incremental requests from the divisions to guide allocation/reallocation decisions by executive leadership in the fall, when legislative action has prescribed enrollment funding. WCU's current and past years' budget process information can be found at budgetprocess.wcu.edu. Although the priorities set by this process, or the forecasted outcomes of legislative action in the upcoming summer, are not considered in the development of the All-Funds Budget forecast, the time spent between the Budget office and the respective units and campus stakeholders in its development has been of value.

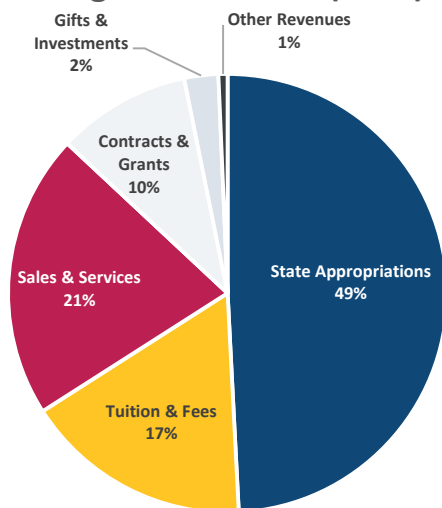
The WCU budget process requires units to tie all budget requests to the WCU Strategic Plan (Honoring Our Promise, 2021) by citing the specific Strategic Direction by number and section. Division heads are required to report each year during their divisional budget forum instances where resources were reallocated from less productive initiatives in favor of more productive initiatives or to keep the cost of an education to the students and taxpayers from escalating. As a matter of emphasis, any employee can have input into the budget request process. The forms on the budget webpage are open for all employees.

Finally, as the highest priorities arise through the budget process, final decisions get viewed through the lens of their impact on credit and risk, including compliance with WCU reserve balance requirements for self-liquidating units.

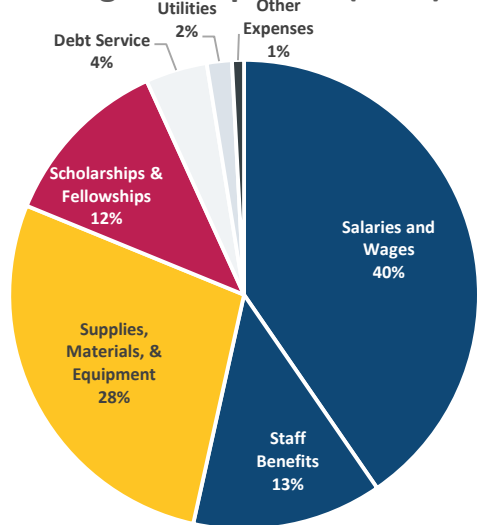
WCU's Board of Trustees approved the attached All Funds Budget forecast at its March 2023 meeting. Please contact me if you have any questions.

Cc: Kelli R. Brown, Chancellor

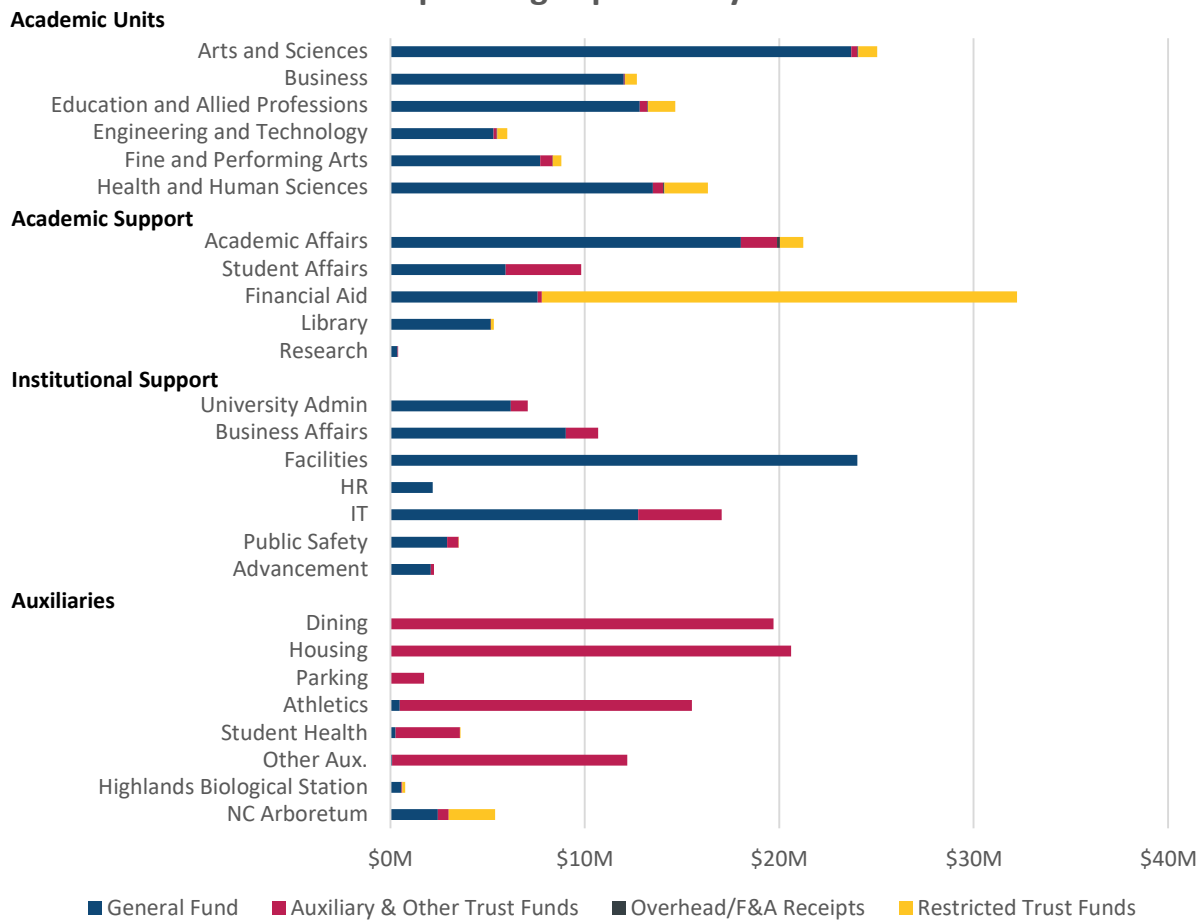
Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit



Western Carolina University
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 151,049,000	\$ -	\$ -	\$ -	\$ 151,049,000
	Tuition & Fees	\$ 23,825,000	\$ 27,642,000	\$ -	\$ -	\$ 51,467,000
	<i>Less Discounts and Allowances</i>	\$ -	\$ -	\$ -	\$ -	\$ -
	Sales & Services	\$ -	\$ 64,543,000	\$ -	\$ -	\$ 64,543,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ -	\$ -	\$ -	\$ 30,255,000	\$ 30,255,000
	Gifts & Investments	\$ -	\$ 5,111,000	\$ -	\$ 2,552,000	\$ 7,663,000
	Other Revenues	\$ 198,000	\$ 1,033,000	\$ 573,000	\$ 263,000	\$ 2,067,000
Revenues Total		\$ 175,072,000	\$ 98,329,000	\$ 573,000	\$ 33,070,000	\$ 307,044,000
Expenses	Salaries and Wages	\$ 96,534,000	\$ 19,299,000	\$ 25,000	\$ 4,883,000	\$ 120,741,000
	Staff Benefits	\$ 31,442,000	\$ 6,445,000	\$ 5,000	\$ 1,179,000	\$ 39,071,000
	Services, Supplies, Materials, & Equip.	\$ 36,123,000	\$ 43,967,000	\$ 285,000	\$ 2,445,000	\$ 82,820,000
	Scholarships & Fellowships	\$ 6,540,000	\$ 4,361,000	\$ -	\$ 25,014,000	\$ 35,915,000
	<i>Less Discounts and Allowances</i>	\$ -	\$ -	\$ -	\$ -	\$ -
	Debt Service	\$ -	\$ 12,707,000	\$ -	\$ -	\$ 12,707,000
	Utilities	\$ 3,595,000	\$ 1,512,000	\$ -	\$ -	\$ 5,107,000
	Other Expenses	\$ 838,000	\$ 557,000	\$ 23,000	\$ 1,062,000	\$ 2,480,000
Expenses Total		\$ 175,072,000	\$ 88,848,000	\$ 338,000	\$ 34,583,000	\$ 298,841,000
Net Transfers		\$ -	\$ 2,153,000	\$ (235,000)	\$ 1,513,000	\$ 3,431,000
Change in Fund Balance			\$ 11,634,000	\$ -	\$ -	\$ 11,634,000

All Funds Budget Narrative

Winston-Salem State University (WSSU) has leveraged the All-Funds Budget process to assess and evaluate where institutional leadership and employees invest financial resources to achieve the outcomes identified in the UNC System's institutional metrics for WSSU and the university's new *WSSU 2030 Unleash the Genius Strategic Plan*.

Student Success (Increase Retention Rates and Four-Year Graduation Rates)

WSSU unofficially adopted the mantra *Where Student Success is Unparalleled*, indicating clearly and explicitly that student success remains at the core of WSSU's new strategic plan and its institutional metrics. Given this focus, WSSU's senior leadership appropriated budgetary resources in the 2023-24 All Funds Budget to improve the institution's first-to-second-year retention rates, second-to-third-year retention rates, and four-year graduation rates. University leaders allocated funding to increase student access to courses during the summer via the *Summer Accelerator* initiative. With this initiative, WSSU will apply funds to pay a percentage of tuition and fees for select students. This program will assist students with credit hour recovery and afford other students the opportunity to advance more aggressively within their curriculum to complete degree requirements earlier than in the traditional four-year period. During the 2023-24 academic year, WSSU leadership will invest in proven partnerships to drive improvements in student success, including a strategic partnership with ReUp Education to focus on adult learner success and the employment of "Resilience Coaches" who support adult learner student engagement, aligning with Theme 1 Access, Goal 1 of the *UNC System Strategic Plan 2022-27*. WSSU leadership will sustain its investment in EAB Navigate, a tool for administrators, faculty, and staff to track the academic success of all undergraduate and graduate students and to provide real-time personalized support services based on monitoring. WSSU leaders will also invest additional financial resources to launch two offices that will drive student success outcomes: (1) an Office of Student Retention and Success that focuses more intentionally on providing support and professional development to employees on leveraging EAB Navigate to collect and analyze data that improve student engagement and student retention initiatives and (2) Office of Inclusion and Belonging that will provide support to diverse students to aid them with their sense of "mattering" and connectedness to the campus community, aiding with the development of their institutional and professional identities.

Improve Undergraduate Degree Efficiency

WSSU senior leadership acknowledges that undergraduate degree efficiency, or the number of undergraduate credentials awarded per 100 Full-Time Equivalent undergraduates, is critical to its student success outcomes. WSSU leadership understands that its employees must implement strategies that assist students in on-time graduation, which aligns with Theme 2 Student Success, Goal 2 of the *UNC System Strategic Plan 2022-27*. Central to this effort is the extent to which the institution invests in its faculty to provide high-quality instruction that assists them with engaging diverse learners. WSSU senior leadership understands that the number of Ds, Fs, Ws, and Incompletes that students earn negatively impacts their on-time degree completion and their finances since they must retake courses to complete their degrees. To that end, WSSU leadership will allocate financial resources to improve faculty instructional quality, investing in faculty instructional delivery by partnering with the Association of College and University Educators (ACUE) on its nationally recognized certification on excellence in online teaching.

Often unspoken in the conversation about undergraduate degree efficiency is the role of institutional leaders, particularly those persons considered "middle management" (e.g., department chairs, directors, deans). These leaders must have the knowledge, skills, courage, and ability to navigate difficult conversations and manage stressful decisions in accordance with policies to ensure the

institutional climate supports student success and degree efficiency. WSSU leadership will intentionally invest in leadership and management training for these individuals to assist with their ability to leverage data to drive difficult conversations, provide effective feedback and coaching to employees, manage employee performance, and emphasize accountability against high expectations. Relatedly, WSSU leadership understands the importance of succession planning; thus, senior leaders will invest in professional development opportunities for select employees to strengthen their leadership acumen, which will assist the university with “deepening its bench.” This strategic approach aligns to Theme 5 Excellent and Diverse Institutions, Goals 11 and 12 of the *UNC System Strategic Plan 2022-27*.

Reduced Average Cumulative Debt and Education and Related Expenses

With respect to reducing the average cumulative debt and education and related expenses for undergraduate students, particularly first-time freshmen, and transfer students, WSSU senior leadership appropriated additional funds toward scholarships and emergency grants, aligning to Theme 3 Affordability and Efficiency, Goal 6 of the *UNC System Strategic Plan 2022-27*. WSSU leadership has invested in scholarship awards for community college transfer students and new first-year students to offset a dependency on loans; moreover, leadership will invest in the First-Day Complete program that will reduce costs for textbooks. WSSU leadership will leverage budgetary resources during the 2023-24 academic year to onboard a new “scholarship matching” platform entitled “Scholarship Universe” that identifies relevant scholarships for students based on their personalized profile. Senior leadership will coordinate ways to provide financial literacy to new students, continuing students, and their families, understanding that greater awareness of financial options among families is a significant way to lower student debt.

Investments in Infrastructure and Facilities

Within the institution’s strategic plan, WSSU leaders are committed to the improvement of the university’s infrastructure. Administrators will make strategic investments into facility and technological upgrades that will facilitate student engagement and promote student learning, which will increase retention rates and undergraduate degree efficiency. Additionally, the university will integrate social gathering spaces into campus buildings to promote community in learning environments to drive persistence and retention rates that will positively impact timely degree completion.

Operational Efficiency

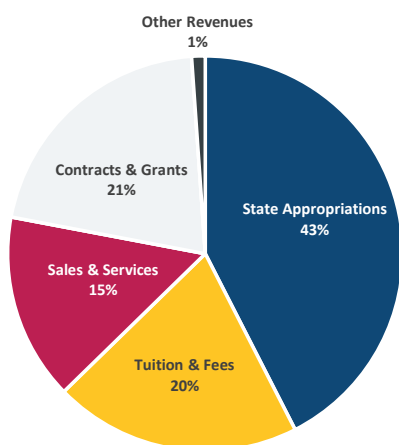
University leaders also seek ways to improve operational efficiency to reduce costs and streamline processes that serve as barriers to student success and promote wasteful spending. As part of the university’s strategic plan, university leaders will evaluate organizational structures to assess where consolidation of offices, units, or departments may yield cost savings. Within Academic Affairs, leadership will convert low producing degree programs to minors or tracks within more enrollment-healthy, relevant degree programs. The university will continue to employ austerity measures to support overall reduction in operational expenses.

Conclusion

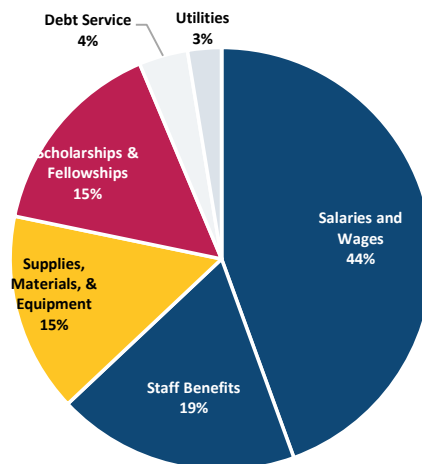
Winston-Salem State University FY24 All-Funds Budget represents a financial plan that aligns our resources to support our mission, strategic plan, and priorities. The budget reflects a balanced and sustainable budget that reflects positive cash flow from auxiliary and trust funds.

The WSSU Board of Trustees met on April 26, 2023, and approved the All-Funds Budget.

Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit

Academic Units

Arts & Sciences
Business and Economics
Education & Human Performance
Health Sciences

Academic Support

Academic Affairs
Student Affairs
Financial Aid
Library
Research

Institutional Support

University Admin
Business Affairs
Facilities
HR
IT
Public Safety
Advancement

Auxiliaries

Dining
Housing
Parking
Athletics
Student Health
Other Aux.

■ General Fund ■ Auxiliary & Other Trust Funds ■ Overhead/F&A Receipts ■ Restricted Trust Funds

Winston-Salem State University
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 69,510,000	\$ -	\$ -	\$ -	\$ 69,510,000
	Tuition & Fees	\$ 21,444,000	\$ 11,625,000	\$ -	\$ -	\$ 33,069,000
	<i>Less Discounts and Allowances</i>	\$ -	\$ -	\$ -	\$ -	\$ -
	Sales & Services	\$ -	\$ 24,983,000	\$ -	\$ -	\$ 24,983,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ -	\$ -	\$ 608,000	\$ 33,620,000	\$ 34,228,000
	Gifts & Investments	\$ -	\$ -	\$ -	\$ -	\$ -
	Other Revenues	\$ 991,000	\$ 843,000	\$ -	\$ -	\$ 1,834,000
Revenues Total		\$ 91,945,000	\$ 37,451,000	\$ 608,000	\$ 33,620,000	\$ 163,624,000
Expenses	Salaries and Wages	\$ 54,250,000	\$ 7,449,000	\$ 31,000	\$ 7,745,000	\$ 69,475,000
	Staff Benefits	\$ 23,352,000	\$ 3,292,000	\$ 10,000	\$ 2,353,000	\$ 29,007,000
	Services, Supplies, Materials, & Equip.	\$ 6,206,000	\$ 12,258,000	\$ 314,000	\$ 5,089,000	\$ 23,867,000
	Scholarships & Fellowships	\$ 4,670,000	\$ 1,000,000	\$ 3,000	\$ 18,433,000	\$ 24,106,000
	<i>Less Discounts and Allowances</i>	\$ -	\$ -	\$ -	\$ -	\$ -
	Debt Service	\$ 680,000	\$ 5,164,000	\$ -	\$ -	\$ 5,844,000
	Utilities	\$ 2,787,000	\$ 1,261,000	\$ -	\$ -	\$ 4,048,000
	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses Total		\$ 91,945,000	\$ 30,424,000	\$ 358,000	\$ 33,620,000	\$ 156,347,000
Net Transfers		\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fund Balance			\$ 7,027,000	\$ 250,000	\$ -	\$ 7,277,000

NCSSM Budget Alignment with Strategic Priorities - FY 2023-24

Approximately 90% of NCSSM's operating budget comes from state appropriations, with the other 10% coming from the NCSSM Foundation, which is an associated entity set up before the school's opening in 1980 to support the institution. Our state appropriated budget is heavily focused on delivering our core mission of providing residential, online, and extended programs for talented students across North Carolina, with the funding provided by our Foundation helping us meet these needs and our strategic goals for improvement.

NCSSM's Strategic Plan – which incorporates our UNC System Strategic Plan goals – drives how we allocate our budget. Our current five-year Strategic Plan has focused on expanding real-world learning opportunities for our students to do significant research and in expanding our curriculum in engineering, computer science, and data science. We have also worked to expand our NCSSM-Online program that now enrolls 490 students from across North Carolina to take a series of NCSSM courses remotely over their junior and senior years of high school while allowing them to remain enrolled in their hometown school. We have been able to use enrollment growth funding to more than double enrollment in our online program over the past five years. We also opened NCSSM's second campus in Morganton in fall 2022 enrolling the first 150 students. Enrollment will expand to 300 residential students in August 2023.

Our plan has also guided the expansion of our extended learning programs, in which we serve non-enrolled students in partnership with schools across North Carolina through our NCSSM Connect Program, which provides high-level STEM synchronous virtual courses to students across North Carolina to augment their home highschool curriculum. Most of our partner schools are in rural parts of our state. We serve more than 500 students annually through the NCSSM-Connect Program. We also offer a variety of STEM-focused summer programs for middle and high school students across our state. Many of these programs target students from demographic groups that are typically underrepresented in STEM fields.

With state funding for NCSSM-Morganton, enrollment growth funding for our distance education programs and private funding, NCSSM's enrollment will have grown from nearly 1,200 students a decade ago to more than 1,900 students in fall 2023.

As we have been growing significantly as an institution over the past five years with the expansion of our online, extended learning, and now residential programs, we have been very mindful of our strategic priorities which are aligned with the UNC System strategic priorities for increasing enrollment of students from Tier 1 and Tier 2 counties as well as underrepresented minority students. As we have expanded our admissions staff related to the opening of our Morganton campus, we have done so mindful of our strategic enrollment priorities. We have also shifted funding to support expanded student advising, counseling, and support programs. We have also received private funding from our NCSSM Foundation to support these initiatives.

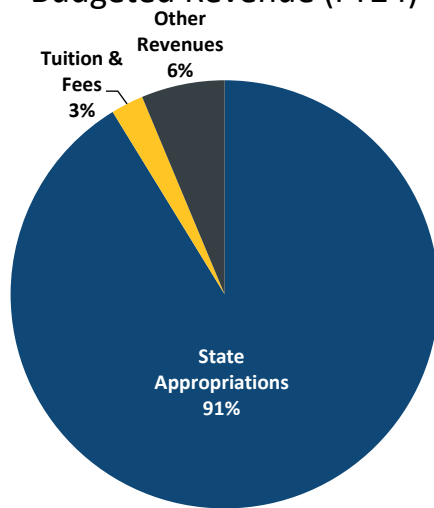
As we have expanded over the past several years we have focused our efforts in making sure that we operate as one institution with multiple campuses and programs. In doing so, we have been very conscious of efficiency in how we will operate one institution across two campuses in very different parts of the state. In particular, we have worked to not increase any senior level administrative positions. All our Vice Chancellors have responsibility for their Division across both campuses and our online and extended programs. We believe that the institutional organization structure we have developed allows us to be both efficient and effective and to operate as one NCSSM.

A very important strategic goal of our Board of Trustees over the past four years is to increase compensation for our employees, so that our institution remains competitive in recruiting and retaining the talented faculty and staff we need to achieve the desired outcomes for students. To achieve our compensation goals, we reprioritized our funding by making reductions in some areas based on programmatic need and shifting funds to support our compensation goals, which included making sure our faculty are compensated at the same levels as those teachers working in the surrounding Wake County, Durham County, and Chapel Hill public school districts and that our SHRA and EHRA employees are compensated at the market rate identified by the state or UNC System for their position. Along with our budget reprioritization, we also received a commitment of funding from our NCSSM Foundation to support this compensation plan. We began implementing our plan in the 2020-21 fiscal year and were able to reach our initial compensation goals in the current fiscal year with the help of the 3.5% LSI. We will continue prioritizing employee compensation in our planning. We will be working with the NCSSM Foundation in the 2023-24 budget process to establish a recruitment, retention, and performance bonus fund to help make sure that we are able to recruit and retain talented faculty and staff.

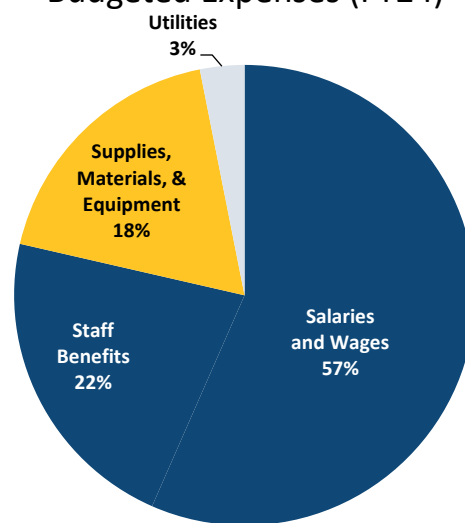
As an institution with very limited funding sources – only state appropriations and private philanthropic funding – we have worked very intentionally to align our resources to meet our core mission and to align with our strategic priorities, which are all focused on how we can best meet our mission of serving talented students across North Carolina and advancing public education in our state. The NCSSM Foundation is in the midst of a multi-year, \$50-million fundraising campaign branded, “Ignite + Transform: Educational Excellence and Opportunity for All of NC,” which along with state funding is helping us extend our reach and impact, as well as build our new campus and improved the facilities on our Durham campus. We believe that NCSSM does a very effective job in accomplishing our mission with the resources at our disposal.

NC School of Science & Math

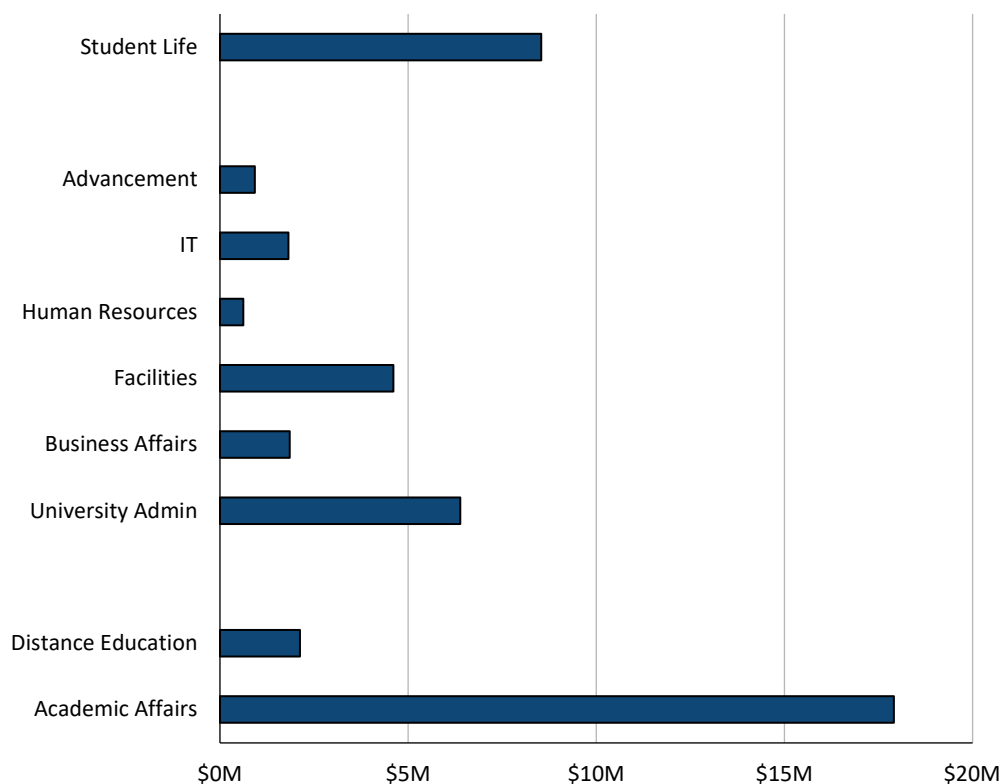
Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit



■ General Fund
 ■ Auxiliary & Other Trust Funds
 ■ Overhead/F&A Receipts
 ■ Restricted Trust Funds

**NC School of Science & Math
FY 2023-24 All-Funds Budget**

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 40,887,000	\$ -	\$ -	\$ -	\$ 40,887,000
	Tuition & Fees	\$ 1,098,000	\$ -	\$ -	\$ -	\$ 1,098,000
	<i>Less Discounts and Allowances</i>	\$ -	\$ -	\$ -	\$ -	\$ -
	Sales & Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ -	\$ -	\$ -	\$ -	\$ -
	Gifts & Investments	\$ -	\$ -	\$ -	\$ -	\$ -
	Other Revenues	\$ 2,823,000	\$ -	\$ -	\$ -	\$ 2,823,000
Revenues Total		\$ 44,808,000	\$ -	\$ -	\$ -	\$ 44,808,000
Expenses	Salaries and Wages	\$ 25,347,000	\$ -	\$ -	\$ -	\$ 25,347,000
	Staff Benefits	\$ 9,863,000	\$ -	\$ -	\$ -	\$ 9,863,000
	Services, Supplies, Materials, & Equip.	\$ 8,200,000	\$ -	\$ -	\$ -	\$ 8,200,000
	Scholarships & Fellowships	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Less Discounts and Allowances</i>	\$ -	\$ -	\$ -	\$ -	\$ -
	Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
	Utilities	\$ 1,400,000	\$ -	\$ -	\$ -	\$ 1,400,000
	Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses Total		\$ 44,810,000	\$ -	\$ -	\$ -	\$ 44,810,000
Net Transfers		\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fund Balance			\$ -	\$ -	\$ -	\$ -

The UNC System Office's mission is to lead and strengthen the state's public universities to serve the people of North Carolina. Home to the offices of the president and senior administrative staff, it achieves this mission by researching, recommending, and executing the policies of the Board of Governors and the initiatives of the president. The UNC System Office also provides an array of services to campuses and administers multiple programs established by legislation. This work guides University-wide leadership in the areas of long-range planning, academic and student affairs, government relations, business and financial management, human resources, information technology, enterprise risk management, and legal affairs.

The System Office also provides financial administration support to PBS North Carolina (PBS NC) and the State Education Assistance Authority (SEAA). PBS NC, an affiliate for the UNC System, is directed by statute to develop, produce, and distribute noncommercial educational television programming through the broadcasting licenses issued to the UNC Board of Governors, and to enhance the uses of television for public purposes. SEAA promotes access to education by administering financial aid and savings programs, informing students and families about paying for education, teaching educators about financial aid administration, and advocating for resources to support students. While SEAA is administratively housed within the UNC System Office, it exercises its statutory powers independently.

We are pleased to present the FY24 System Office All-Funds Budget, which provides a comprehensive and transparent resource allocation plan focused on advancing the University's strategic goals, promoting student affordability, and supporting campus safety and enterprise risk management.

Progress towards System-wide Strategic Goals

The UNC System strategic plan sets ambitious goals for access, student success, and student affordability. The Board of Governors has set measurable targets for the president on these strategic priorities, including on-time graduation and degree efficiency, student debt among bachelor's degree completers, and education and related expenses per degree. Through its budgeting process, the System Office has prioritized resources to support its critical leadership role in driving system-wide progress towards these goals. Specific highlights include:

- **Academic Affairs:** This year's all-funds budget consolidates the System Office's Strategy and Policy and Academic Affairs Divisions in the attached budget to reflect the enhanced alignment and collaboration of these two teams. Staff resources have been prioritized to support key initiatives, such as student mental health, revising faculty-related policies, consolidated enrollment planning, and the System Educational Career Alignment (Deloitte Return on Investment) study. Resources have also been allocated to enhance our oversight of our P-12 initiatives, particularly given the system's leadership role in the Science of Reading. In FY24, the System Office also plans to redeploy resources to strengthen its leadership and expertise on healthcare workforce issues.
- **Student Affordability:** As a result of the UNC Board of Governors' leadership, resident undergraduate tuition has remained flat for seven consecutive years. Tuition, however, is just one component of a student's total cost of attendance. To further promote student affordability, the System Office has allocated resources to support the work of the Pricing, Flexibility, and Affordability Task Force. In FY24, we will develop and promulgate a regulation that establishes a common methodology for calculating Cost of Attendance. In response to concerns about the cost of student health insurance, the System Office is developing an implementation plan for a self-funded student health insurance

program. In the upcoming year the Task Force also plans to study student housing and dining costs and how institutions use those revenues. Finally, we will continue to partner with the State Education Assistance Authority to launch a simplified and consolidated State need-based grant program for public college students.

- **Business Affairs:** Duties within the Finance Division have been restructured to enhance financial management at both the systemwide and System Office levels. Building on recent changes to better align the funding model with our strategic plan goals, the team will continue to monitor the impact of those changes and consider opportunities for further refinement. We will also focus on integrating institutional all-funds budget information with actual financial performance data to strengthen financial management of the system.
- **Operational Efficiency Review and Planning:** The System Office has engaged Deloitte to conduct an Enterprise Resource Planning (ERP) Total Cost of Ownership study to better understand the costs and benefits of a modern, cloud-based IT platform supporting financial and human resource functions at multiple institutions. This analysis will serve as a key input to the overarching strategy for possibly streamlining business processes and modernizing supporting IT systems.

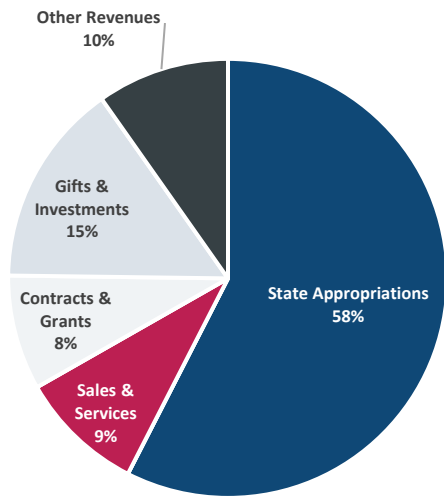
Financial Sustainability and Enterprise Risk Management

The System Office has also used the All-Funds Budget process to validate that its budget is structurally sound and enterprise risks are being addressed. Below are examples of how the System Office is aligning its resources to support enterprise risk management:

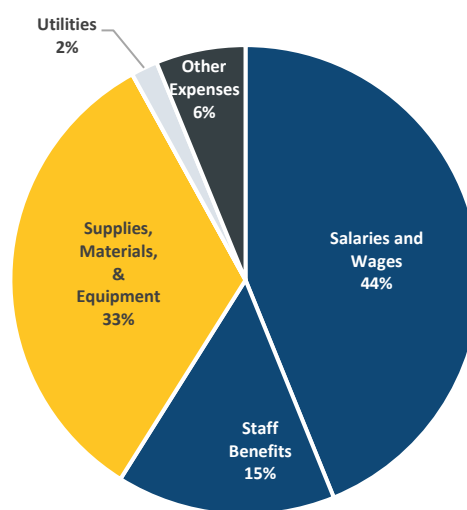
- **Campus Security:** Staffing and equipping the Samarcand law enforcement training center continues to be a top priority, ensuring campuses have training opportunities tailored to meet the unique context of protecting college campuses. The hiring of a full-time training director will enhance services to our institutions in FY24.
- **Enhanced Enterprise Risk Management Leadership:** Staff resources have been reprioritized to establish a position solely dedicated to strengthening enterprise risk management at both the System Office and our institutions.
- **Information Security:** The System Office is working closely with campuses to improve our system's cybersecurity posture. We are launching a centralized vendor risk management program. As our institutions work with an increasing number of vendors that store or transact sensitive data, IT departments are required to evaluate each vendor to ensure that the appropriate security controls are in place. This critical work requires extensive man-hours at every organization, with many struggling to meet demand. This centralized approach will provide more consistent, timely evaluations and minimize duplicative work.
- **Sponsored Program Compliance:** Due to the significant increase in the amount grant activity led by the System Office, our limited overhead receipts have been used to re-establish a dedicated sponsored programs unit. This team will ensure appropriate sub-recipient monitoring and other federal compliance protocols are in place.
- **PBSNC Financial Sustainability:** Launched in FY 2021, PBS North Carolina's comprehensive campaign will continue with a goal of raising \$40 million over the next 10 years to fund education, production, and capital projects. Increased donor support is critical to meeting PBSNC's long-term financial needs.

UNC System Office (including PBS NC)

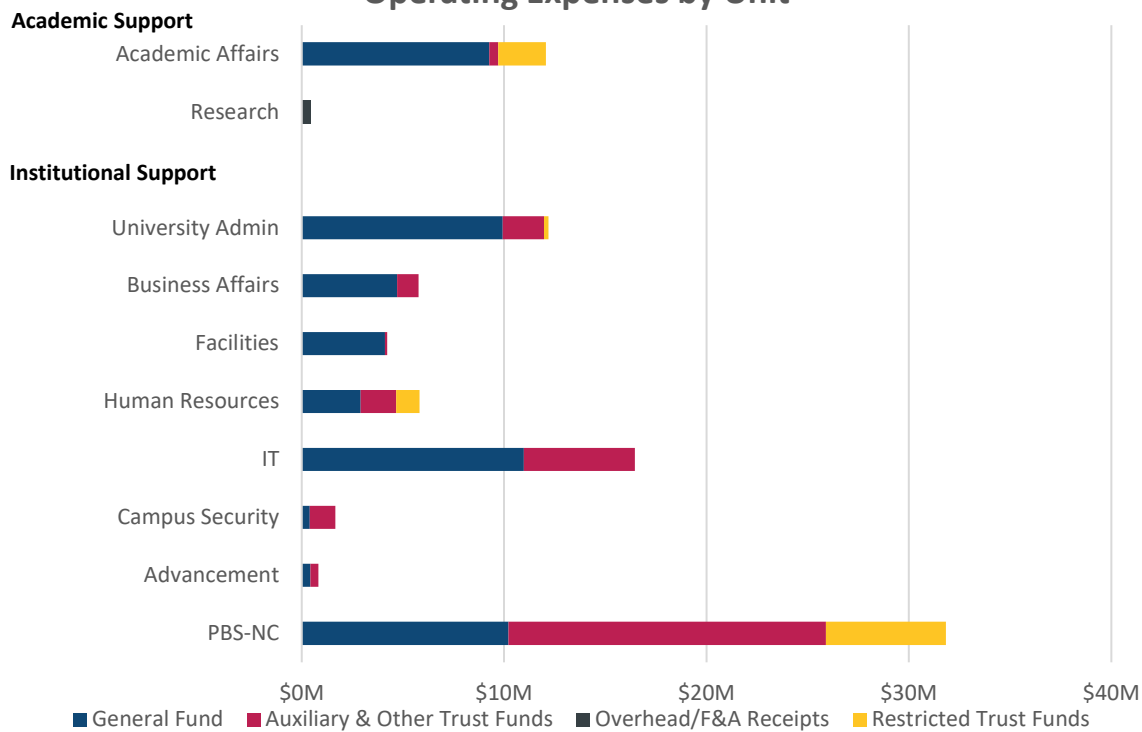
Budgeted Revenue (FY24)



Budgeted Expenses (FY24)



Operating Expenses by Unit



UNC System Office (including PBS NC)
FY 2023-24 All-Funds Budget

		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 47,492,000	\$ -	\$ -	\$ -	\$ 47,492,000
	Tuition & Fees	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Less Discounts and Allowances</i>	\$ -	\$ -	\$ -	\$ -	\$ -
	Sales & Services	\$ 39,000	\$ 5,823,000	\$ -	\$ 1,748,000	\$ 7,610,000
	Patient Services	\$ -	\$ -	\$ -	\$ -	\$ -
	Contracts & Grants	\$ -	\$ 630,000	\$ -	\$ 6,352,000	\$ 6,982,000
	Gifts & Investments	\$ -	\$ 12,400,000	\$ -	\$ -	\$ 12,400,000
	Other Revenues	\$ 3,970,000	\$ 3,736,000	\$ 350,000	\$ -	\$ 8,056,000
Revenues Total		\$ 51,501,000	\$ 22,589,000	\$ 350,000	\$ 8,100,000	\$ 82,540,000
Expenses	Salaries and Wages	\$ 26,914,000	\$ 10,247,000	\$ 277,000	\$ 2,313,000	\$ 39,751,000
	Staff Benefits	\$ 9,424,000	\$ 3,357,000	\$ 111,000	\$ 774,000	\$ 13,666,000
	Services, Supplies, Materials, & Equip	\$ 11,676,000	\$ 11,923,000	\$ 40,000	\$ 6,346,000	\$ 29,985,000
	Scholarships & Fellowships	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Less Discounts and Allowances</i>	\$ -	\$ -	\$ -	\$ -	\$ -
	Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
	Utilities	\$ 1,228,000	\$ 442,000	\$ -	\$ -	\$ 1,670,000
	Other Expenses	\$ 3,750,000	\$ 1,839,000	\$ -	\$ -	\$ 5,589,000
Expenses Total		\$ 52,992,000	\$ 27,808,000	\$ 428,000	\$ 9,433,000	\$ 90,661,000
Net Transfers		\$ 1,652,000	\$ 1,991,000	\$ 3	\$ 1,435,000	\$ 5,078,003
Change in Fund Balance		\$ 161,000	\$ (3,228,000)	\$ (77,997)	\$ 102,000	\$ (3,042,997)

AGENDA ITEM

A-4. FY 2022 UNC System Debt Capacity StudyJennifer Haygood

- Situation:** The University of North Carolina System Office is required to prepare and submit to the North Carolina General Assembly a Debt Capacity Study detailing the System's current debt load and capacity to borrow.
- Background:** G.S. 116D-56 requires the University of North Carolina Board of Governors to annually advise the General Assembly and the Governor on the estimated debt capacity of the UNC System for the upcoming five years. The provision also requires each constituent institution to report current and anticipated debt levels, current bond rating and information about any changes to that rating, information about the institution's debt management policies, and comparisons to peer institutions.
- Assessment:** The System Office has prepared the 2022 UNC System Debt Capacity Study in compliance with G.S. 116D-56. The Study finds that 15 institutions maintain or increase their debt capacity over the five-year study period, 13 institutions have increased their debt capacity compared to last year, and all 16 institutions have maintained or improved at least one of their primary financial ratios since the 2021 study.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.



UNC SYSTEM FY 2022 DEBT CAPACITY STUDY

BOG Committee on Budget and Finance

May 24, 2023

Overview of FY 2022 Debt Capacity Study

UNC System Report

- G.S. 116D-56 requires the Board to advise stakeholders “on the **estimated debt capacity of The University of North Carolina for the upcoming five fiscal years.**”
- The Debt Capacity Study focuses on the following elements:
 - UNC System’s current approach to evaluating debt and the complexity of the credit rating process;
 - Assignment of each institution’s estimated debt capacity over a five-year period; and
 - Recommendations for the use of the Study and suggestions for future improvement.
- 15 institutions maintained or increased their debt capacity over the five-year study period, 13 institutions have increased their debt capacity compared to last year, and all 16 institutions have improved at least one of their primary financial ratios since the 2021 study.

Overview of FY 2022 Debt Capacity Study

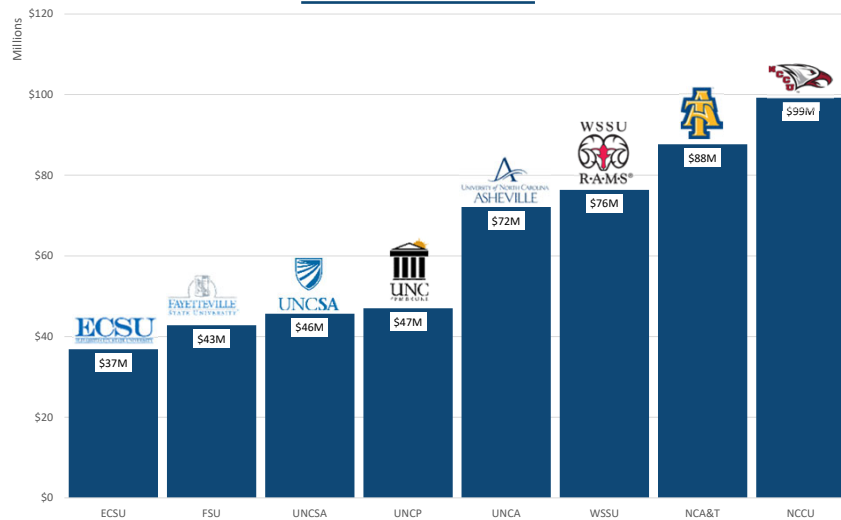
Campus Reports

- Each campus report provides context for the institution's financial model and addresses the legislative requirements.
- Campus reports contain the following components:
 - Overview of recent enrollment trends and other general performance metrics;
 - Explanation of factors considered in setting growth factors;
 - Summary of projected results for the financial model's four financial ratios;
 - Current debt and credit profiles, including details on financed projects, sources of repayment, and recommendations for maintaining or improving the institution's credit rating; and
 - Copy of any existing debt management policy.

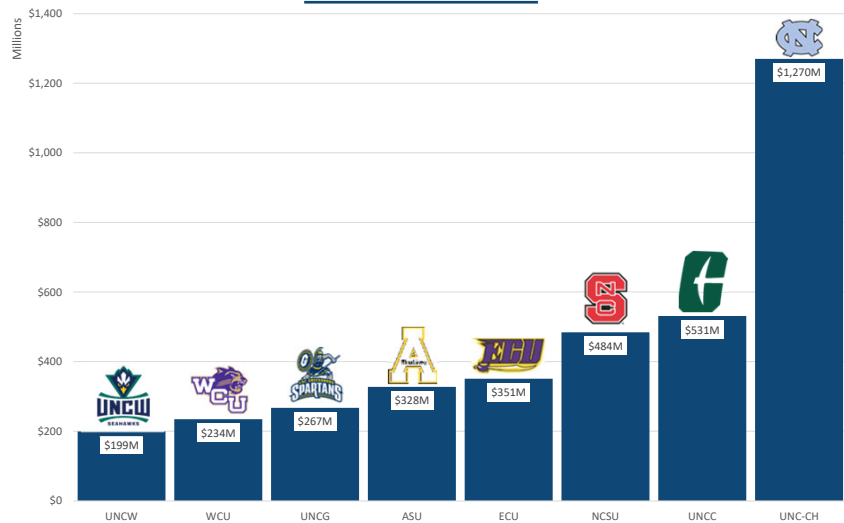
FY 2022 Total Debt by Institution



FY 2022 Total Debt by Institution with < \$100M in Total Debt



FY 2022 Total Debt by Institution with > \$100M in Total Debt



Debt Capacity Basics

- What does “projected debt capacity,” as used in the Study, measure and mean?
 - Calculates debt capacity at the end of the Study Period, assuming each campus issues no additional debt other than financings already approved by the General Assembly
 - Paying down existing debt and projected growth in Available Funds generally lead to an increase in capacity
- Why might the debt capacity of a campus decrease in future years?
 - Issuance of additional debt not already captured in the model
 - Deterioration in factors incorporated in Available Funds calculation (lower enrollment growth, lower earnings on endowment investments, reduced auxiliary revenues, etc.)

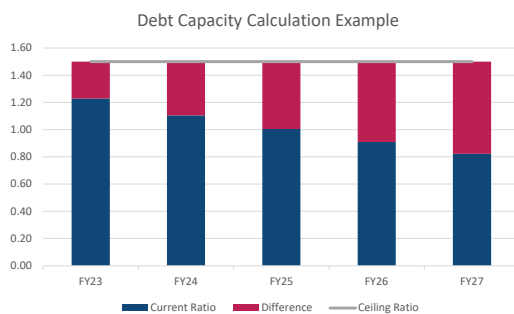
How is Debt Capacity Calculated?

Step 1: Total Debt / Obligated Resources = Current Ratio

ASU Example: \$330,039,671 / \$268,451,531 = 1.23

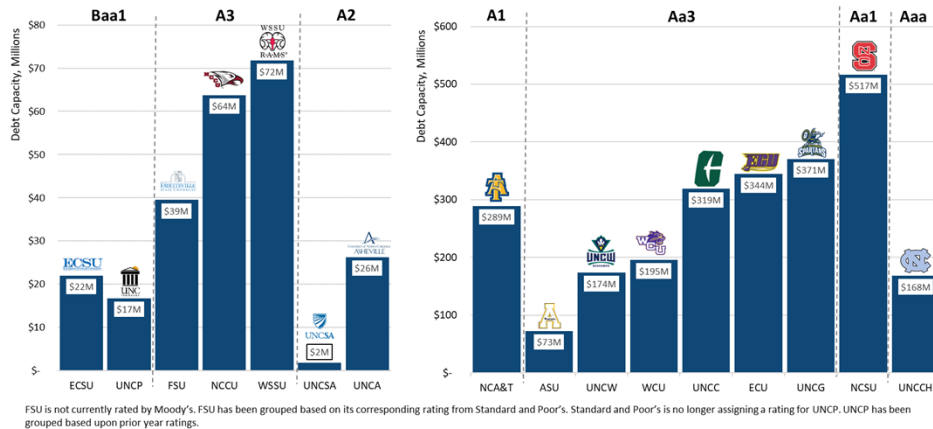
Step 2: (Ceiling Ratio – Current Ratio) * Obligated Resources = Debt Capacity

ASU Example: (1.50 – 1.23) * \$268,451,531 = \$72,637,626

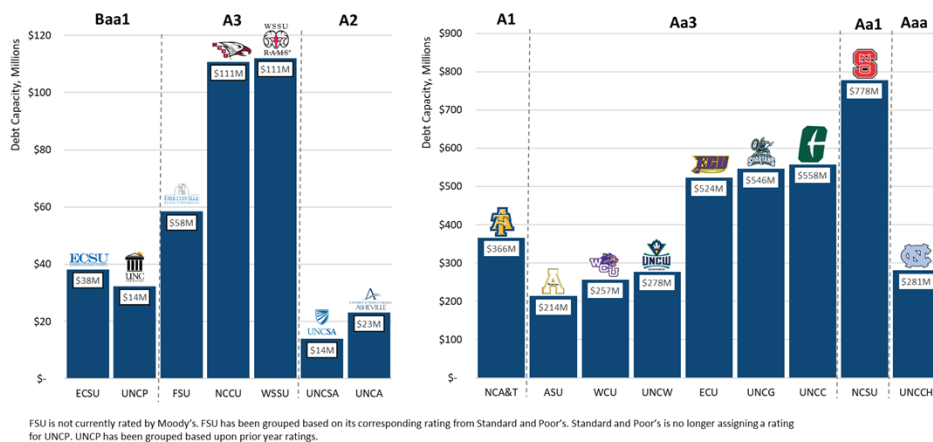


Debt Capacity represents the difference between the current ratio (blue bar) and the ceiling ratio (grey line)

Debt Capacity in FY 2023

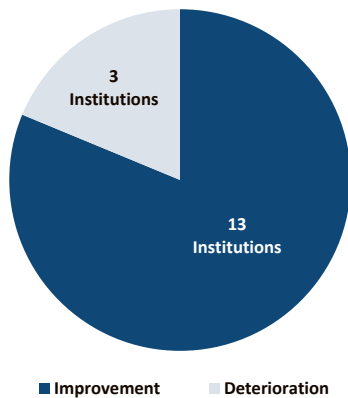


Projected Debt Capacity in FY 2027



Campus Debt Capacity Trends

Debt Capacity vs. FY 2021 Study



Breakdown of Debt Capacity Decreases

- Debt capacity can change when institutions issue new debt for capital projects, obligated resources decline, or institutions change their policy ratios.
- ASU, UNC-CH, and UNCP's debt capacity declined but all are planning debt issuances during the study period.
 - ASU: \$20.5M for a parking deck
 - UNC-CH: \$330M for six different projects
 - UNCP: \$7.8M for a baseball/softball field

11

Comparison of Campus Ratios: FY21 to FY22

Institution	Debt to Obligated Resources	5-Year Payout Ratio	Debt Service to Operating Expenses
ASU	1.23	26%	5.43%
ECU	0.62	23%	2.56%
ECSU	1.4	21%	2.22%
FSU	1.02	19%	2.19%
N.C. A&T	0.4	17%	1.62%
NCCU	1.19	26%	3.07%
NCSU	0.59	25%	2.31%
UNCA	1.45	22%	5.09%
UNCCH	0.44	16%	2.06%
UNCC	1.08	22%	5.70%
UNCG	1.01	32%	5.39%
UNCP	1.46	33%	2.37%
UNCW	0.91	27%	4.88%
UNCSA	1.44	11%	3.42%
WCU	0.97	17%	5.40%
WSSU	1.51	26%	3.72%

Improvement from prior year

Decline from prior year

No change from prior year



Observations

- Every institution improved in at least one category.
- 10 institutions improved in all three of the primary ratios.
- 5-Year Payout Ratio saw the most improvements from FY 2021.

12

Campus Credit Ratings Used in the Study

Institution	Moody's	S&P	Fitch
ASU	Aa3		
ECSU	Baa1		
ECU	Aa3	AA-	
FSU		A-	A
NC A&T	A1		AA-
NCCU	A3		
NC State	Aa1	AA	
UNCA	A2		
UNC-CH	Aaa	AAA	AAA
UNCC	Aa3	A+	
UNCG	Aa3	A+	
UNCP		A-	
UNCSA	A2		
UNCW	Aa3		
WCU	Aa3		
WSSU	A3	A-	

Observations

- Moody's upgraded ECSU's credit rating in July 2022 from Baa2 to Baa1 with a stable outlook.
- S&P upgraded FSU's credit rating in November 2022 from BBB+ to A- with a stable outlook.
- S&P upgraded WSSU's credit rating in December 2022 from BBB+ to A- with a stable outlook.
- S&P upgraded UNCC's outlook from Stable to Positive in December 2022.



THE UNIVERSITY OF
NORTH CAROLINA SYSTEM

Note: S&P is no longer providing a credit rating for UNCP's general revenue bonds. UNCP's A- rating is based on its rating from 2020 on its 2006B Pool Bonds that have since been retired.

THANK YOU

CONNECT



www.northcarolina.edu



[uncsystem](https://www.facebook.com/uncsystem)



[@UNC_system](https://twitter.com/UNC_system)



[@UNC_system](https://www.instagram.com/UNC_system)

QUESTIONS?

CONNECT  www.northcarolina.edu  [uncsystem](https://www.facebook.com/uncsystem)  [@UNC_system](https://twitter.com/UNC_system)  [@UNC_system](https://www.instagram.com/UNC_system)



**THE
UNIVERSITY OF
NORTH CAROLINA
SYSTEM**

FY 2022 UNC System Debt Capacity Study

May 24, 2023

Table of Contents

FY 2021-22 Debt Capacity Study	1
Recommendations	5
Appendix A: Key Definitions	8
Appendix B: Overview of UNC System Debt	9
Appendix C: Study Methodology and Background	10
Appendix D: Reports from Constituent Institutions	144

FY 2021-22 Debt Capacity Study

Purpose of the Study

S.L. 2015-97 added a new Article 5 to Chapter 116D of the General Statutes of North Carolina (the “**Act**”), requiring each constituent institution (collectively, the “**Institutions**”) of The University of North Carolina (the “**University**”) to provide the University of North Carolina Board of Governors (the “**Board**”) with an annual report on its current and anticipated debt levels. The Act requires that the University, in turn, submit to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the State Treasurer, and The University of North Carolina System (the “**UNC System Office**”) an annual study incorporating each Institution Report.

This report (the “**Study**”) has been developed to address the Act’s mandate to advise stakeholders “on the estimated debt capacity of The University of North Carolina for the upcoming five fiscal years” and establish “guidelines for evaluating the University’s debt burden.”

The Act also requires the Board to submit a uniform report from each institution regarding its debt burden and anticipated debt levels, in addition to other data and information related to each institution’s fiscal management. Those Institution Reports are attached to the Study as **Appendix D**.

Methodology Used

Since the Act defines “debt” for the purposes of the Study to exclude debt serviced with “funds appropriated from the General Fund of the State,” the Study primarily focuses on special obligation bonds issued under Article 3 of Chapter 116D (“**special obligation bonds**” or “**general revenue bonds**”), millennial campus bonds issued under Article 21B of Chapter 116, and other long-term debt issued on behalf of each institution to finance various capital facilities, including housing and other enterprise projects.

N.C. General Statute §116D-26(a) prohibits using the obligated resources of one institution to secure the debt of another institution, meaning the University has no debt capacity independent of its constituent institutions’ individual ability to issue debt. The Study does not, therefore, aggregate each institution’s individual debt levels and obligated resources to derive a Systemwide debt capacity metric. Instead, the Study offers a comprehensive review of each institution’s debt capacity using the guidelines presented in the Act, which the UNC System Office has presented in detail in the Institution Reports included as part of **Appendix D**.

The Act expressly requires the University to establish guidelines for two ratios—**debt to obligated resources** and a **five-year payout ratio**. The Study also includes a ratio that is more widely used to measure a public university’s debt burden—**debt service to operating expenses**. For more details on the ratios, see the information under the caption “Description of Ratios” on the following page.

The Study is based on a financial model that has been developed to measure three ratios on a pro forma basis over the next five years (the “**Study Period**”). Recognizing the wide diversity in enrollment, funding sources, and missions across each institution, the UNC System has worked with each institution to establish tailored and meaningful target policies for its respective ratios.

While an institution’s ultimate debt capacity is affected by numerous quantitative and qualitative factors, for the purposes of the Study, “estimated debt capacity” is defined as the maximum amount of debt each institution could issue without exceeding its ceiling ratio for debt to obligated resources in any single year of the study period.

Description of Ratios

The model considers the following three ratios:

Statutory Ratios

Ratio	Explanation	Commentary
Debt to Obligated Resources	Compares each institution's outstanding debt to the funds legally available to service its debt	<ul style="list-style-type: none"> Provides a general indication of an institution's ability to repay debt from wealth that can be accessed over time Tied to the statutory framework for institution debt, so ratio is not used outside the State
Five-Year Payout	Measures the percentage of each institution's debt to be retired within the subsequent five year period	<ul style="list-style-type: none"> Indicates how rapidly an institution's debt is amortizing and how much additional debt capacity may be created in the near term Five year horizon is not widely used

Supplementary Ratio

Ratio	Explanation	Commentary
Debt Service to Operations	Measures debt service burden as a percentage of each institution's total operating expenses	<ul style="list-style-type: none"> Indicates an institution's operating flexibility to finance existing requirements and new initiatives Uses expenses rather than revenues because expenses tend to be more stable year-over-year Permits comparison to peers outside the State

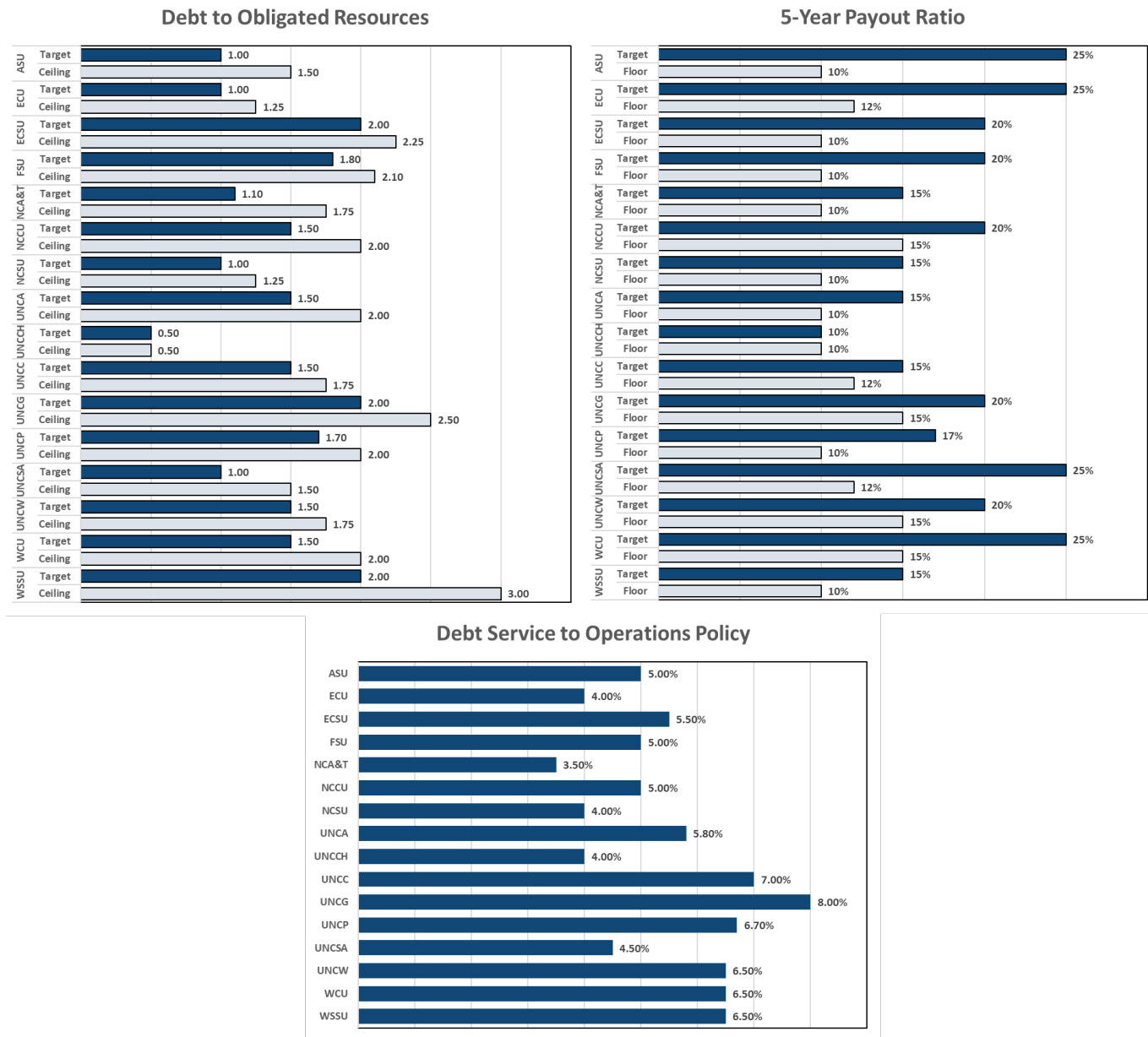
The first two ratios—**debt to obligated resources** and **five-year payout**—are mandated by the Act. While the ratios provide useful snapshots of each institution's debt profile and fiscal condition, the two ratios are not used outside of North Carolina. To provide additional data points and peer comparisons, the Study tracks an additional ratio—**debt service to operations**.

Note that the Study uses each institution's "Available Funds" as a proxy for its obligated resources. "Available Funds" is reported publicly by each institution with outstanding general revenue bond debt and reflects how Article 3's "obligated resources" concept has been translated into the bond documentation governing each institution's general revenue bonds. The two concepts are identical for most institutions, but to the extent there is any discrepancy, "Available Funds" will produce a lower, more conservative figure.

See **Appendix A** for more information on the ratios and the definitions for related terms.

Overview of Target and Policy Ratios

For the two statutorily-required ratios—**debt to obligated resources** and the **five-year payout ratio**—each institution has set both a target ratio and a floor or ceiling policy, as applicable. The target and policy ratios are summarized below. See **Appendix C** for more information on the methodology each institution used in setting its target and policy ratios.

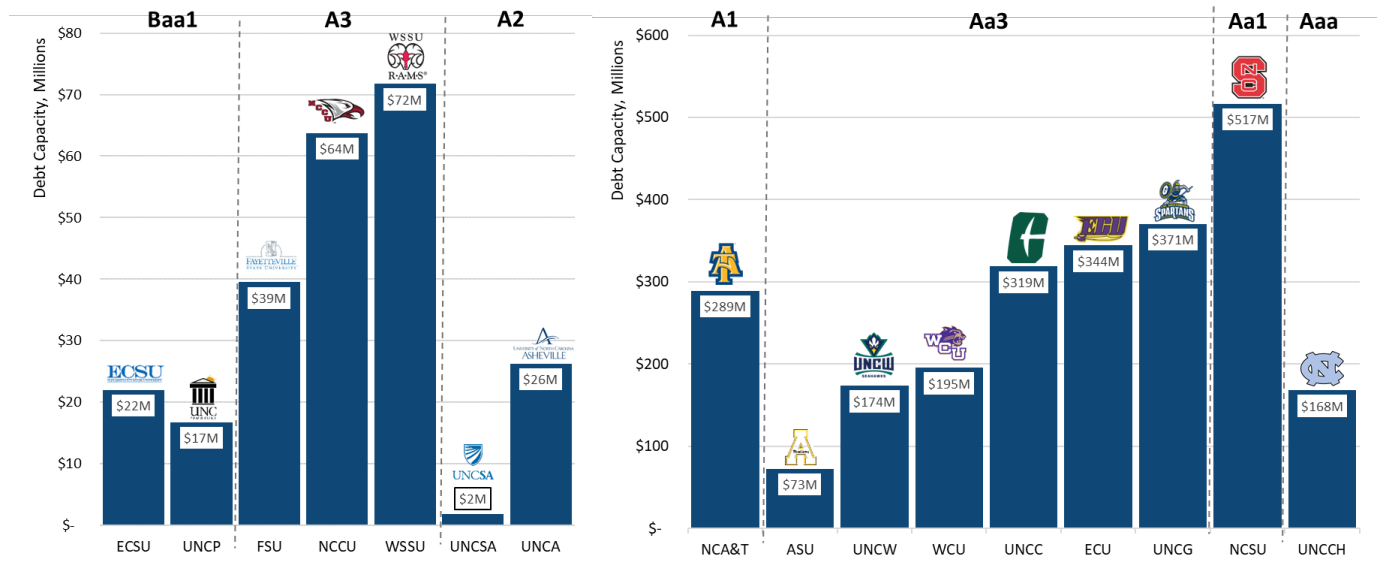


Conclusions

The following table summarizes the **current debt capacity** of each institution as defined for the purposes of the Study. The numbers in the table reflect **the maximum amount of debt each institution could issue in fiscal year 2023** without exceeding its ceiling ratio for **debt to obligated resources** during any year of the Study Period, after

taking into account any approved future projects. The approved future projects for each institution, if any, are detailed in its report included as part of **Appendix D**.

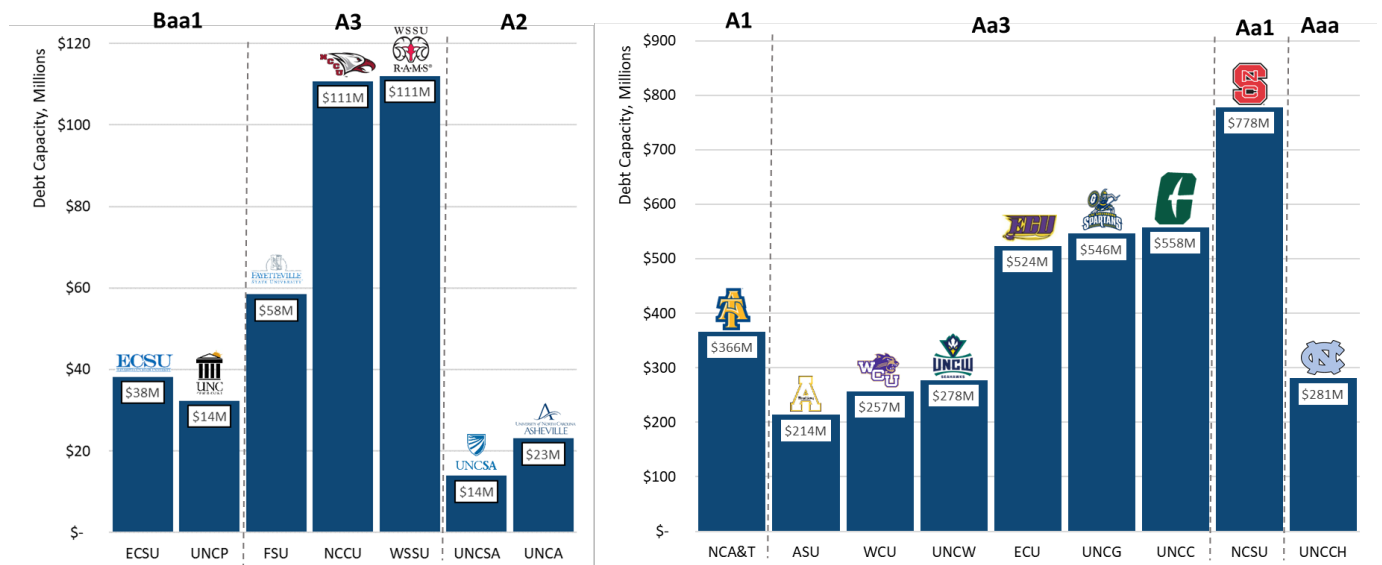
Current Debt Capacity Across the System (2023)



FSU is not currently rated by Moody's. FSU has been grouped based on its corresponding rating from Standard and Poor's. Standard and Poor's is no longer assigning a rating for UNCP. UNCP has been grouped based upon prior year ratings.

Generally, debt capacity for each institution will grow over the course of the Study Period as enrollment and obligated resources increases. The table below summarizes each institution's **projected debt capacity for fiscal year 2027**, assuming it issued no debt (other than debt to finance any approved future projects) until the last year of the Study Period.

Projected Debt Capacity Across the System (2027)



FSU is not currently rated by Moody's. FSU has been grouped based on its corresponding rating from Standard and Poor's. Standard and Poor's is no longer assigning a rating for UNCP. UNCP has been grouped based upon prior year ratings.

The range of capacities reflects the diversity among the institutions, each with its own strengths, challenges, and mission. The Study reflects the general health and proactive management of each institution's balance sheet, much of which is attributable to the State's history of strong support for the University and its institutions. The general growth in capacity over the course of the Study Period indicates relatively rapid amortization rates for most institutions.

A small handful of institutions are facing significant headwinds in terms of enrollment and revenue growth, which is reflected in their debt capacity results. For those institutions, improving debt capacity alone may not be a priority; instead, their debt capacity will improve as they continue to work with the UNC System Office to implement new strategies and policies to meet their unique challenges. Due to the uncertain inflationary environment, the study uses the average inflation over the past three years for FY 2022-23 and FY 2023-24 and the average inflation over the past five years for FY 2024-25 through FY 2026-27. Each institution was given the option, however, to adjust the growth factor for each of the model components based on its reasonable expectations for its performance over the Study Period. Any growth rate adjustment, along with the factors considered in making the adjustment, is described in the individual Institution Reports attached as **Appendix D**.

While the Study provides useful insight into the overall fiscal position and capital needs of each institution, policymakers and other stakeholders identify trends and challenges facing each institution and the University over time, the Study also underscores the unique nature of public higher education debt and the value of the UNC System's centralized support and oversight. **The Study's emphasis on aggregate debt and asset levels is valuable, but the current approval process, which is predicated on a collaborative, project-by-project analysis of tailored cost estimates and project-specific sources of repayment, should continue to drive decision-making with respect to any proposed project.**

Recommendations

Recommended Use of the Study

Since the Study is framed broadly to accommodate the complexity and diversity of each institution's mission, business model, size, and infrastructure needs, the Study should be used as a general assessment of each institution's overall fiscal position and to help institutions, policymakers, and other stakeholders identify trends and challenges facing each institution and the UNC System over time. Like any other management tool, the Study is not intended as a substitute for the considered judgment of institution leadership, the UNC System, the Board, or the General Assembly. An institution may be better served, for example, foregoing a project when it has significant debt capacity or pursuing a financing even if doing so would cause the institution to exceed one of its stated target ratios.

While the Study will help policymakers and stakeholders determine when additional scrutiny for a project may be warranted to ensure institutions are deploying debt prudently and strategically, institution debt policies and the University's debt approval process—which is predicated on a project-by-project analysis of tailored cost estimates and identified sources of repayment—should continue to drive decision-making with respect to any proposed project.

The graphic below summarizes how the Study is intended to be integrated into a comprehensive debt management framework that includes each institution's debt policy and the University's debt approval process.

Annual Debt Capacity Study

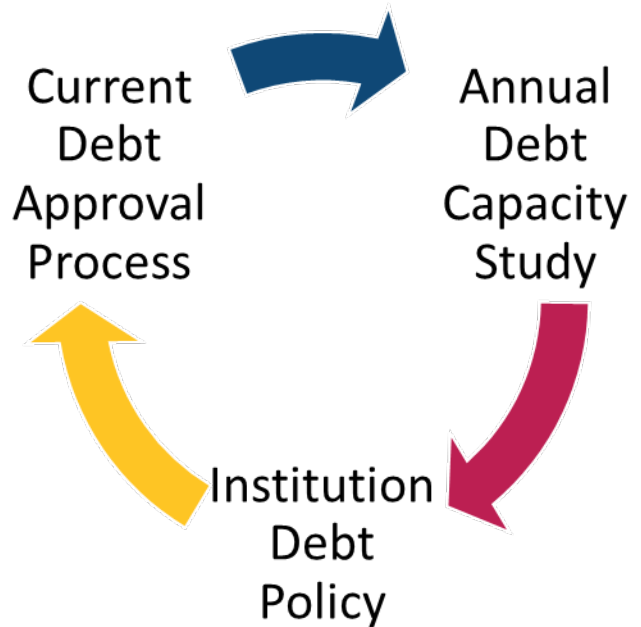
- Provides a snapshot of each institution's current estimated debt capacity
- May indicate when a proposed project requires heightened scrutiny
- Updated annually to reflect newly approved debt and the institution's latest financial results and projects

Institution Debt Policy

- Clarifies each institution's strategic approach to debt and its capital investment needs
- Establishes criteria for evaluating projects and approving debt, including benchmarks to measure prudent debt levels

Current Debt Approval Process

- Evaluates each proposed project's affordability based on identified sources of repayment and projected impact on student cost
- Uses estimated debt capacity results to assess strategic value of proposed projects in light of an institution's overall debt burden, mission, and needs

**Use and Impact of Project-Based Financing Structures**

Project-based financing structures—i.e., debt obligations payable solely or primarily from the financed project's revenues (collectively, "**Project Financings**")—have been used effectively throughout the State for many years. Institutions have structured their Project Financings using both their affiliate support organizations (collectively, "**Foundation Financings**") and unaffiliated, tax-exempt organizations (collectively, "**Privatized Financings**"). Many Project Financings have been structured with the support of master lease arrangements with the institutions (collectively, "**University-Supported Project Financings**"), while others have been structured so that the institutions have no obligation to repay any associated debt (collectively, "**Nonrecourse Project Financings**").

Since project revenues in Nonrecourse Project Financings accrue to the project owner and not the institution, Nonrecourse Project Financings are not payable from the obligated resources of an institution and have therefore been **excluded** from the Study's debt capacity calculations. Ratings agencies do consider these financings in their credit assessments, which can lead to a disconnect between the numbers in the study and those published by the ratings agencies. By contrast, State-Supported Project Financings, which are supported by the institution's obligated resources, **are included** in the Study's debt capacity calculations.

Over the past couple years, several institutions have entered (or have obtained approval to enter into) large-scale Project Financings for new, on-campus housing facilities. Each of those transactions has been structured as Nonrecourse Project Financings, so those debt instruments are **not** included in the Study's debt capacity calculations. The rating agencies have made it clear, however, that they will be more likely to include Nonrecourse Project Financings in their institution leverage metrics for on-campus housing, even if the institution has no legal

obligation to repay the debt. Thus, the use of Nonrecourse Project Financing structures may reduce the debt capacity of an institution in the eyes of the rating agencies.

The UNC System Office has developed guidelines for the prudent use of Project Financing structures and will continue to work with the institutions and other stakeholders in State government to ensure Project Financing structures are used strategically and in keeping with the UNC System's mandate to provide access to the benefits of the University at the lowest practicable cost.

2023 Moody's Outlook for Higher Education

Moody's revised its outlook for the higher education sector from stable to negative in its December 2022 report. The sector outlook "reflects (Moody's) view of credit fundamentals in the US higher education sector over the next 12 months." The primary reason for Moody's negative outlook for 2023 is they anticipate operating revenue growth will lag inflation by approximately 1 percent to 3 percent in the US higher education sector.

Moody's cites high inflation, a tight labor market, and a return to in-person classes as driving expenses higher. Universities are facing multiple potential decreases in operating revenue due to weak net tuition growth, lower student demand, and the end of federal pandemic aid. Larger universities with diverse revenue streams and wealthy institutions with strong student demand are best positioned to remain financially sound in the high inflationary environment.

Since June 30, 2022, Moody's upgraded ECSU's general revenue bonds from Baa2 to Baa1. During this same period, S&P upgraded FSU and WSSU from BBB+ to A- and gave both institutions a stable outlook. S&P also upgraded UNCC's outlook from Stable to Positive in December 2022. Moody's affirmed NCSU Aa1 rating and stable outlook, Appalachian's Aa3 rating and stable outlook, and NCCU's A3 rating and stable outlook. Earlier in January 2022, Moody's downgraded UNC Asheville's general revenue bonds from A1 to A2.

Appendix A: Key Definitions

Debt: Debt incurred under Chapter 116D or Article 21B of Chapter 116 of the North Carolina General Statutes or any other debt that will be serviced with funds available to the institutions from gifts, grants, receipts, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including debt that will be serviced with funds from the General Fund of the State. "Debt" does not include project-based financing structures that are nonrecourse to the institutions.

Obligated Resources: Any sources of income or receipts of the Board of Governors or the institution at which a special obligation bond project is or will be located that are designated by the Board as the security and source of payment for bonds issued under this Article to finance a special obligation bond project, including, without limitation, any of the following:

- a. Rents, charges, or fees to be derived by the Board of Governors or the institution from any activities conducted at the institution.
- b. Earnings on the investment of the endowment fund of the institution at which a special obligation project will be located, to the extent that the use of the earnings will not violate any lawful condition placed by the donor upon the part of the endowment fund that generates the investment earnings.
- c. Funds to be received under a contract or a grant agreement, including "overhead costs reimbursement" under a grant agreement, entered into by the Board of Governors or the institution to the extent the use of the funds is not restricted by the terms of the contract or grant agreement, or the use of the funds as provided in this Article does not violate the restriction.
- d. Funds appropriated from the General Fund to the Board of Governors on behalf of a constituent institution for utilities of the institution that constitute energy savings as that term is defined in G.S. 143-64.17.

Generally, obligated resources do not include funds appropriated to the Board of Governors or the institution from the General Fund by the General Assembly from funds derived from general tax and other revenues of the State, and obligated resources do not include tuition payment by students.

5-Year Payout Ratio: Percentage of each institution's long-term debt scheduled to be retired during the succeeding five-year period.

Debt Service to Operations: Ratio that measures an institution's debt service burden as a percentage of its total expenses. Ratio uses aggregate operating expenses as opposed to operating revenues since expenses are generally more stable. Operating Expenses also include an adjustment for any non-cash charge relating to the implementation of GASB 68 and 75.

Debt Service to Operations = (Annual Debt Service) / (Total Operating Expenses)

Appendix B: Overview of UNC System Debt

Most debt within the scope of the Study is comprised of special obligation bonds issued by the Board on behalf of each institution in accordance with Article 3 of Chapter 116D of the General Statutes of North Carolina, as amended (“**Article 3**”). Institutions may use special obligation bonds (or “**general revenue bonds**,” as they are commonly called) to finance any capital facility located at the campus that supports the institution’s mission, but only if the Board has specifically designated the project as a “special obligation bond project” in accordance with Article 3.

Article 3 contains procedural safeguards to ensure the thoughtful use of special obligation bonds. For example, before any general revenue bonds are issued, Article 3 requires the approval of the institution’s board of trustees, the Board of Governors, the General Assembly, and the director of the Budget (in consultation, if necessary, with the Joint Legislative Commission on Governmental Operations).

As part of its approval, the Board of Governors must (1) designate the proposed project as a “special obligation bond project” and the obligated resources that will serve as the source of repayment for the proposed bonds and (2) establish that sufficient obligated resources are reasonably expected to be available to service the proposed bonds. In its report to the General Assembly seeking approval for a proposed Article 3 project, the Board must provide details regarding the project need, expected project costs, expected increases in operating costs following completion (including any contemplated impact on student costs), estimated debt service and the sources and amounts of obligated resources to be used to repay the debt.

Although Article 3 focuses on an institution’s obligated resources in the aggregate, as a practical matter, the plan of finance for each proposed project is evaluated on a standalone basis. **If an institution is unable to demonstrate that existing or future revenues associated with a project are sufficient to service the proposed debt, then the financing will generally not move forward unless the project is redesigned to a sustainable and appropriate scale.** Those project-specific revenues may take the form of enterprise system revenues (such as dormitory or dining system revenues) or other dedicated revenue sources (such as capital campaign donations or student fees). Institution debt issued under other legislative authority, including student housing revenue bonds under Article 19 of Chapter 116D, is also subject to procedural safeguards and are evaluated on a project-by-project basis.

This slight disconnect between the statutory framework for evaluating debt capacity—with its focus on affordability relative to each institution’s aggregate obligated resources—and the practical manner in which projects are evaluated and approved—with its focus on an individual project’s affordability based on a specific source of repayment—means that the Study presents an inherently conservative picture of each institution’s debt capacity. While the model’s inherent conservatism encourages prudent planning, the Study’s limitations in evaluating the affordability of any single campus project should be noted.

Unlike the State of North Carolina’s debt capacity study, for example, where future debt service is paid out of well-defined and relatively predictable revenue streams, campus projects may be financed through a variety of revenue sources, none of which is easily modeled on a pro forma basis at the aggregate obligated resources level. In addition, the Act establishes a target ratio that compares aggregate debt (which will increase immediately by the full amount of the debt once issued) to obligated resources (which will increase incrementally over time). This means that any new financing will generally reduce the institution’s debt capacity as reflected in the Study, even if the new project would be entirely supported by new revenues that would not exist but for the project.

None of the institution debt included in the Study affects the State of North Carolina’s debt capacity or credit rating. Such obligations are payable only from the applicable institution’s obligated resources (or other pledged revenues) and do not constitute a debt or liability of the State or a pledge of the State’s full faith and credit.

Appendix C: Study Methodology and Background

Overview of Strategic Debt Management and Credit Assessment

The prudent use of debt, in service of each institution's mission, provides several strategic benefits:

- **Achieving intergenerational equity** – Most capital projects will benefit students for decades. Financing a portion of each institution's planned capital investments enables each institution to better align the benefits and financial burdens across multiple generations.
- **Enhancing effectiveness** – An institution may use debt to invest in transformative projects on an accelerated schedule, permitting the institution to leverage its resources to better scale its programs, serve its stakeholders and meet its mandated mission.
- **Imposing discipline** – Debt can be used to clarify priorities and reduce other spending that may crowd-out investments necessary for the institution's long-term health.

Burdensome debt levels, however, can undermine an institution's effectiveness and viability. Debt may diminish the future operational flexibility of an institution and may limit its ability to adapt to developments and trends in the marketplace. In the worst instances, debt levels may hasten the decline of an institution, creating a downward spiral that exerts ever-increasing pressure on its balance sheet.

Each institution's credit rating (for those with rated debt) serves as a general barometer of how the rating agencies view the institution's financial strength and its debt management practices, which, in turn, informs the institution's reputation in the capital markets. In assessing a public university's creditworthiness, rating agencies generally consider broad categories of factors. In August 2021, Moody's Investors Service ("**Moody's**") updated its rating methodology and approach to assess credit risks of public and private universities. The table below summarizes the updated factors that Moody's considers as part of its "scorecard" which guides its credit profile analysis in the higher education sector:

Primary Factors					
Scale	Market Profile	Operating Performance	Financial Resources and Liquidity	Leverage and Coverage	Financial Policy
15%	20%	10%	25%	20%	10%
Sub-factors					
<i>Adjusted Operating Revenue</i> 15%	<i>Brand and Strategic Positioning</i> 10% <i>Operating Environment</i> 10%	<i>Earnings Before Interest, Depreciation, and Amortization (EBIDA) Margin</i> 10%	<i>Total Cash and Investments</i> 10% <i>Total Cash and Investments / Operating Expenses</i> 15%	<i>Total Cash and Investments / Total Adjusted Debt</i> 10% <i>Annual Debt Service Coverage</i> 10%	N/A
+					
Other Considerations		Instrument Considerations		Cross-Sector Methodologies	
=					
Assigned Ratings					

The Study focuses on Moody's methodology, as it rates nearly all the institutions.

As part of their criteria, the rating agencies give significant weight to various qualitative factors, such as the strength of the institution's leadership, the quality and responsiveness of its long-range planning, and the role of any centralized oversight. In a rating report issued in February of 2016 in connection with an institution bond offering, for example, Moody's noted that the institution **"benefits from being part of the UNC System, which has a demonstrated history of strong oversight of member institutions"** and listed the institution's **"generous operating and capital support from the State of North Carolina"** as a primary credit strength.

For several reasons, the Study has not attempted to tie "debt capacity" to the predicted impact any new debt may have on an institution's credit rating. First, each institution's mission and strategic planning should drive its debt management decisions, not the rating agencies' outside assessment of the institution's credit profile. Managing an institution's operations solely to achieve a certain credit rating may distort strategic objectives and lead to unintended consequences. As Moody's states in its current Rating Methodology for Global Higher Education (dated November 23, 2015):

"Strategic positioning depends on effective short- and long-range planning, consistent self-assessment and benchmarking, and ongoing monitoring and accountability. ... Determining the appropriate level of investment is a significant challenge, as too little investment can result in a gradual loss of student demand, research funding, or philanthropy if donors feel that the university is in decline. Overinvesting can saddle a college with an unsustainable business model, with revenue unable to support high fixed costs, including debt service."

Second, projecting the exact amount of debt an institution could issue during the Study Period without negatively impacting its credit rating is difficult. Any single financial ratio makes up only a fraction of the overall credit analysis, and weak ratios may be ignored or deemphasized in a particular situation based on multi-year trends, projections, and other qualitative factors. Further, while the financial performance of its institutions has no impact on the State's credit rating, each institution's credit rating has historically benefitted from the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category, making comparisons to median ratios challenging. Finally, because median ratios are not perfectly correlated to rating outcomes, a model that attempts to draw a linear relationship between any single ratio and a projected rating outcome would have limited predictive value.

In this context, **it is important to distinguish "debt capacity" from "debt affordability."** Debt capacity provides a general indication of each institution's ability to absorb debt on its balance sheet during the Study Period. Debt affordability, on the other hand, evaluates the merits of a specific financing (or a specific amount of debt), taking into account a number of quantitative and qualitative factors related to the projects under consideration, including project revenues and expenses, cost of funds, competing strategic priorities, and the "hidden" costs of foregoing the projects entirely.

Development of the Financial Model

To support the Study, a financial model has been developed to analyze four financial ratios for each institution on a pro forma basis over the course of the Study Period. Since Article 3 does not permit the institutions to pool their obligated resources to form a common source of funds to support all institution project financings, the Study focuses on the individual institution data and does not attempt to aggregate each institution's capacity to derive a University-wide measure of "debt capacity." The other components of the model are designed to assist each institution in establishing guidelines for maintaining prudent debt levels and for evaluating capital investment priorities in light of fiscal constraints.

Each institution's debt capacity reflects the amount of debt each institution could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**. Each institution has developed its own target policy for each ratio in consultation with the UNC System Office to ensure the ratio is tailored and meaningful for that institution's size, mission, resources, and average age of plant.

Methodology for Setting Target Ratios

Since there are differences in each institution's mission, enrollment, resources, and capital needs, imposing a single set of target policies across all institutions would distort the information produced by the Study—either by generating too much capacity for the larger institutions or by holding smaller institutions to unrealistic benchmarks relative to their size and scale. To produce a more meaningful model for each institution, the Institutions, in consultation with the UNC System, have set their own target policies for the model ratios.

In setting its target policies, each institution considered many quantitative and qualitative factors, including comparisons to its designated peer institutions, its strategic initiatives, its historical results, its average age of plant, its recent and projected growth, and any existing debt policies. As discussed above, the credit ratings of the institutions are bolstered by several favorable qualitative factors, including, most importantly, the State's long history of support. Since the institutions benefit from those qualitative factors, it follows that many quantitative measures are weaker than the median ratios for their assigned rating category. Institutions were not forced, therefore, to set their target ratios directly in line with those median ratios, as that approach would invite quantitative comparisons to larger, wealthier peers. Institutions used median ratios as an important benchmark in setting their policy ratios.

Other Assumptions and Factors Affecting the Model

The financial model is based on each institution's financial results as of **June 30, 2022**—the most recent period for which audited financials are available. The model includes debt issued to finance new projects since June 30, 2022, but the model excludes any refinancing, redemption, or other debt payments that have occurred during the current fiscal year, building an additional element of conservatism into the model.

The financial model also takes into account any legislatively approved project that an institution plans to finance during the Study Period. Interest rate assumptions for any pro forma debt are based on conservative, fixed-rate projections and are adjusted to account for each institution's credit rating and the expected term of the financing.

The financial model adds back to each institution's unrestricted and restricted expendable net assets any noncash charge taken in connection with the implementation of Governmental Accounting Standards Board (GASB) 68 and GASB 75 and will make similar adjustments for the implementation of related accounting policies in the future. While GASB 68 impacts an institution's unrestricted net assets and not restricted expendable net assets, GASB 75 impacts both figures. This is relevant as the calculation of Available Funds incorporates unrestricted net assets but not restricted expendable net assets, while the calculation of Expendable Financial Resources includes both figures. Therefore, the GASB 75 adjustment made to Available Funds and Expendable Financial Resources will not match. The Debt Capacity Study focuses on special obligation bonds and excludes liabilities or leases pursuant to GASB 87.

Appendix D: Reports from Constituent Institutions

AGENDA ITEM

A-5. Capital Improvement Projects..... Katherine Lynn

- Situation:** University of North Carolina at Charlotte has requested new authorization for three capital improvement projects, and North Carolina Agricultural and Technical State University, North Carolina Central University, and North Carolina School of Science and Mathematics have requested increased authorization for four 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:** N.C. A&T, NCCU, NCSSM, and UNC Charlotte 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 - North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of Science and Mathematics, and University of North Carolina at Charlotte

ISSUE OVERVIEW

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

Four UNC System institutions have requested seven capital improvement projects: three new projects and four projects for increased authorization.

I. NEW PROJECTS

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
University of North Carolina at Charlotte					
1.	Greek Village HVAC & Kitchen Upgrades	\$6,900,000	\$0	\$6,900,000	Housing Receipts
2.	Parking Lot 5 Renewal	\$2,040,000	\$0	\$2,040,000	Transportation & Parking Fees
3.	Student Health Center Renovation	\$3,000,000	\$0	\$3,000,000	Health Services Reserves
<i>UNCC Subtotal</i>		<i>\$11,940,000</i>	<i>\$0</i>	<i>\$11,940,000</i>	
Grand Total		\$11,940,000	\$0	\$11,940,000	

II. INCREASED AUTHORIZATION

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
North Carolina A&T State University					
4.	Bluford Street Residence Hall	\$64,000,000	\$58,000,000	\$6,000,000	Housing Receipts (91%)/ University Reserves (9%)
5.	New Community and Urban Food Processing Facility	\$12,900,000	\$10,800,000	\$2,100,000	Federal Grant
<i>N.C. A&T Subtotal</i>		<i>\$76,900,000</i>	<i>\$68,800,000</i>	<i>\$8,100,000</i>	
North Carolina Central University					
6.	New Collaborative Learning and Research Center	\$7,231,240	\$5,238,660	\$1,992,580	Federal Funds (90%)/ Auxiliary Trust Funds (10%)
<i>NCCU Subtotal</i>		<i>\$7,231,240</i>	<i>\$5,238,660</i>	<i>\$1,992,580</i>	

II. INCREASED AUTHORIZATION cont.

Institution/Project Title		Total Project Cost	Previous Authorization	Requested Authorization	Funding Source
North Carolina School of Science and Mathematics					
7.	Residence Hall Renovations - Phase 1-Hill Residence Hall & Site, Phase 2-Reynolds/Royall Design	\$6,180,100	\$3,708,180	\$2,471,920	Donations and Gifts (60%)/SCIF R&R (40%)
<i>NCSSM Subtotal</i>		<i>\$6,180,100</i>	<i>\$3,708,180</i>	<i>\$2,471,920</i>	
Grand Total		\$90,311,340	\$77,746,840	\$12,564,500	

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

It is recommended that these projects be authorized and reported to the NC Office of State Budget and Management as non-appropriated projects that 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.