



MEETING OF THE BOARD OF GOVERNORS  
Committee on Budget and Finance  
Committee on Military and Public Affairs

February 28, 2024 at 10:30 a.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. Review of Short Session Priorities..... Jennifer Haygood
- A-2. Review of 2024-25 Self-Liquidating Capital Improvement Projects ..... Katherine Lynn
- A-3. Adjourn

## AGENDA ITEM

A-1. Review of Short Session Priorities.....Jennifer Haygood

- Situation:** One of the principal responsibilities of the University of North Carolina Board of Governors is to “develop, prepare, and present to the Governor and the North Carolina General Assembly a single, unified recommended budget for the constituent institutions of the University of North Carolina” [G.S. 116-11(9)a]. In odd-numbered years, the governor recommends, and the General Assembly enacts a biennial (two-year) budget. In even-numbered years, adjustments are made to the budget for the second fiscal year of the biennium.
- Background:** In preparation for the upcoming short session of the General Assembly and in anticipation of the Office of State Budget and Management (OSBM) requesting budget proposals for 2024-25 fiscal year, the University of North Carolina System Office asked institutions to submit budget requests for any critical needs associated with key System priorities. This draft proposal outlines the recommended priorities and approximate request amounts; however, further due diligence is needed to finalize the specific request amounts.
- Assessment:** The 2024-25 Operating Budget Priorities concentrate on a limited number of critical needs focused on implementing the Board-approved performance-weighted funding model, targeted financial aid to increase on-time graduation, addressing key enterprise risks, and responding to labor market pressures. The final recommended priorities will be presented to the committee and to the full Board.
- Action:** This item is for discussion only.

# University of North Carolina

## FY 2024-25 Operating Budget Priorities



**FY 2024-25**

### Operating Budget Priorities

#### Performance-Weighted Enrollment Change

Adjusts funding to reflect each institution's change in enrollment and performance on increasing undergraduate student success, reducing student debt, and increasing productivity. This request includes funding to reward sustained performance improvements that were funded on a nonrecurring basis in FY24.

**\$46,564,200**

\$574,578 *Enroll Δ*

\$32,921,356 *Perf Δ - Y1*

\$13,068,267 *Perf Δ - Y2*

#### Building Reserves

Provides maintenance and operation funding for buildings on NC School of Science and Math's Morganton Campus, including the Joiner academic building (Fall 2024).

**\$709,282**

**\$50,206 NR**

#### Completion Assistance Programs

Provides funds to ECSU, FSU, N.C. A&T, NCCU, UNCA, UNCG, UNCP, and WSSU for aid to students who are at risk of dropping out or not graduating on time because of financial shortfalls.

**\$8,500,000**

*from Escheats Fund*

#### Labor Market Adjustment Fund

Provides funds for targeted labor market salary adjustments to address recruitment and retention issues for hard-to-fill positions.

**\$15,000,000**

Requirements

**\$70,823,688**

Less receipts

**(\$8,500,000)**

Total Requested Increase in Appropriation

**\$62,323,688**

Total Percent Change

**1.7%**

### Capital Priorities (see details on back page)

#### UNC Major R&R Inflationary Cost Increases

The construction industry has experienced record inflation in recent years. While the General Assembly set aside funds to address cost overruns that threaten the viability of appropriated projects, UNC Major R&R projects are not eligible for this assistance.

**\$48,384,494 NR**

*from SCIF*

#### Campus Safety Infrastructure & Equipment

Provide funds to ECSU, FSU, UNCA, UNCP, UNC-CH, and NCSSM to upgrade and replace security infrastructure and equipment such as card access locks, security cameras, pedestrian safety, and vehicles.

**\$17,000,000 NR**

*from SCIF*

#### HBCU Critical Infrastructure Needs

Provides funding to ECSU, N.C. A&T, NCCU, and WSSU to remediate utility infrastructure issues that pose significant risks to campus operations.

**\$21,586,350 NR**

*from SCIF*

#### Capital Project Management Flexibility

Boosting capital project management capacity is vital for speeding up execution, cutting delays, and mitigating inflation impacts. Special provision language allowing up to 5% of project budgets for in-house project managers on a time-limited basis would offer a cost-effective alternative to relying on consultants.

**Special Provision**

*Note: All items are recurring unless specified as nonrecurring.*

# University of North Carolina

## Capital Request Details



Institution	Project	Requested Amount	Requested Project Authorization
<b>UNC Major R&amp;R Inflationary Cost Increases</b>		<b>\$48,384,494</b>	
East Carolina University	Howell Building South Renovation	\$2,500,000	\$39,500,000
Fayetteville State University	A.B. Rosenthal Building-Targeted Renovation	\$3,037,585	\$12,768,385
Fayetteville State University	H.T. Chick-Targeted Renovation	\$2,768,385	\$12,268,385
UNC Charlotte	Burson Renovation and Expansion*	\$12,000,000	\$67,900,000
UNC Wilmington	Coastal Marine Studies Renovation	\$5,028,524	\$14,954,524
Western Carolina University	Historic Moore Building	\$16,700,000	\$52,200,000
Winston-Salem State University	Hauser Hall Renovations-Restore the Core	\$5,100,000	\$5,100,000
NC School of Science & Math	Chiller Replacement - Durham	\$1,250,000	\$4,250,000
<b>Campus Safety Infrastructure &amp; Equipment</b>		<b>\$17,000,000</b>	
Elizabeth City State University	Sky Bridge	\$5,000,000	\$7,500,000
Elizabeth City State University	Campus-Wide Lockdown System	\$200,000	\$2,200,000
Fayetteville State University	Residence Hall Card Access	\$3,200,000	\$3,200,000
UNC Asheville	Public Safety Critical Needs	\$3,300,000	\$3,300,000
UNC-Chapel Hill	Enterprise Security Cameras	\$4,000,000	\$4,000,000
UNC Pembroke	Residence Hall Security Infrastructure	\$1,000,000	\$1,000,000
NC School of Science & Math	Campus Safety and Security	\$300,000	\$300,000
<b>HBCU Critical Infrastructure Needs</b>		<b>\$21,586,350</b>	
Elizabeth City State University	Emergency Generator Power	\$2,240,000	\$9,240,000
North Carolina A&T State University	Boiler Replacement	\$5,346,350	\$6,805,550
NC Central University	Repair and Replacement of Steam System, Sanitary Sewer and Stormwater Drainage Systems	\$4,000,000	\$4,000,000
Winston-Salem State University	Emergency Steam Repairs	\$8,000,000	\$8,000,000
Winston-Salem State University	Repair/Replacement of Campuswide Steam Distribution System - Advance Planning and Design	\$2,000,000	\$2,000,000

\* This SCIF major R&R project includes \$30 million of Engineering NC's Future funding.



# PROPOSED 2024 SHORT SESSION BUDGET PRIORITIES

*Joint Meeting of the BOG Committee on Budget and  
Finance and Committee on Military and Public Affairs*

*February 28, 2024*

## *Proposed Short Session Priorities*

### Operating Budget Priorities

#### **Performance-Weighted Enrollment Change**

Adjusts funding to reflect each institution's change in enrollment and performance on increasing undergraduate student success, reducing student debt, and increasing productivity. This request includes funding to reward sustained performance improvements that were funded on a nonrecurring basis in FY24.

**\$46,564,200**

*\$574,578 Enroll Δ*

*\$32,921,356 Perf Δ - Y1*

*\$13,068,267 Perf Δ - Y2*

#### **Building Reserves**

Provides maintenance and operation funding for buildings on NC School of Science and Math's Morganton Campus, including the Joiner academic building (Fall 2024).

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#### **Completion Assistance Programs**

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**\$8,500,000**

*from Escheats Fund*

#### **Labor Market Adjustment Fund**

Provides funds for targeted labor market salary adjustments to address recruitment and retention issues for hard-to-fill positions.

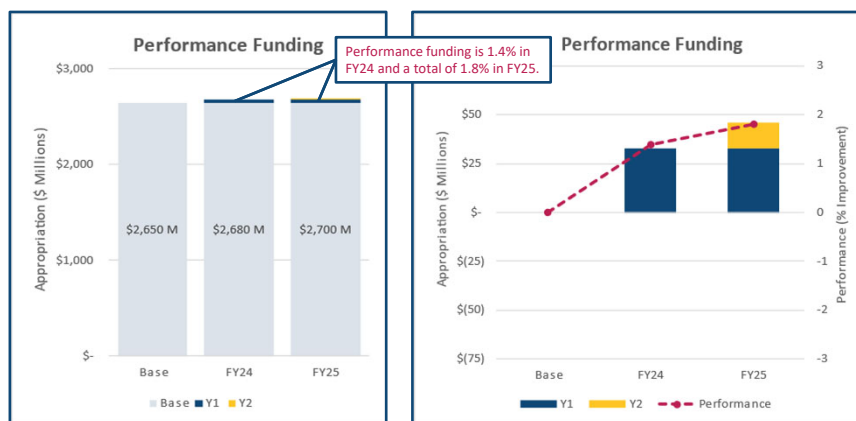
**\$15,000,000**



## 2024 Short Session Enrollment Funding Request

	2023 Enrollment	FY21	FY22	Total Enrollment
	Change	Performance	Performance	Funding
App State	\$ 2,525,277	329,047	\$ 3,312,881	\$ 6,167,204
ECU	(8,563,695)	2,565,835	1,709,901	(4,287,959)
ECSU	(144,391)	427,592	(194,833)	88,367
FSU	2,695,822	239,530	1,033,288	3,968,640
N.C. A&T	2,406,306	1,629,206	536,450	4,571,961
NCCU	(1,284,857)	591,124	(88,126)	(781,858)
NC State	3,648,455	7,508,272	2,615,789	13,772,515
UNCA	(1,402,954)	44,206	254,309	(1,104,439)
UNC-CH	4,785,768	5,897,243	(345,806)	10,337,205
UNCC	2,882,702	5,699,671	1,006,070	9,588,442
UNCG	(149,566)	2,394,967	1,697,048	3,942,449
UNCP	(3,572,992)	1,481,679	(343,412)	(2,434,725)
UNCW	1,060,265	2,303,427	606,145	3,969,837
UNCSA	(325,818)	483,710	556,868	714,759
WCU	(1,262,032)	1,172,862	1,386,605	1,297,435
WSSU	(2,807,466)	152,985	(674,908)	(3,329,389)
NCSSM	83,756			83,756
<b>Total</b>	<b>\$ 574,578</b>	<b>\$ 32,921,356</b>	<b>\$ 13,068,267</b>	<b>\$ 46,564,200</b>

## Performance Funding in Context



**Funding performance on a recurring basis is necessary to ensure that appropriations track performance.**

## PW Enrollment Funding for 2023-25 Biennium

	FY 2023-24	FY 2024-25 Request	Recurring 2023-25 Change
Enrollment Change	\$ (52,472,417)	\$ 574,578	\$ (51,897,839)
Cap on Enrollment Loss	\$ 2,837,084 NR	\$ -	\$ -
Performance Change - Y1	\$ 32,921,356 NR	\$ 32,921,356	\$ 32,921,356
Performance Change - Y2	\$ -	\$ 13,068,267	\$ 13,068,267
<b>Total</b>	<b>\$ (16,713,977)</b>	<b>\$ 46,564,201</b>	<b>\$ (5,908,216)</b>

*Recurring performance-weighted enrollment funding over the biennium remains below the 2023-25 base budget level.*

## Proposed Short Session Priorities

### Capital Priorities

<b>UNC Major R&amp;R Inflationary Cost Increases</b>	<b>\$48,384,494 NR</b>
The construction industry has experienced record inflation in recent years. While the General Assembly set aside funds to address cost overruns that threaten the viability of appropriated projects, UNC Major R&R projects are not eligible for this assistance.	<i>from SCIF</i>
<b>Campus Safety Infrastructure &amp; Equipment</b>	<b>\$17,000,000 NR</b>
Provide funds to ECSU, FSU, UNCA, UNCP, UNC-CH, and NCSSM to upgrade and replace security infrastructure and equipment such as card access locks, security cameras, pedestrian safety, and vehicles.	<i>from SCIF</i>
<b>HBCU Critical Infrastructure Needs</b>	<b>\$21,586,350 NR</b>
Provides funding to ECSU, N.C. A&T, NCCU, and WSSU to remediate utility infrastructure issues that pose significant risks to campus operations.	<i>from SCIF</i>
<b>Capital Project Management Flexibility</b>	<b>Special Provision</b>
Boosting capital project management capacity is vital for speeding up execution, cutting delays, and mitigating inflation impacts. Special provision language allowing up to 5% of project budgets for in-house project managers on a time-limited basis would offer a cost-effective alternative to relying on consultants.	



## AGENDA ITEM

A-2. Review of 2024-25 Self-Liquidating Capital Improvement Projects .....Katherine Lynn

**Situation:** Self-liquidating capital projects are financed by the institution and require legislative approval for the issuance of debt. For 2024-25, four institutions are requesting approval for five capital improvement projects requiring total debt authority of \$471.6 million.

With approval from the University of North Carolina Board of Governors, these projects will be forwarded to the North Carolina General Assembly for authorization during the 2024-25 legislative session.

**Background:** On an annual basis, the Board considers institution proposals for self-liquidating projects funded from non-appropriated sources requiring the issuance of long-term debt and associated changes to student debt service fees.

If approved, a detailed financial plan will be reviewed in consultation with financial advisors and bond counsel before bonds are issued and construction contracts are awarded. The Board will receive a subsequent request for approval of the issuance of bonds for these projects.

**Assessment:** The projects comply with G.S. 143C (State Budget Act).

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



## Review of 2024-25 Self-Liquidating Capital Improvement Projects

### ISSUE OVERVIEW

Non-appropriated capital projects are financed by the university and include the construction, repair, or renovation of facilities such as residence halls, dining facilities, research buildings, athletic facilities, and student health buildings. Legislative approval is required for the issuance of debt; these “self-liquidating” capital projects are approved by the legislature after the passage of the Appropriations Act. These projects, if approved by the University of North Carolina Board of Governors, are submitted for legislative action. Legislative approval is not required for non-appropriated capital projects that do not require debt issuance.

Project	Total	Cash/GO Bond/ Other	Debt	Source of Funds
<b>East Carolina University</b>				
Jones and Legacy Residence Halls Comprehensive Renovation	\$60,000,000	-	\$60,000,000	Housing receipts
<i>ECU Subtotal</i>	<i>\$60,000,000</i>	<i>-</i>	<i>\$60,000,000</i>	
<b>Fayetteville State University</b>				
Dormitories <sup>1</sup>	\$50,000,000	\$44,000,000	\$6,000,000	Housing receipts
<i>FSU Subtotal</i>	<i>\$50,000,000</i>	<i>\$44,000,000</i>	<i>\$6,000,000</i>	
<b>University of North Carolina at Chapel Hill</b>				
Increase to Chilled Water Infrastructure Expansion-Phase I <sup>2</sup>	\$155,000,000	\$52,400,000	\$102,600,000	Utility receipts and trust funds
Increase to Translational Research Building <sup>3</sup>	\$228,600,000	\$23,000,000	\$205,600,000	F&A receipts
<i>UNC-CH Subtotal</i>	<i>\$383,600,000</i>	<i>\$75,400,000</i>	<i>\$308,200,000</i>	
<b>University of North Carolina Wilmington</b>				
Acquisition of Seahawk Housing Complex	\$97,400,000	-	\$97,400,000	Housing receipts
<i>UNCW Subtotal</i>	<i>\$97,400,000</i>	<i>-</i>	<i>\$97,400,000</i>	
<b>Grand Total</b>	<b>\$591,000,000</b>	<b>\$119,400,000</b>	<b>\$471,600,000</b>	

<sup>1</sup> S.L. 2021-180 appropriated \$40.0 million of State Capital and Infrastructure Funds (SCIF) for the New Residence Hall (UNC/FSU21-1). FSU received an additional \$4.0 million in OSBM Flex Funds.

<sup>2</sup> S.L. 2023-66 authorized \$15.0 million for the Chilled Water Infrastructure Expansion – Phase I.

<sup>3</sup> S.L. 2018-35 authorized \$23.0 million for the Translational Research Building.

### ADDITIONAL DETAILS

#### East Carolina University

Project: Jones and Legacy Residence Halls Comprehensive Renovation

Total Cost: \$60,000,000

Debt Issuance: \$60,000,000

Description: Jones Hall and Legacy Hall were built in 1960 and include 430 beds and 460 beds, respectively. The plumbing, mechanical, and electrical systems are original and past their useful life expectancy. The project scope includes roof replacement, window replacement, hazardous material abatement, and bathroom reconfigurations to provide private bathrooms. Legacy Hall will also include a new ADA-compliant ground floor entry and elevator addition. The completed project will provide 967 beds.

Funding: The funding source is housing receipts with an anticipated increase of three percent every other year.

#### **Fayetteville State University**

Project: Dormitories

Total Cost: \$50,000,000

Debt Issuance: \$6,000,000

Description: The new residence hall is a four-story, 338-bed dormitory scheduled to open Fall 2025. The project is under construction. The additional funding will be used to finish the fourth floor, which will include 92 beds.

Funding: The funding source is housing receipts.

#### **University of North Carolina at Chapel Hill**

Project: Increase to Chilled Water Infrastructure Expansion - Phase I

Total Cost: \$155,000,000

Debt issuance: \$102,600,000 increase; \$15,000,000 authorized by S.L. 2023-66

Description: The project includes replacing equipment and infrastructure which is past its useful life and addressing capacity limits based on current and forecasted demand. The project will be accomplished in multiple phases. This phase calls for renovations and upgrades of three chillers at the East Chiller Plant installation, the replacement of the deteriorated cooling towers at the North Chiller plant, and construction of a new chiller plant at Bernard Street.

Funding: The funding source is utility receipts and utility trust funds.

Project: Increase to Translational Research Building

Total Cost: \$228,600,000

Debt issuance: \$205,600,000 increase; \$23,000,000 authorized by S.L. 2018-35

Description: The Translational Research Building will expand the imaging and virology research and vaccine development programs by providing state-of-the-art facilities for basic science research, and therapeutic and pre-clinical drug development. Project goals include high containment lab functionality for the study of emerging diseases, support precision health for the study and development of cancer treatments, enhance and expand pre-clinical programs, maintain compliance for the research enterprises, and support bench to bedside studies.

Funding: The funding source is F&A receipts.

#### **University of North Carolina Wilmington**

Project: Acquisition of Seahawk Housing Complex

Total Cost: \$97,400,000

Debt issuance: \$97,400,000

Description: UNCW Corporation, a non-profit corporation, constructed student housing facilities, including Seahawk Village, Seahawk Landing, and Seahawk Crossing, and an adjacent parking facility which were leased back to UNC Wilmington on a long-term lease. UNC Wilmington is seeking debt authorization to acquire the student housing facilities and refinance the 2015 and 2106 Limited Obligation Bonds (LOBs) issued by the UNCW Corporation.

Funding: The funding source is housing receipts.

#### **RECOMMENDATION**

This item is for discussion only.