

COMMITTEE ON BUDGET AND FINANCE  
Ballroom 1, Warwick Center  
UNC-Wilmington  
Wilmington, North Carolina  
Thursday, February 10, 2005, 10:30 a.m.

AGENDA

Minutes of the meeting of January 13, 2005

1. Amendment to the *2005-07 Budget Request*
2. Authorization of Capital Improvement Funding Allocation for the North Carolina Center for Health and Aging (NCCHA)
3. Disposition of Property and Lease of Housing Space – The University of North Carolina at Greensboro
4. Disposition of Property and Lease of Housing Space – The University of North Carolina at Wilmington
5. Report on Overhead Receipts [Facilities and Administrative (F&A) Receipts]

DISCUSSION

1. Discussion of Campus Tuition and Fee Proposals (no attachment)
2. A Progress Report on the UNC Bond Program

Minutes of the January 13, 2005 Meeting  
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in the Board Room of the General Administration Building in Chapel Hill, North Carolina, on Thursday, January 13, 2005, at 11:30 a.m.

Members in attendance were: Mr. R. Steve Bowden, Mr. F. Edward Broadwell, Jr., Mr. William L. Burns, Jr., Mr. Ray S. Farris, Ms. Hannah D. Gage, Mr. Peter D. Hans, Governor James E. Holshouser, Jr., Mr. Jim W. Phillips, Jr., and Mr. Benjamin S. Ruffin. Other Board of Governors' members attending the meeting were Board Chair J. Bradley Wilson, G. Irvin Aldridge, Brent D. Barringer, Anne W. Cates, John W. Davis, III, Amanda Devore, Adelaide D. Key, G. Leroy Lail, Charles S. Norwood, Jr., Cary C. Owen, Gladys Ashe Robinson, Estelle Sanders, and Robert F. Warwick. Others attending the meeting were President Molly Corbett Broad, Vice Presidents Jeffrey R. Davies, Alan R. Mabe, Robyn R. Render, and Leslie Winner; Associate Vice Presidents Laura A. Foxx, Ginger Burks, Robert C. Kanoy, III, Robert O. Nelson, and James O. Smith; Associate Vice President and University Property Officer Terrance Feravich; Assistant Vice Presidents Shari Harris and Claudia Odom; and Special Assistant to the University Kennis R. Grogan. Chancellors in attendance were Kenneth E. Peacock (ASU), T.J. Bryan (FSU), James H. Mullen, Jr. (UNCA), and Patricia A. Sullivan (UNCG). Also in attendance were Jeff Passe, Chair of the Faculty Assembly, Charlotte Todd and Richard Bostic of the Fiscal Research Division, Trey O'Quinn of State Budget and Management, and members of the press.

Chairman Phillips called the meeting to order. The minutes of the meeting of November 11, 2004 were approved.

Chairman Phillips first called for a discussion on tuition. He asked that any requests for increases should be received by January 31. The requests would be discussed at the February meeting and should be justified by need and the impact on access. The Budget and Finance Committee would vote on tuition at its March meeting.

1. The Board of Governors was authorized to issue special obligation bonds for capital improvements projects that had been approved by the General Assembly. Although a specific source of funding was used by a campus when retiring these bonds, special obligation bonds were generally backed by a pledge of campus revenues, excluding tuition and State appropriations.

North Carolina State University requested that the Board issue special obligation bonds not to exceed \$110,000,000 for the purpose of (a) financing the costs of constructing, renovating, equipping and furnishing the educational, housing, athletic and recreational facilities of the NCSU campus, (b) the refunding of indebtedness issued consistent with the UNC-CH/NCSU Commercial Paper Program, the proceeds of which were used to pay a portion of the costs of the 2005 projects, (c) the refunding in advance of their maturities of additional revenue bonds issued for the benefit of the University when net present value savings to the University were achieved, and (d) paying the costs incurred in connection with the issuance of the 2005 Bonds.

The 2005 bonds would be issued for the following projects previously approved by the Board of Governors:

- Construction of Partners III Building
- Construction of College of Engineering Building
- Construction of College of Veterinary Medicine Research Building
- Construction of University Apartments
  - Renovation and Construction of Barry, Becton and Bagwell Residence Halls
- Greek Housing Renovations
- Renovations to Athletics Facilities

It was recommended that the following Resolution be adopted and that the Vice President for Finance be authorized to sell the special obligation bonds between the January 2005 and May 2005 meetings of the Board.

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA AUTHORIZING THE ISSUANCE OF GENERAL REVENUE BONDS TO FUND SPECIAL OBLIGATION BOND PROJECTS AT NORTH CAROLINA STATE UNIVERSITY AT RALEIGH AND TO REFUND CERTAIN BONDS PREVIOUSLY ISSUED BY THE BOARD OF GOVERNORS TO FINANCE FACILITIES AT NORTH CAROLINA STATE UNIVERSITY AT RALEIGH

On the motion of Mr. Farris, seconded by Mr. Ruffin, the recommendation was approved.

2. In October 2001, the Board authorized North Carolina State University and the University of North Carolina at Chapel Hill to implement a commercial paper program through the periodic issuance of tax-exempt commercial paper bonds.

Commercial paper was short-term, unsecured debt issued in the form of promissory notes, and presented an alternative to borrowing from banks. A commercial paper program provided the issuer access to a flexible, low cost source of capital to provide bridge financing for projects. The program was established to fund previously approved projects, up to the authorized maximum amount. The bonds were issued by the Board of Governors but were an obligation of the constituent institution secured by available funds excluding state appropriations, tuition, and restricted gifts. Funds were drawn on an as-needed basis for capital expenditures. The short-term program was repaid with proceeds from a long-term bond issue, gift receipts, or other sources. By providing continual access to capital for construction projects, North Carolina State University and UNC-Chapel Hill had not been required to issue long-term debt as frequently as in the past and had had greater flexibility over the timing of bond issues. In addition, less frequent issuance of bonds reduced the costs of issuance and achieved more attractive debt service costs. Tax-exempt commercial paper rates were often several percentage points lower than commercial bank loans.

North Carolina State University and the University of North Carolina at Chapel Hill requested that the Board approve and ratify the use of proceeds of special obligation bonds for participation in the Commercial Paper Program for the following projects, approved by the 2004 Session of the General Assembly:

## **UNC AT CHAPEL HILL PROJECTS**

The following projects were approved by the North Carolina General Assembly in Chapter 181 of the 2004 Session Laws:

- Ambulatory Care Renovation
- Arthritis Research Center
- Athletic Facilities Improvements
- Campus Fiber Optic Wiring
- Carmichael Fields 3 & 4
- Daniels Building Renovations
- Educational Foundation Office Building
- Institute for Advance Materials, Nanoscience & Nanotechnology
- ITS Building
- Major Infrastructure Improvements
  - Airport Drive Chilled Water
  - Airport Road Ductbank
  - Chilled Water & Steam Metering
  - Chilled Water Phase IV
  - East Campus Ductbank
  - Energy Management and Control Services Building
  - Hot Water Phase II
  - Mason Farm Electrical Ductbank
  - New Southwest Sanitary Sewer Line
  - Northeast Chiller Plant
  - Steam Phase II
  - Substation Upgrades
  - 20" Steam Line – Carolina Inn to Beard
- Morrison Dorm Renovations
- Parking Facilities
  - Global Parking Deck
  - Jackson Circle Parking Deck
- Residence Halls Phase II
- School of Medicine Research Facilities – Addition

## **NC STATE PROJECTS**

The following projects were approved by the North Carolina General Assembly in Chapter 181 of the 2004 Session Laws:

- Dining Hall Renovations
- Renovation of Berry, Becton, and Bagwell Residence Halls
- Renovations to Reynolds Coliseum
- Student Commons Improvements

It was recommended that the following Resolution be adopted and that the Vice President for Finance be authorized to use commercial paper bonds for the projects listed.

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA AUTHORIZING THE USE OF COMMERCIAL PAPER FINANCING FOR SPECIAL OBLIGATION BOND PROJECTS FOR THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL AND NORTH CAROLINA STATE UNIVERSITY AT RALEIGH

On the motion of Mr. Farris, seconded by Mr. Broadwell, the recommendation was approved.

3. The University of North Carolina at Charlotte had requested approval to lease State land to the University on North Carolina at Charlotte Facilities Development Corporation, Inc., (Facilities Development Corporation) for the purpose of constructing student housing. The University also requested approval to enter into a long-term lease to acquire up to 360 beds of student housing from Facilities Development Corporation when construction was complete.

The University of North Carolina at Charlotte would lease approximately 16 acres of land on campus to Facilities Development Corporation. Facilities Development Corporation would construct up to 360 beds of student housing which would then be leased back to the University of North Carolina at Charlotte at a cost not to exceed \$475 per month per bed for a lease term of not to exceed thirty-two years. The cost would be consistent with the current rate structure for the University's comparable residence halls. It was anticipated that the leased housing would be available by fall 2006 and would allow for the accommodation of anticipated enrollment growth. The University of North Carolina at Charlotte residence halls were currently at 98% percent occupancy for 2004-2005. This leasing arrangement would enable the university to meet the long-term projected housing demands associated with campus growth to 24,500 students by 2008. Lease payments would be made from student housing receipts.

The lease of state land and the lease of the 360 beds would be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and the Council of State. Construction documents would be reviewed by the Office of State Construction and the Department of Insurance.

It was recommended that the following resolution be approved and the request of the University of North Carolina at Charlotte be transmitted to the Council of State for final action.

RESOLUTION AUTHORIZING AGREEMENTS RELATED TO THE  
CONSTRUCTION OF PRIVATE HOUSING FACILITIES ON THE CAMPUS OF THE  
UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE

On the motion of Mr. Bowden, seconded by Ms. Gage, the recommendation was approved.

4. Western Carolina University had requested approval to lease State land to the Affinity Housing, LLC, a subsidiary limited liability company of the Western Carolina University Research and Development Corporation for the purpose of constructing student housing. Western Carolina University also requested approval to enter into a long-term lease to acquire up to 290 beds of student housing from Affinity Housing, LLC, when construction was complete.

Western Carolina University would lease approximately 10 acres of land on campus to Affinity Housing, LLC. Affinity Housing, LLC would construct up to 290 beds of student housing which would then be leased back to Western Carolina University at a cost not to

exceed \$375 per month per bed for a lease term of not to exceed thirty years. The cost would be consistent with the current rate structure for Western Carolina University's comparable residence halls. It was anticipated that the leased housing would be available by fall 2005 and would allow for the accommodation of anticipated enrollment growth. Western Carolina University residence halls were currently at 96% occupancy for 2004-2005. This leasing arrangement would enable the university to meet the long-term projected housing demands associated with campus growth to 9,000 students by 2005. Lease payments would be made from student housing receipts.

The lease of state land and the lease of the 290 beds would be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and the Council of State. Construction documents would be reviewed by the Office of State Construction and the Department of Insurance.

It was recommended that the following resolution be approved and the request of Western Carolina University be transmitted to the Council of State for final action.

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

On the motion of Mr. Broadwell, seconded by Governor Holshouser, the recommendation was approved.

5. The Board of Trustees of North Carolina State University had requested authorization to dispose of real property by sale.

Located in northern Chatham County, NCSU was requesting permission to sell to the North Carolina Wildlife Resources Commission a 345-acre parcel that was the residual of the larger 1,734 acres known as Hope Valley Forest. Deeded in May 1941 to the University of North Carolina for use by NCSU, Hope Valley Forest was to be used for purposes that furthered, or tended to promote, the rehabilitation or education of the rural people of North Carolina.

The larger portion of this property was sold in 1975 to the Corp of Engineers (COE). The North Carolina Rural Rehabilitation Corporation (NCRRC) held the sale proceeds that were to be used for acquiring substitute land and developing it into productive research and training forest. Most notably, the NCRRC had used this funding to expand Hill Forest and to improve the Slocum Camp facilities where professional foresters, who usually returned to rural North Carolina communities, were trained.

North Carolina Wildlife Resources Commission's game lands bordered Hope Valley Forest on three sides. The Commission desired to purchase this property for the purposes of protecting wildlife habitat and to provide wildlife recreational opportunities to North Carolina sportspersons.

Proceeds from the sale of this property would be held by the NCRRC for the College of Natural Resources at NCSU to be used to benefit the rural population of North Carolina in

accordance with the intent of the original deed for the property.

The value of the parcel would be determined by the State Property Office.

It was recommended that the request of the Board of Trustees of North Carolina State University be approved and transmitted to the Council of State for final action.

On the motion of Governor Holshouser, seconded by Ms. Gage, the recommendation was approved.

6. In 2001, the Board authorized the Office of the President to execute leases valued up to \$150,000 and dispositions up to \$250,000. The following property transactions were approved under this delegation and were reported to the Committee on Budget and Finance.

Western Carolina University – Disposition of Real Property by Easement

Owner:	State of North Carolina
Disposition reason:	The Tuckaseegee Water and Sewer Authority (TWSA) needed additional right of way to construct a sewer line to replace an existing line that was in need of repair. The new line would provide additional capacity for future campus development.
Location:	Along Central Drive and the West side of campus
Description:	Approximately 90 feet in length by 20 feet wide
Estimated value:	Benefit to the University (All costs will be the responsibility of TWSA)
Rental Income:	N/A
Proceeds:	N/A
Approvals:	The WCU Board of Trustees recommended this action on December 3, 2004.

Western Carolina University – Disposition of Real Property by Easement

Owner:	State of North Carolina
Disposition reason:	WCU needed to provide utility right of way to allow the relocation of an overhead transmission line in order to complete construction at its water storage facility.
Location:	Along Old Cullowhee Road and near the Water Treatment Plant
Description:	Approximately 500 feet in length and 50 feet wide
Estimated value:	Benefit to the University (Relocation costs are in the project budget)
Rental Income:	N/A
Proceeds:	N/A
Approvals:	The WCU Board of Trustees recommended this action on December 3, 2004.

Western Carolina University – Disposition of Real Property by Easement

Owner:	State of North Carolina
Disposition reason:	This would allow a private developer to gain access to the Tuckaseegee Water and Sewer Authority (TWSA) sewer service so that land adjacent to the campus could be developed, with considerable influence by WCU, into a student housing project.
Location:	Near The Village, a WCU housing complex on the North side of campus
Description:	Approximately 210 feet in length by 20 feet wide
Estimated value:	The value of the easement is estimated to be \$4,000 to \$5,000.
Rental Income:	N/A
Proceeds:	The proceeds would revert to the Office of State Budget and Management.
Approvals:	The WCU Board of Trustees recommended this action on December 3, 2004.

North Carolina State University – Disposition of Real Property by Lease

Owner: State of North Carolina  
Disposition reason: To provide student housing and organization space for Delta Zeta National Housing Corporation.  
Location: 2501 West Fraternity Court  
Description: Lease of the 11,105 square-foot chapter house with an initial term of six years with two 5-year renewal options  
Estimated value: N/A  
Rental Income: Annual rent would be \$111,384.00 with annual increases of the lesser of 5% or the annual percentage increase for residence hall occupants.  
Proceeds: It was recommended that the rental proceeds be used for the operation of fraternity and sorority housing at NCSU.  
Approvals: The NCSU Board of Trustees recommended this action on November 19, 2004.

7. The Fall 2004 Enrollment Report indicated that the University of North Carolina at Asheville had nonresident freshmen enrollment – for two consecutive years – that exceeded 18% of the freshmen class, an over-enrollment of thirteen (13) nonresident freshmen students. The Board’s policy, as indicated below, required a budgetary adjustment at the institution.

*Beginning with the fall of 1994, any constituent institution, except the North Carolina School of the Arts, that exceeds the 18% out-of state freshman enrollment limitation prescribed in paragraph (a) above for two consecutive fiscal years shall have its state operating budget reduced. This reduction shall be made in the second fiscal year in which the two consecutive fiscal years’ condition is violated; the reduction shall be made, on a non-recurring basis, immediately after the Board of Governors approves the annual enrollment report at its November meeting. The budget reduction shall be based on the number of out-of-state freshmen enrolled in excess of the 18% limitation and the established method used for calculating the operating requirements for Regular Term enrollment changes.*

The required budget adjustment and freshmen enrollment information follows:

	Budget Adjustment	2004 Freshmen Enrollment				Total Freshmen
		Out-of-State Freshmen	O/S %	In-State Freshmen	I/S %	
UNC-A	\$97,570	140	19.8%	567	80.2%	707

For the 2004-05 fiscal year, it was recommended that the budget for UNC Asheville be reduced by \$97,570. It was further recommended that the funds be reallocated to the Board’s need-based financial aid program for resident students.

At the Chairman’s request, Vice President Winner reviewed the Board’s policy.

On the motion of Mr. Farris, seconded by Mr. Burns, the recommendation was approved.

During the discussion on this item, Mr. Broadwell led a discussion and made a motion, which was seconded by Mr. Hans, that a group be appointed to determine a way to assist smaller institutions that may be unfairly disadvantaged by the application of this Board policy, since a small number of students could result in a significant variance from the 18% limit. Chairman Phillips agreed to appoint a subcommittee for this purpose.



Vice President Davies then presented Discussion Item 1, a summary of campus reports on improvements to the academic experience of students made possible through increased revenues. Committee members asked questions and discussed the summary report in depth.

Associate Vice President Feravich then presented the bond update and reported that 64% of the bond program was under contract and that half of the authorized funding had been expended. Assistant Vice President Harris then led a discussion of HUB initiatives. Committee members expressed strong desires to see improvements in University construction contracts awarded to minority firms.

Before going into closed session, Chairman Phillips stated that he would like a presentation at a future meeting on guaranteed tuition rates and suggested that someone from the Illinois University system that had adopted such a structure be invited to address the Committee.

On the motion of Mr. Burns, seconded by Mr. Farris, the Committee went into closed session to consult with legal counsel to establish or instruct the staff concerning the negotiation of the price and terms of contracts concerning the acquisition of real property.

#### CLOSED SESSION

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The Committee returned to open session.

There being no further business, the meeting was adjourned.

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Mr. Jim W. Phillips, Jr.  
Chairman of the Committee  
on Budget and Finance

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Mr. F. Edward Broadwell, Jr.  
Secretary of the Committee  
on Budget and Finance

Amendment to the 2005-07 Budget Request

At its November meeting, the Board of Governors approved the *2005-07 Budget Request*. It is now proposed that the *Budget Request* be amended to include additional funds required for the UNC Need-Based Student Financial Aid Program.

The UNC Need-Based Student Financial Aid Program is administered by the State Education Assistance Authority (SEAA) and by design, makes careful use of state funds by specifying that federal Pell grants and tax credits are used first to meet students' needs. The Board of Governors' original request for this program was for an additional \$8,674, 000 in 2005-06 and \$16,078,500 in 2006-07. Since the approval of the original request, changes in federal rules governing Pell Grants will reduce the availability of Pell Grants to North Carolina resident students. As a result, more funding is required for the UNC Need-Based Student Financial Aid Program in order to hold students harmless.

It is recommended that the *Budget Request* for Current Operations be increased by \$3,200,000 in 2005-06 and 2006-07 to hold North Carolina students harmless from changes in the federal Pell Grant formula. The amendment would change the Board of Governors' request for the UNC Need-Based Student Financial Aid Program to \$11,874,000 in 2005-06 and \$19,278,500 in 2006-07.

Authorization of Capital Improvement Funding Allocation for the North Carolina Center for Health and Aging (NCCHA)

The NCCHA is a partnership between the University of North Carolina at Asheville (UNCA) , Western Carolina University (WCU) and the Mountain Area Health Education Center (MAHEC). The primary mission of the NCCHA is to promote healthy lifestyles and successful aging among all population groups.

House Bill 1264 authorized the issuance of certificates of participation totaling \$10 million to the partnership for land acquisition and advance planning, including engineering studies and utility extensions, for new facilities serving Western Carolina University and the Mountain Area Health Education Center.

At its October 2004 meeting, the Board approved the allocation of \$1,300,000 for advance planning activities for a new Health and Gerontological Sciences facility at WCU.

The members of the partnership have now requested that the Board authorize the allocation of the remaining \$8,700,000 for land acquisition (budgeted at \$7,000,000), advance planning of the MAHEC facility (budgeted at \$1,261,575) engineering studies/utilities extensions (budgeted at \$393,296), and additional advance planning for the Health and Gerontological Sciences Building at WCU (\$45,129).

It is recommended that the remaining funds be allocated to Western Carolina University for the identified purposes.

Disposition of Property and Lease of Housing Space – The University of North Carolina at Greensboro

The University of North Carolina at Greensboro has requested approval to lease State land to the Capital Facilities Foundation, Inc., (Capital Facilities Foundation) for the purpose of constructing student housing and parking. The University also requests approval to enter into a long-term lease to acquire up to 400 beds of student housing and 200 parking deck spaces from the Capital Facilities Foundation when construction is complete.

The University of North Carolina at Greensboro would lease approximately 3.4 acres of land on campus to the Capital Facilities Foundation. The Capital Facilities Foundation would construct up to 400 beds of student housing and 200 parking deck spaces which would then be leased back to the University of North Carolina at Greensboro at a cost not to exceed \$480 per month per bed and not to exceed \$33 per month per parking space for a lease term of thirty years. The cost will be consistent with the current rate structure for the University's comparable residence halls and parking decks. It is anticipated that the leased housing and parking would be available by fall 2006 and would allow for the accommodation of anticipated enrollment growth. The University of North Carolina at Greensboro residence halls were currently at 99 percent occupancy for fall 2004 and waiting lists exist for parking permits. This leasing arrangement would enable the university to meet the long-term projected housing and parking demands associated with university enrollment growth to over 18,000 students by 2008. Lease payments would be made from student housing and from parking operations receipts.

The lease of state land and the lease of the 400 beds/200 parking spaces will be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and the Council of State. Construction documents will be reviewed by the Office of State Construction and the Department of Insurance.

It is recommended that the following resolution be approved and the request of the University of North Carolina at Greensboro be transmitted to the Council of State for final action.

RESOLUTION AUTHORIZING AGREEMENTS RELATED TO  
THE CONSTRUCTION OF PRIVATE HOUSING AND  
PARKING FACILITIES ON THE CAMPUS OF THE  
UNIVERSITY OF NORTH CAROLINA AT GREENSBORO

Disposition of Property and Lease of Housing Space – The University of North Carolina at Wilmington

The University of North Carolina at Wilmington has requested approval to lease state land to the UNCW Corporation Housing I, LLC for the purpose of constructing student housing. The University also requests approval to enter into a long-term lease to acquire up to 524 beds of student housing from UNCW Corporation Housing I, LLC when construction is complete.

The University of North Carolina at Wilmington would lease approximately 15 acres of land on campus to the UNCW Corporation Housing I, LLC. The UNCW Corporation Housing I, LLC would construct up to 524 beds of student housing which would then be leased back to the University of North Carolina at Wilmington for a lease term of not to exceed thirty-two years. The initial cost per bed for students will not exceed \$499 per month. The cost will be consistent with the current rate structure for the University's comparable residence halls. It is anticipated that the leased housing would be available by fall 2006 and would allow for the accommodation of anticipated enrollment growth. The University of North Carolina at Wilmington residence halls are currently at 100% percent occupancy for 2004-2005. This leasing arrangement would enable the university to meet current and long-term projected housing demands associated with campus growth to 13,200 students by 2010. Lease payments would be made from student housing receipts.

The lease of state land and the lease of the 524 beds will be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and the Council of State. Construction documents will be reviewed by the Office of State Construction and the Department of Insurance.

It is recommended that the following resolution be approved and the request of the University of North Carolina at Wilmington be transmitted to the Council of State for final action.

RESOLUTION AUTHORIZING AGREEMENTS RELATED TO  
THE CONSTRUCTION OF PRIVATE HOUSING FACILITIES  
ON THE CAMPUS OF THE UNIVERSITY OF NORTH  
CAROLINA AT WILMINGTON

Report on Overhead Receipts [Facilities and Administrative (F&A) Receipts]

Legislation enacted by the 2001 General Assembly (S.L. 2001-424) included the following special provision directing the Board of Governors to report on the amount and uses of facilities and administrative receipts:

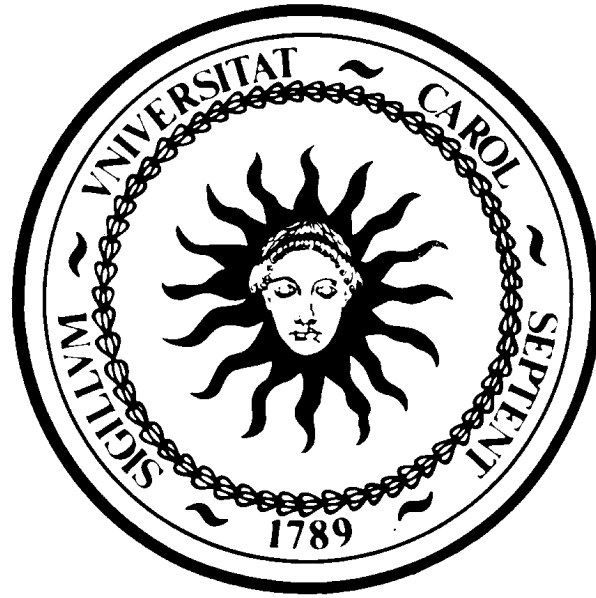
**UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS**

**SECTION 31.14.** The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee by March 1, 2002, and annually thereafter, on the amount of overhead receipts for The University System and the use of those receipts.

In response to this legislation, the report has been prepared for fiscal year ending June 30, 2004.

It is recommended that the attached report be approved and transmitted to the Joint Legislative Education Oversight Committee.

**Report to the  
2005 North Carolina General Assembly  
Joint Legislative Education Oversight Committee**



**The University of North Carolina  
Report on Overhead Receipts  
[Facilities and Administrative (F&A) Receipts]  
2003-04**

**The Board of Governors of  
The University of North Carolina**

**February 11, 2005**

**The University of North Carolina  
Report on Overhead Receipts  
[Facilities and Administrative (F&A) Receipts]  
2003-04**

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**UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS**

**SECTION 31.14.** The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee by March 1, 2002, and annually thereafter, on the amount of overhead receipts for The University System and the use of those receipts.

In response to that legislation, this report covers the fiscal year ending June 30, 2004.

**Background**

The University of North Carolina serves the state's interests through a three-part mission of teaching, research, and public service. UNC's reputation as one of the nation's top public university systems has been built, in part, on the volume and quality of research and sponsored programs conducted by its faculty. With limited direct appropriations for research, the University has depended heavily on obtaining competitive grants and contracts to support its research efforts.

In recent decades, the federal government has increased efforts to promote scientific research at United States universities, as well as research conducted by federal, nonprofit, and commercial laboratories. Recognizing that research carries necessary administrative, facilities, and other expenses above and beyond the direct costs of the project, federal agencies have included in research grants and contracts a portion of funds to help offset these related costs – commonly called "indirect costs," "overhead receipts," or "facilities and administrative (F&A) receipts." In keeping with federal reporting practices, the term "facilities and administrative (F&A) receipts" is used for the remainder of this report.



Under federal OMB Circulars, facilities and administrative receipts generally reimburse for costs associated with supporting grants and contracts activities of the institution in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
2. Transactions are executed in compliance with laws, regulations and provisions of federal and state laws and in accordance with sponsored agreement terms.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Research and other sponsored program awards to the 16 UNC campuses totaled \$1.016 billion for FY 2003-04 with about two-thirds of this from federal sources. State and local governments provide less than 10 percent. Among public university systems, in the latest national survey (FY 2002), UNC ranks third in science and technology research expenditures, behind only the University of California and the University of Texas systems. Grants and contracts support thousands of individual projects that improve human health, understanding of the natural world, education, national defense, and other areas critical to the nation and state. Not only do grants and contracts support leading-edge science and public service, but these funds are also used to support the state's workforce. Grants and contracts support salaries for faculty, post-doctoral fellows, staff, graduate assistants, and undergraduates, all of whom keep UNC campuses in the forefront of regional economic development and training.

In 2003-04, UNC institutions received a total of \$149.4 million in facilities and administrative receipts (Attachment A). F&A receipts were expended by each campus to support costs associated with maintaining an environment conducive to conducting research

and scholarly advancement and ensuring competitiveness for attracting additional research funds. The associated expenditures of F&A receipts in 2003-04 are shown on Attachment B.

In order to provide the requested information regarding the amount and uses of facilities and administrative receipts, each campus was asked to provide a report for the 2003-04 fiscal year. The institutional responses are summarized in the following sections of this report, and individual campus examples are detailed in Attachment C. (Copies of the individual institutional responses are available upon request.)

#### Amount of Facilities and Administrative Receipts – 2003-04 Fiscal Year

University-wide, a total of \$149.4 million was recovered in facilities and administrative receipts (see Attachment A) for the 2003-04 fiscal year. Consistent with their research missions, the two major research universities, North Carolina State University (18.9%) and UNC-Chapel Hill (68.9%), accounted for almost 88 percent of the University-wide total. As shown on Attachment A, five institutions – East Carolina University, North Carolina A & T State University, UNC Charlotte, UNC Greensboro, and UNC Wilmington – accounted for most of the remaining F&A receipts.

#### Uses of Facilities and Administrative Receipts – 2003-04 Fiscal Year

Each institution provided a programmatic summary of priorities and an object of expenditure summary of facilities and administrative receipts disbursements made during the 2003-04 fiscal year, which totaled \$139.6 million (Attachment B).

. The principal priorities for programmatic expenditures were designed to:

- support research-related administrative functions;
- encourage new research activity;
- maintain and expand research infrastructure;
- provide for research support and assistantships;
- promote grantsmanship education;

- fund faculty "start-up" packages (support staff, laboratory facilities, equipment, and operating expenses);
- sustain academic programs, including the libraries;
- provide for capital improvements and debt service; and
- support strategic initiatives.

Each of the campuses also reported on its expenditure priorities for the year. The most frequently cited use of F&A receipts was to support the administrative functions related to the grants themselves. This ranged from support for campus administrative units (finance offices, contract and grant functions, controller's offices, and facilities services) to public safety positions to guarantee laboratory security to costs for clean up and disposal of unique or hazardous materials. Campuses also used F&A receipts to sponsor grant workshops for students and faculty, support academic programs, and to provide laboratory space and equipment for research. Since the expenditures by UNC-Chapel Hill and North Carolina State University account for most of the total, the following illustrative examples are drawn from their reports. Similar expenditures were made by the other campuses, but in relatively smaller amounts. Attachment C provides additional examples of the uses of F&A receipts as reported by the institutions.

UNC-Chapel Hill committed almost \$30 million of its F&A receipts toward various capital improvement projects and debt service payments on additional projects. These projects included the Genetic Medicine Building, Beard Hall Renovation, Burnett Womack Renovations, Molecular Biology Research Building Renovation, Public Health Teaching and Research Center, and the School of Nursing Addition. The School of Medicine, for example, used \$2.3 million in F&A funds to renovate or retrofit nine research buildings, thereby easing overcrowding, increasing safety, upgrading classrooms, and enabling new research.

UNC-Chapel Hill committed to match the 2000 bond funds with an equal amount of non-state campus receipts during the capital improvements plan approved by the Board of Governors and the General Assembly that formed the basis for the bond program. F&A receipts comprise a significant portion of the campus "match," either through direct expenditure or through the issuance of special obligation bonds to be retired from future F&A receipts. UNC-Chapel Hill issued its first series of these special obligation bonds during 2001, committing these receipts as one of the sources of debt repayment. 2003-04 was the third year of bond issuance for these projects at UNC-Chapel Hill.

Facilities and administrative receipts at UNC-Chapel Hill contributed significantly to instructional support and research of the units that generated the receipts. The academic units generating the receipts used the funds to support student fellowships and research assistantships, to provide needed equipment and furniture, to invest in new technologies to support research and training programs, and to support proposal development and grant management. UNC-Chapel Hill used F&A funds to purchase materials for library collections, to renovate and retrofit facilities, and to provide training experiences for undergraduate, graduate, and professional students. In addition, F&A receipts were used for computing resources on the campus, which included funding for faculty computers, and operational costs for classroom technologies. Classrooms were updated with computers, projectors, and sound systems to improve learning. Many research grants require matching funds, which has also been a priority for F&A receipts at UNC-CH. Examples of research grants matched with F&A funds include the following:

- Biology: "Partnership for Minority Advancement in the Biomolecular Sciences"
- Physics/Astronomy: "The Virtual Lung"
- Social Work: "Teen Media Effects Study"
- Public Health: Genomics Research

- Nursing: “Cardiovascular Health in Children,” “Elder Abuse Screening,” “Preventing Chronic Illness”
- Government: Strategy development for environmental protection assistance to local and state governments

During FY 2003-04, Facilities and Administrative receipts provided for the establishment of the Office of Economic and Business Development at UNC-Chapel Hill. In addition, UNC-Chapel Hill’s F&A receipts were instrumental in making competitive employment offers through the provision of research support, laboratory set-ups, and scientific equipment. Faculty start-up was provided for 96 individuals in multiple departments, including: Biology, Computer Science, Chemistry, Anthropology, Linguistics, Public Health, Dentistry, Nursing, and Medicine.

Like UNC-Chapel Hill, NCSU is planning to obligate a portion of its facilities and administrative receipts toward the required campus match in the 2000 Higher Education Bond program. In 2003-04, NCSU committed 14% of its F&A receipts expenditures towards capital projects, such as Burlington Lab, West Research Annex, Partners II, the Turfgrass Facility, the Animal Health Lab, Flounder Research Facility, Centennial Campus Infrastructure, and D.H. Hill Library.

At North Carolina State University, approximately one-third of the facilities and administrative revenues were used to provide salary support for those offices supporting the research infrastructure of the campus, such as purchasing, payroll, accounting, budget, administrative computing, facilities operations, legal, and personnel. In addition, F&A receipts at NCSU were allocated to provide start-up packages and equipment for new faculty, matching costs for special research initiatives, interinstitutional programs, and facility upfits and renovations. Specifically, \$123,757 in F&A funds was used in a start-up package to recruit a highly competitive faculty member to the Department of Physics and \$19,500 was

used as a matching grant for a United States Air Force grant for faculty in physics and engineering that will focus on understanding friction of materials at the atomic and nanoscale level. Instruments were also purchased for a study in the Textile Engineering, Chemistry, and Science Departments at NCSU whose purpose is to develop the next generation of turnouts for first responders. The instruments will allow the researchers to do fundamental studies on polymeric materials that can be used as barriers in protective clothing. F&A funds were also used to provide equipment or matching funds for projects focused on production protocols for southern flounder (including economic analyses), identification of genes underlying production traits in poultry, and the application of genomic and proteomic approaches to the improvement of disease resistance and performance in farm animals.

In addition to the programmatic summary provided by each institution, an accounting by object of expenditure was also provided. In summary, the categories of expenditures follow:

<b>Object of Expenditure</b>	<b>Amount</b>	<b>% of Total</b>
Personnel services	\$ 45,468,174	32.6%
Supplies, utilities, fixed charges & other current services	47,349,902	33.9%
Renovation and capital improvements projects	31,803,774	22.8%
Educational, computing and other equipment	9,497,699	6.8%
Educational awards	2,611,971	1.9%
Library materials	587,138	0.4%
Other expenditures	2,264,853	1.6%
<b>TOTAL</b>	<b>139,583,511</b>	<b>100.00%</b>

#### University Research Facilities and Administrative Receipts Reporting Policy

Recognizing the need for uniform policies and procedures for reporting University research facilities and administrative receipts, the Board of Governors at its meeting on March 6, 2002, adopted a new policy statement. A copy of the policy is attached (Attachment D).

The requirements of the policy are:

1. UNC institutions determine expenditure of F&A receipts. The chancellor of each constituent institution shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.
2. In a format to be provided by the Office of the President, each campus will report by December 1, the amount of F&A funds received, amount expended by purpose, and uncommitted balance. A report will be made to the Board of Governors at the February Board meeting.
3. Chancellors shall formulate and submit a copy of an administrative procedure for the use and reporting of F&A funds to the President, consistent with Board of Governors' guidelines for the expenditure of F&A funds.

**University of North Carolina  
Facilities and Administrative Receipts, 2003-04**

<b>Institution</b>	<b>2003-04 Receipts</b>	<b>% of TOTAL</b>
Appalachian State University	\$ 478,552	0.3%
East Carolina University	3,136,267	2.1%
Elizabeth City State University	410,846	0.3%
Fayetteville State University	369,233	0.2%
North Carolina A&T State University	2,778,349	1.9%
North Carolina Central University	1,183,395	0.8%
North Carolina State University	28,208,280	18.9%
UNC Asheville	124,387	0.1%
UNC-Chapel Hill	102,932,940	68.9%
UNC Charlotte	2,595,790	1.7%
UNC Greensboro	3,866,958	2.6%
UNC Pembroke	231,270	0.2%
UNC Wilmington	1,975,803	1.3%
Western Carolina University	286,612	0.2%
Winston-Salem State University	440,698	0.3%
UNC-General Administration	430,008	0.3%
<b>TOTAL</b>	<b>\$149,449,388</b>	<b>100%</b>



**University of North Carolina  
Facilities and Administrative Expenditures, 2003-04**

<b>Institution</b>	<b>2003-04 Expenditures</b>	<b>% of TOTAL</b>
Appalachian State University	\$ 444,613	0.3%
East Carolina University	2,520,782	1.8%
Elizabeth City State University	330,640	0.2%
Fayetteville State University	176,448	0.1%
North Carolina A&T State University	2,060,676	1.5%
North Carolina Central University	509,279	0.4%
North Carolina State University	25,685,061	18.4%
UNC Asheville	121,215	0.1%
UNC-Chapel Hill	100,722,071	72.2%
UNC Charlotte	113,405	0.1%
UNC Greensboro	3,159,414	2.3%
UNC Pembroke	232,683	0.2%
UNC Wilmington	2,509,510	1.8%
Western Carolina University	476,748	0.3%
Winston-Salem State University	355,528	0.3%
UNC-General Administration	165,438	0.1%
<b>TOTAL</b>	<b>\$139,583,511</b>	<b>100%</b>

**University of North Carolina  
Facilities and Administrative (F&A) Receipts  
Examples of Usage By Campus  
FY 2003-04**

**Appalachian State University**

- ◆ An allocation of \$15,000 in F&A receipts was made to the Belk Library to provide support for the acquisition of materials suitable for the research and creative endeavors of the faculty and students.
- ◆ Approximately \$68,000 was used for start-up funds for new faculty.
- ◆ \$75,000 of F&A receipts were used to provide cash matches for external grants that required institutional commitment.
- ◆ Approximately \$22,816 was provided to the new Vivarium for continuing costs in support of the teaching and research activities of that facility.
- ◆ The Office of Research and Sponsored Programs was allocated approximately \$20,000 of the receipts to support its mission of providing the infrastructure necessary for the solicitation of grants and contracts.

**East Carolina University**

- ◆ ECU used the largest portion of its F&A receipts to support the direct cost of the research-related administration, including the Office of Sponsored Programs, the Office of Contracts and Grants, and the Office of Technology Transfer.
- ◆ F&A receipts of \$30,427 were used to purchase two sonic anemometers (measure wind speeds) and one instrument to measure the exchange of water and carbon dioxide between terrestrial flora and the atmosphere. This equipment is used in collaboration between ecologists and geographers as research is done on the study of land use change and its impacts on energy, water and gas exchanges between biota and the atmosphere. This research is important in understanding global climate changes.
- ◆ Some of the F&A funds at ECU have been used to meet cost sharing requirements for grant submissions of investigators, as well as to support the purchase of necessary equipment.
- ◆ F&A funds of \$48,547 were used to install a security system in the Warren Life Sciences Building, thereby creating the type of secure environment required by some granting agencies.
- ◆ ECU used \$43,950 in F&A receipts to purchase a sputtering system and a critical point dryer needed for ECU's electron microscopy research facility.
- ◆ In 2003-04, \$17,500 in F&A funds was used to support two workshops at ECU for High School Science teachers from eastern North Carolina. This is a beneficial program to update teachers on progress in science and provide an opportunity for the teachers to meet with ECU faculty.
- ◆ ECU used \$75,000 in F&A funds to purchase a Spectrometer for collaborative grant activities.

**Elizabeth City State University**

- ◆ ECSU used F&A receipts to pay for Sponsored Program Administration and additional support staffing, including a Contract and Grants Accountant.
- ◆ On-campus seminars and training workshops were provided for ECSU faculty and staff to enhance proposal writing and grants management skills.

**Fayetteville State University**

- ◆ F&A receipts in 2003-04 were used to promote grantsmanship workshops and to cover general operations related to the grants (Business Office, Sponsored Research, etc.).

**North Carolina Agricultural and Technical State University**

- ◆ NCA&TSU used 2003-04 F&A receipts to offer graduate assistantships, a practice that contributes greatly to the recruitment and retention of exceptional graduate students. An additional group of undergraduate students benefited from F&A receipts that were set aside to provide scholarship opportunities for exceptional undergraduate students in the various research intensive majors.
- ◆ F&A receipts at NC A&T were used to strengthen technology transfer by continued funding for intellectual property disclosures, faculty and staff development, and seed funding for new innovations. This has resulted in a more competitive technology portfolio, increased exposure to the intellectual assets of the university, and greater capability to engage in industry collaborations and community outreach for economic development.
- ◆ In 2003-04, F&A funds were used to support the development of emerging interdisciplinary research initiatives in computational sciences as well as agricultural technology and safety. The support included “seed funding” for shared research support staff, laboratory acquisitions and upgrades, faculty visits to prospective sponsors, and matching funds.
- ◆ NCA&TSU used F&A funding for continued assistance in the NASA-CAR, Defense Information Systems Agency, and the Office of Naval Research programs in conjunction with the College of Engineering and School of Technology.

**North Carolina Central University**

- ◆ NCCU’s F&A receipts benefited many academic programs in 2003-04, including Human Sciences, Biology, Chemistry, Health Education, and Physics. These funds were used to support faculty in their administration of grants and to help begin research that can lead to new grants and breakthrough developments. The Physics Department also provided computer monitors and printers for use by faculty and students, for teaching and for research projects.
- ◆ F&A funds at NCCU were used to fund expenses related to the annual audit of federal grants and programs.

**North Carolina State University**

- ◆ NCSU’s Vice Chancellor for Research and Graduate Studies administers an allocation of F&A receipts to help support start-up packages and equipment for new faculty, provide matching/cost-sharing funds for special research initiatives and inter-institutional programs, and facility upfits and renovations.
- ◆ F&A funds at NCSU were used to invest in funding repairs to equipment and facilities.
- ◆ NCSU has prioritized F&A funds for use on the Centennial Campus – to support the continuing development of the campus through retro-fitting and constructing new research facilities and to support the Centennial Campus Development Office.
- ◆ F&A funds are allocated to NCSU’s library to maintain the currency of research-related collections and services. Recent expenditures have been made to renovate space in the old Central Stores facility to provide an archival storage, acquire a new automated system, and provide for accessibility-related renovations to the library.
- ◆ The Office of Sponsored Programs and the Contracts and Grants Office at NCSU are supported through an allocation of F&A receipts for personnel costs and ongoing maintenance.

**University of North Carolina at Asheville**

- ◆ Facilities and administration receipts at UNCA were used to fund the auditing expenses and provide accounting support for contracts and grants.
- ◆ UNCA's Office of Sponsored Research used approximately \$66,000 to offer workshops and grant-writing support to the campus.

**University of North Carolina at Chapel Hill**

- ◆ The academic departments that generated F&A receipts at UNC-Chapel Hill used them to fund the following:
  - Individual investigator research project support
  - Student fellowships and research assistantships
  - General operating expenses and computing services
  - Equipment, furniture, wiring and software
  - Project staff and research personnel
  - 193 Stepper Scanner for nanoscience technology research
  - Videoconferencing
  - Proposal development and grant management
  - Publishing the Injury Prevention Research Center newsletter
  - Purchase of a new integrated library system
- ◆ UNC-Chapel Hill used F&A receipts to maximize an opportunity to negotiate with SGI and DELL to fund a new computing infrastructure to meet the faculty demand for research by upgrading and replacing research computing facilities.
- ◆ General university operations and research at UNC-Chapel Hill also benefited from F&A funds. These included:
  - Horace Williams cleanup
  - Libraries
  - Center for International Initiatives
  - Clinical Trials Office
  - Women's Center
  - Undergraduate and Graduate student research awards
  - K-12 Outreach program to North Carolina schools
  - Frank Porter Graham Child Development Center
  - Center for Teaching and Learning
  - Health Careers and Access
  - Stone Center
  - Sheps Center
  - Institute on Aging
  - Highway Safety Research
- ◆ A portion of the F&A funds are used to meet obligations for new construction, renovation of facilities, debt service, enhancing technology through campus wiring and upgrades to other infrastructure. Major capital obligations, minor repairs, and renovations included expenditures on the following facilities: Genetic Medicine Building, Beard Hall Renovation, Stone Center, Smith Hall – Playmakers, Mary Ellen Jones Building, and the Science Complex Phase I.

**University of North Carolina at Charlotte**

- ◆ The majority of F&A expenditures at UNCC in 2003-04 were for related personnel expenditures and equipment purchases.
- ◆ Additionally, UNCC has planned large-scale capital improvements expenditures from F&A receipt balances in 2004-05 to upgrade and enhance bond-funded buildings. Additional scientific equipment will also be purchased to facilitate the research and instructional functions which are housed within these newly constructed facilities.

**University of North Carolina at Greensboro**

- ◆ In 2003-04, UNCG allocated F&A funds to provide 25 opportunities for faculty to improve grant-writing skills. These events ranged from video workshops for research administrators, to grant writing seminars for beginning and skilled grant writers, to brown-bag meetings with the staff of the Office of Research and Public/Private Sector Partnerships. Over 350 faculty, almost 60 students, and 200 individuals from off-campus attended these events.
- ◆ UNCG used F&A receipts to host a Small Business Innovation Research and Small Business Technology Transfer program for UNCG faculty and community small business owners.
- ◆ UNCG's F&A receipts supported the undergraduate research program by providing for 134 undergraduate research assistantships. In addition, the receipts supported an Excellence Day presentation for 52 undergraduate research assistants to show their research, a training workshop for faculty on preparing competitive proposals to procure funds to support an undergraduate researcher, a workshop for students on how to make effective research presentations, and the development of a webpage for information on the undergraduate research program.
- ◆ F&A funds at UNCG have also been used to support the research-related infrastructure:
  - A new Assistant Director position was funded in the Office of Sponsored Programs, to develop and monitor post-award agreements and actions.
  - The responsibilities associated with research compliance were transferred from the Office of Sponsored Programs to a new Office of Research Compliance, for which a Director was hired.

**University of North Carolina at Pembroke**

- ◆ UNCP's F&A receipts supported a full-time Research/Training Coordinator/Assistant Director position and an Administrative Assistant position in the Center for Sponsored Research and Programs, as well as a part-time contractual position. These positions are responsible for: identifying and distributing appropriate grant and contract competition announcements; supporting proposal development and submission; networking; and training faculty and community participants in grant research and writing.
- ◆ UNCP uses F&A receipts to fund related audit activities.

**University of North Carolina at Wilmington**

- ◆ Salaries and benefits for UNCW's Office of Sponsored Programs and the Center for Marine Science are supported from F&A receipts.
- ◆ Using F&A receipts, UNCW purchased a 500Mhz High Performance Digital NMR Spectrometer to support researchers in Chemistry Department, Biology Department, and the Center for Marine Science.
- ◆ UNCW also used F&A receipts to renovate scientific laboratories in Science and Behavior Science and DeLoach Halls, supporting the departments of Psychology and Physics.

**Western Carolina University**

- ◆ F&A receipts at WCU provided support funds for student recruitment and retention efforts including promotional materials and marketing initiatives. One example was the Power Your Mind Spring Tour, where Western representatives and other support offices held instant-decision recruiting events in several North Carolina locations.
- ◆ WCU's Catching the American Dream: A Summit on Entrepreneurship (November 2003) was supported by F&A receipts. The Summit provided organizations and individuals a chance to meet with some of North Carolina's major strategists and policy leaders in the area of small business start-up, and to hear success stories as well as the strategies that were employed.
- ◆ F&A receipts were also used to support audit costs related to grants and contracts, fund operating expenses of the Office of Grants Management and Research, and sponsor a proposal writer's workshop.

**Winston-Salem State University**

- ◆ WSSU used 2003-04 F&A receipts to provide funds for student enrichment programs, such as the Minority Science Outreach Program, Summer Honors Program, and Accelerated Nursing Program.
- ◆ F&A receipts at WSSU were also used to fund related staff positions in Academic Affairs and Finance and Administration.

**University of North Carolina General Administration**

- ◆ F&A receipts at UNC General Administration were used to fund related administrative infrastructure costs, including
  - a research associate position and operating costs to administer A-102 and A-110 compliance standards and to manage pre-award and post-award operations
  - the establishment and maintenance of the negotiated F&A rate proposal and the UNC Cost Allocation Plan
  - staff development for OMB Circular A-87, A-110, and A-133 compliance training
- ◆ F&A receipts were also used to cover administrative overhead costs for central administrative cost pools and fund unfunded cost-sharing requirements for grant proposals.



# POLICIES

## The University of North Carolina *Board of Governors*

**Number 500.5**  
**Adopted: 3/6/02**

### **University Research Facilities and Administration Receipts Reporting Policy**

#### **Purpose**

The University of North Carolina receives reimbursement of Facilities and Administration (F&A) costs related to grants and contracts and is expected to allocate these funds within the appropriate state and federal guidelines. Pursuant to the provisions of Senate Bill 1005, Section 31.14 (2001), the UNC Board of Governors is required to report to the Joint Legislative Education Oversight Committee by March 1, each year, the amount of overhead receipts for the University System and the use of those receipts.

#### **Background**

F&A costs (sometimes called indirect or overhead receipts) are calculated for such items as facilities maintenance and renewal, libraries, salaries of technical, compliance and administrative personnel, equipment, scholarly development, and facilities support. F&A rates are set by negotiation between the federal government and each university. Lower rates are often established statutorily or by policy by certain programs and sponsors.

Under federal OMB Circular A-21 indirect costs generally reimburse for costs of the grants and contracts operations of the institution and other overhead expenses of the university in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
2. Transactions are executed in compliance with laws, regulations and provisions of federal and state laws and in accordance with sponsored agreement terms.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

#### **Requirements**

1. UNC institutions determine expenditure of F&A receipts. The chancellor of each constituent institution shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.
2. In a format to be provided by the Office of the President, each campus will report by December 1, the amount of F & A funds received, amount expended by purpose, and uncommitted balance. A report will be made to the Board of Governors at the February board meeting.
3. Chancellors shall formulate and submit a copy of an administrative procedure for the use and reporting of F&A funds to the President, consistent with Board of Governors' guidelines for the expenditure of F&A funds.

**University of North Carolina Board of Governors**  
**UNC Bond Program Report**  
**February 2005**

The UNC-CH's Utility Infrastructure-Manning Drive Steam Plant (\$31.9 million), FSU's Lyons Science (\$11.8 million) and WSSU's Health Center (\$2 million) were awarded since our last report. WSSU is the second institution to have achieved the distinction of having awarded all authorized projects.

312 of the 316 certified projects are underway or completed. Currently, 80 projects are in design, 154 projects are in construction, and over 550 contracts are being managed.

The program has more than \$1.67 billion under contract or completed. The 74 completed projects account for nearly \$470 million or 19% of the \$2.5 billion authorized and the combined value of the four un-started projects is less than \$14 million.

With the Treasurer's well-timed December 2004 bond sale, additional allotments totaling over \$251 million were distributed to the campuses in January 2005 and are expected to sustain the program's expenditure stream through June 2005. Though moderating because of the holiday season, the program's cash flow has been averaging more than \$50 million per month. This continues to benefit the North Carolina economy with an estimated 52,700 jobs created by the bond program.

The program teams at the campuses continue to work through the specific challenges of an increasing demand for construction services, material cost increases, and local contractors, large and small, who have committed their available capacity and the need to extend opportunities across a broader range of participants, particularly in the African-American community. While not desired, these cyclical or on-going challenges are all too familiar to the professional teams at the campuses and, with the proper attentiveness, can be successfully managed.

An updated project status overview reflecting activity by institution is included in this report.



**The University of North Carolina**  
**Bond Project Status Overview - January 2005 Data**  
**Contractual Commitments from Bond Funds**

Institution	# of Projects per Bond List*	# of Project Bid Packages*	Total Dollar Value	In Design Phase				In Construction Phase				Complete				Land Acquisitions	
				\$	%	#	%	\$	%	#	%	\$	%	#	%	\$	%
Appalachian State University	13	23	\$87,406,200	\$5,143,018	5.88%	3	13.04%	\$57,903,407	66.25%	6	26.09%	\$15,044,697	17.21%	12	52.17%	\$829,300	0.95%
East Carolina University	13	23	\$190,609,500	\$8,427,595	4.42%	3	13.04%	\$72,225,708	37.89%	6	26.09%	\$75,057,194	39.38%	13	56.52%	\$7,667,248	4.02%
Elizabeth City State University	19	21	\$46,296,800	\$2,887,410	6.24%	7	33.33%	\$21,279,399	45.96%	4	19.05%	\$4,540,710	9.81%	5	23.81%	\$0	0.00%
Fayetteville State University	17	25	\$46,021,400	\$1,949,599	4.24%	7	28.00%	\$27,127,518	58.95%	10	40.00%	\$2,369,209	5.15%	7	28.00%	Not Applicable	N/A
North Carolina A&T State University	21	37	\$161,800,091	\$7,435,705	4.60%	6	16.22%	\$66,709,616	41.23%	14	37.84%	\$25,016,009	15.46%	15	40.54%	\$6,300,000	3.89%
North Carolina Central University	23	42	\$121,246,203	\$7,783,223	6.42%	6	14.29%	\$63,385,125	52.28%	24	57.14%	\$5,852,674	4.83%	7	16.67%	\$1,733,376	1.43%
North Carolina School of the Arts	12	11	\$42,547,500	\$551,726	1.30%	2	18.18%	\$4,427,691	10.41%	3	27.27%	\$24,515,759	57.62%	4	36.36%	\$2,618,328	6.15%
North Carolina State University	40	105	\$468,256,655	\$19,733,697	4.21%	24	22.86%	\$155,025,256	33.11%	23	21.90%	\$105,945,829	22.63%	49	46.67%	\$3,033,582	0.65%
UNC-Asheville	9	12	\$50,464,200	\$3,052,742	6.05%	4	33.33%	\$4,800,743	9.51%	1	8.33%	\$13,440,950	26.63%	7	58.33%	Not Applicable	N/A
UNC-Chapel Hill	49	86	\$510,539,075	\$38,186,621	7.48%	30	34.88%	\$193,983,413	38.00%	31	36.05%	\$92,654,951	18.15%	25	29.07%	\$1,338,342	0.26%
UNC-Charlotte	15	22	\$190,033,501	\$11,725,472	6.17%	5	22.73%	\$135,726,784	71.42%	10	45.45%	\$25,793,710	13.57%	7	31.82%	Not Applicable	N/A
UNC-Greensboro	17	26	\$166,008,255	\$7,289,843	4.39%	5	19.23%	\$44,546,291	26.83%	6	23.08%	\$43,580,124	26.25%	11	42.31%	\$5,011,303	3.02%
UNC-Pembroke	17	15	\$56,873,600	\$2,453,348	4.31%	6	40.00%	\$12,391,630	21.79%	6	40.00%	\$21,045,734	37.00%	2	13.33%	Not Applicable	N/A
UNC-Wilmington	18	31	\$109,201,800	\$6,582,068	6.03%	5	16.13%	\$50,749,694	46.47%	9	29.03%	\$7,884,127	7.22%	14	45.16%	\$2,100,000	1.92%
Western Carolina University	15	27	\$100,336,744	\$5,634,363	5.62%	8	29.63%	\$33,502,919	33.39%	7	25.93%	\$22,739,286	22.66%	11	40.74%	\$3,143,000	3.13%
Winston-Salem State University	13	28	\$46,786,581	\$1,246,066	2.66%	1	3.57%	\$20,867,185	44.60%	12	42.86%	\$16,791,934	35.89%	15	53.57%	Not Applicable	N/A
UNC Center for Public Television**	2	6	\$65,890,600	\$0	0.00%	0	0.00%	\$28,170,366	42.75%	0	0.00%	\$8,994,347	13.65%	6	100.00%	Not Applicable	N/A
NC School of Science and Math	2	4	\$5,163,000	\$0	0.00%	0	0.00%	\$0	0.00%	0	0.00%	\$5,163,000	100.00%	4	100.00%	Not Applicable	N/A
The NC Arboretum	1	6	\$9,331,700	\$362,807	3.89%	2	33.33%	\$1,614,984	17.31%	2	33.33%	\$1,966,000	21.07%	2	33.33%	Not Applicable	N/A
Reserve – For Repairs and Renovations and Cost Overruns			\$25,186,595														
<b>Total</b>	<b>316</b>	<b>550</b>	<b>\$2,500,000,000</b>	<b>\$130,445,303</b>	<b>5.22%</b>	<b>124</b>	<b>22.55%</b>	<b>\$994,437,729</b>	<b>39.78%</b>	<b>174</b>	<b>31.64%</b>	<b>\$518,396,244</b>	<b>20.74%</b>	<b>216</b>	<b>39.27%</b>	<b>\$33,774,479</b>	<b>1.35%</b>

\*The number of projects undertaken by the institutions differs from the number as listed in the bond legislation because projects are in some instances combined or separated into multiple phases. The percentages reported are based on the number of bid packages being prepared by the institution in order to give a more accurate progress picture.

The number of projects listed based on legislation, reflects the original 316 items with adjustments approved through scope change requests.

\*\*With no construction projects in progress, a dollar commitment continues to be reported reflecting the related equipment purchases currently on order and required to complete the digital conversion project.

Additional equipment will be ordered as this technology stabilizes.

Construction Manager at Risk preconstruction fee is listed under "Construction" column and will reflect a project count when a Gross Maximum Price contract is executed.