

October 24, 2008

To: Chancellors and Members of General Administration Council
From: Rob Nelson
Subject: 2009-11 Budget

Attached you will find a working draft of the 2009-11 Budget. This will be the basis for our discussion on Monday, October 27. Campus expansion requests submitted to this office were the best we've reviewed in a long time. They were focused, reasonable, well-documented, and most importantly matched up to UNC Tomorrow. It is a shame we go into the 2009 budget cycle under such difficult financial constraints.

The attached draft budget is the product of your one-on-one conversations with Erskine, feedback from the BOG discussion, feedback from GAC members, and a detailed analysis of each request, including a review of alternative revenue sources, administrative costs, measurable outcomes and impact, and the recommendations of the UNC Tomorrow Commission as well as your response to those findings. We also had to consider that given the current fiscal environment, some initiatives may take longer to phase in than we might like.

Our operating expansion request for the 2008 Session (2008-09) totaled \$311 million. It is extremely important that our request for 2009-11 reflect our understanding of the current economic climate. This draft budget totals \$173 million for operating budget expansion. In fact, the portion for specific campus requests that address the UNC Tomorrow priorities is only \$43 million in the first year and an additional \$20 million in the second year. This is the smallest expansion budget request prepared by the University since 2004-05.

For our discussion about capital, there are three attachments to lead our discussion. The first attachment shows the status of our 2008 capital authorizations. We must review this information first because recent economic conditions have caused the Office of State Budget to place all of our 2008 authorizations "on hold". Notwithstanding the fact that projects approved in 2008 are on hold, the second attachment lists the top priority for every campus for 2009-11 and shows funding needed during the biennium to award construction contracts. Most of these projects were previously authorized for planning by the 2008 legislature. The final attachment shows cash flow needs for the top priorities. This chart could be used as part of a request for projects to be funded from long-term indebtedness.

I look forward to hearing your comments and questions.

Attachments

**DRAFT 2009-11 Budget
for discussion with Chancellors on October 27, 2008**

	UNC Tomorrow Goal(s)	Priority	2009-10		2010-11	
					Additional Amount	
1.		Campus Safety	14,200,000		0	
			5,700,000	R	0	
			8,500,000	NR	0	
2.	<i>Our Citizens & Their Future: Access to Higher Education</i>		29,148,434		26,000,000	
		UNC Need-Based Financial Aid Program	25,000,000		25,000,000	
		Regional Partnerships in Hickory, Onslow County and Rocky Mount Regions				
		Hickory Partnership	424,804		200,000	
		Onslow Partnership	400,000		0	
		Rocky Mount Partnership	281,250		0	
		NCCU University College	300,000		0	
		FSU College Access & Community College Outreach	200,000		0	
		UNCA Diversity & Inclusion Pre-College	300,000		300,000	
		UNC-CH Community College & Underserved Students	1,166,726		0	
		WSSU Adult & Transfer Student Recruitment	575,654		0	
		possible Additional Summer Bridge programs (Pending review by President)	500,000		500,000	
3.	<i>Increase Efforts to Recruit and Retain High Quality Faculty</i>		71,431,000		65,200,000	
		Competitive Salaries for Faculty - 80th Percentile of Peers request for 1% funding per year	19,200,000		19,400,000	
		EPA Merit-Based Increases (2% per year)	38,400,000		38,800,000	
		Distinguished Professorships - Spangler Matching	6,831,000	R	0	
		Distinguished Professorships - Reduce Significant Backlog of Available Private Matching Funds	5,000,000	NR	5,000,000	NR
		Faculty Recruiting & Retention Fund	2,000,000		2,000,000	
4.	<i>Our Global Readiness</i>		2,606,664		39,696	
		FSU College Readiness for All Students	123,392		39,696	
		NCCU "Communicating to Succeed"	202,872		0	
		WSSU "Writing to Learn"	150,000		0	
		UNCP Improve Academic & Student Support Services; retention & graduation	400,000		0	
		UNCG Improve Academic & Student Support Services; retention & graduation	730,400		0	
		UNC-CH Improve Academic & Student Support Services; retention & graduation	1,000,000		0	

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UNC Tomorrow Goal(s)	Priority	2009-10	2010-11	Additional Amount
5. Our University's Outreach & Engagement		1,076,518	1,229,750	
	FSU Military One-Stop Center & BRAC Outreach	251,518	354,750	
	UNCC Community Access and Research-First Generation, Limited Income Students	300,000	300,000	
	UNCTV Statewide Public Affairs & Informational Program Services	325,000	325,000	
	UNC Press Online & Multi-Format	200,000	0	
	Create Center for Applied Policy Research	0	250,000	
6. Our Communities & Their Economic Transformation		29,791,000	16,101,000	
	NC Research Campus	10,000,000	0	
	NC Research Competitiveness & Commercialization Gap Funding	3,000,000	3,000,000	
	Graduate Student Recruitment & Retention	2,000,000	2,000,000	
	UNCC Energy Production Infrastructure Center (EPIC)	2,000,000	3,000,000	
	NCA&T College of Engineering, incl ERC match	2,000,000	0	
	NCSU College of Engineering	5,000,000	5,000,000	
	NCA&T and UNCG Joint Millennial Campus - JSNN and JPDC	3,241,000	1,151,000	
	UNCSA School of Film	500,000	500,000	R
		500,000	500,000	NR
	WCU Forensic Science Program	500,000	250,000	R
		100,000	250,000	NR
	ECSU School of Aviation	300,000	300,000	R
		150,000	150,000	NR
	WCU Rapid Product Realization	200,000	0	
	NC Arboretum - Bent Creek	300,000	0	
7. Our Children & Their Future: Improving Public Education		3,873,797	1,925,000	
	Recurring funds for Principals Exec. Prog	1,266,170	0	
	MSEN Pre-College Programs			
	recurring funds for ECU & WCU	450,000		
	continue year 1 plus add ASU, UNCP, UNCW		675,000	
	NCCAT New Teacher Retention	400,000	0	
	University-School Programs Network integrated with CSLD		500,000	
	UNC-CH Increase Production of Science Teachers	1,207,627	0	
	System-wide STEM Initiative, focused on Mathematics		500,000	
	NCSSM Online & Diversity Initiative	250,000	250,000	
	NCCIU K-12 Global Education	300,000	0	

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	UNC Tomorrow Goal(s)	Priority	2009-10	2010-11	
				Additional Amount	
8.	<i>Our Health</i>		16,111,024	15,507,336	
		ECU Indigent Care	3,000,000	2,000,000	
		UNC Hospitals Indigent Care	2,000,000	2,000,000	
		ECU School of Dentistry and Clinics	6,000,000	8,000,000	
		UNC-CH AHEC in Elizabeth City	500,000	250,000	
		NCCU Nursing Program Expansion	300,000	200,000	
		UNC-CH Nursing Program Expansion	335,156	407,336	
		ASU College of Health Sciences & Allied Professions	250,000	0	
		UNCW College of Health & Human Services	500,000	0	
		UNCA Health & Wellness	500,000	250,000	R
			200,000	400,000	NR
		Medical School Expansions	2,000,000	2,000,000	
		UNCW Memory Research	193,939	0	
		UNCP Native American Health	331,929	0	
9.	<i>Our Environment</i>		2,175,000	1,050,000	
		ASU Energy Initiatives	250,000	250,000	R
			250,000	250,000	NR
		NCSU Bioenergy Technologies	1,000,000	0	
		UNC-CH Environmental Resource Prog-Water & Energy	350,000	550,000	
		Coastal Studies Inst.	325,000	0	
10.	<i>Efficient Use of Available Resources; Continue Efforts to Establish Accountability & Performance Measures</i>		3,000,000	2,000,000	
		Fiscal Integrity	3,000,000	2,000,000	
TOTAL UNC EXPANSION BUDGET			173,413,437	129,052,782	
Continuation Budget					
	Enrollment	Currently finalizing continuation budget numbers - these are estimates	50,000,000	55,000,000	
	Building Reserves		20,000,000	20,000,000	
	Utilities		5,000,000	5,000,000	
	Vehicles & Equipment		5,000,000	5,000,000	
	EARN Scholars		43,750,000	0	
	Other				

2008 Allocations of Funds – Capital Improvements

The General Assembly appropriated \$99,612,826 from the General Fund and authorized the issuance of \$523,515,000 in certificates of participation (COPS) for the following projects.

Capital Improvements (all items are nonrecurring)	Appropriations	COPS *	Total
Fire Safety Improvements - Student Residence Halls***	-	10,000,000	10,000,000
ASU College of Nursing & Health Sciences Building – Planning	4,200,000	-	4,200,000
ECU School of Dentistry	-	69,000,000	69,000,000
ECU New Family Medicine/Geriatric Center	-	36,800,000	36,800,000
ECSU School of Education Building	-	18,000,000	18,000,000
ECSU School of Aviation Complex	1,500,000	-	1,500,000
FSU Teaching Education & General Classroom Building – Planning	4,272,110	-	4,272,110
NCA&T General Classroom Instructional Facility	-	20,490,000	20,490,000
NCA&T Joint Primary Data Center – Planning (with UNCG)	1,852,016	-	1,852,016
NCA&T Land Acquisition and Construction of Horse Barns	-	2,438,000	2,438,000
NCCU School of Nursing Building	-	24,500,000	24,500,000
NCSA Central Storage Facility	-	11,100,000	11,100,000
NCSA Film School Production Facility	-	12,900,000	12,900,000
NCSU Centennial Campus Library	-	109,100,000	109,100,000
NCSU Engineering Complex	14,400,000	-	14,400,000
NCSU 4-H Camp Improvements	-	4,000,000	4,000,000
UNCA Replace Carmichael Hall & University Lecture Hall – Planning	1,100,000	-	1,100,000
UNC-CH Dental Sciences Teaching and Learning Building	-	69,000,000	69,000,000
UNC-CH Carolina North Development, Phase 1 – Planning **	11,500,000	-	11,500,000
UNC-CH Biomedical Research Imaging Center – Planning	35,000,000	-	35,000,000
UNC-CH Morehead Planetarium Renovation and Expansion	1,800,000	-	1,800,000
UNCC Energy Production Infrastructure Center	-	57,218,000	57,218,000
UNCC Science Building – Planning	2,400,000	-	2,400,000
UNCG Academic Classroom & Office Building	-	42,670,000	42,670,000
UNCG Joint Primary Data Center – Planning (with NCA&T) <i>see NCA&T above</i>	-	-	-
UNCP Information Commons Building – Planning	2,000,000	-	2,000,000
UNCW Allied Health and Human Sciences Building – Planning	4,320,000	-	4,320,000
WCU Education and Allied Professions Building – Planning	4,018,700	-	4,018,700
WSSU Student Activities Center – Budget Supplement***	-	9,799,000	9,799,000
WSSU Science and General Office Building	3,000,000	-	3,000,000
WSSU/NCSA Center for Design Innovation – Site Preparation***	-	1,500,000	1,500,000
NCSSM Discovery Center – Science Labs/Classrooms/ Residence Hall	7,250,000	-	7,250,000
System-wide Reserve for Land Acquisition	-	25,000,000	25,000,000
Upper Coastal Plain Higher Education Center	1,000,000	-	1,000,000
Total	99,612,826	523,515,000	623,127,826

* The Conference Committee recommends funding these projects with Certificates of Participation (COPS).

In addition to the items listed, the Conference Committee Report recommends \$4,303,944 in COPS for a research scale oyster hatchery in the Division of Marine Fisheries to be located at the Center for Marine Science at UNCW.

**The Board of Governors recommended the UNC-CH Law School Replacement – Planning as a part of the UNC-CH Carolina North, Phase I – Planning. The House budget recommended planning funds only for the Law School project. The Senate budget included the Law School planning funds in the \$16.9M for the Carolina North project. The Conference Committee recommends funds for planning the Law School replacement and infrastructure for the Law School and the Innovation Center

***COPS for these projects have been authorized by the Council of State. All others are "on hold" as of October, 2008.

Approved by the Board of Governors on 8/6/08

**The University of North Carolina
Summary – 2009-11 Capital Budget Priorities**

Capital Attachment 2

as of 10-22-2008

Institution	Projects Previously Approved by the General Assembly	2009-10 Request	2010-11 Request
University-wide	Fire Safety Improvements – Student Residence Halls	27,180,000	–
ASU	College of Nursing & Health Sciences Building	54,000,000	–
ECU	Life Sciences and Biotechnology Building *	15,160,000	136,440,000
ECSU	School of Aviation Complex	15,500,000	–
FSU	Teacher Education & General Classroom Building	39,027,890	–
NCA&T	Joint Primary Data Center -- (with UNCG)	22,225,000	–
NCCU	Student Services, Classrooms & Assembly Buildings *	8,110,000	72,990,000
NCSSM	Discovery Ctr- Science Labs/Classrooms/Residence Hall	71,313,000	–
NCSU	Engineering Complex and Backfill	451,455,400	–
UNCA	Replace Carmichael Hall & University Lecture Hall	25,701,000	–
UNC-CH	Carolina North Development, Phase 1	157,500,000	–
UNC-CH	Morehead Planetarium Renovation and Expansion	56,200,000	–
UNCC	Science Building	117,600,000	–
UNCG	Joint Primary Data Center -- (with NCA&T)	22,225,000	–
UNCP	Information Commons Building (#1 priority \$20M Land)	57,450,000	–
UNCSA	Film School Sound Stage Facility *	2,356,100	21,204,900
UNCW	Allied Health and Human Sciences Building	41,993,000	–
WCU	Education and Allied Professions Building	43,634,000	–
WSSU	Sciences and General Office Building	25,857,000	–
University-wide	Land Acquisition	25,000,000	–
University-wide	Repairs and Renovations	218,000,000	–
Educ. Center	Upper Coastal Plain Higher Education Center	13,480,000	–
	Fiscal Year Totals	1,510,967,390	230,634,900
	GRAND TOTAL		1,741,602,290

NOTE: * These projects have not been approved by the General Assembly

2009-2010 Appropriated Capital Improvements Priorities Worksheet

	Project	Project Total	2008		Funding Requirement Plan					
			Appropriated in 2007	Funds "On Hold"	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
ASU	College of Nursing & Health Sciences Building	58,200,000		4,200,000		13,446,776	32,342,616	8,210,608		
ECU	Life Sciences and Biotechnology Building	151,600,000			7,731,600	8,462,512	33,750,000	64,321,809	37,334,079	
ECSU	School of Aviation Complex	17,500,000	500,000	1,500,000	700,000	3,533,611	10,515,403	735,896	15,090	
FSU	Teacher Education & General Classroom Building	43,300,000		4,272,110		13,442,921	24,721,193	863,776		
NCA&T	Joint Primary Data Center (with UNCG)	23,151,008		926,008	374,542	5,565,153	14,916,701	1,361,332	7,272	
NCCU	Student Services, Classrooms & Assembly Bldgs	81,100,000			3,111,320	4,712,345	12,470,200	27,867,195	20,491,200	12,447,740
UNC-SA	Film School Sound Stage Facility	23,561,000			1,211,000	4,334,556	13,269,587	4,716,063	29,794	
NCSU	Engineering Complex and Backfill	465,855,400		14,400,000	1,384,889	7,595,265	87,309,700	259,811,472	89,954,782	5,399,292
UNCA	Replace Carmichael Hall & University Lecture Hall	26,801,000		1,100,000		6,348,619	18,269,587	1,075,522	7,272	
UNC-CH	Carolina North Development, Phase 1*	169,000,000		11,500,000	2,282,412	77,772,961	74,301,359	3,143,268		
UNC-CH	Morehead Planetarium Renovation and Expansion*	58,000,000		1,800,000	2,677,784	35,670,021	17,587,662	264,533		
UNCC	Science Building	120,000,000		2,400,000	330,667	2,469,333	27,376,731	83,632,337	3,790,932	
UNCG	Joint Primary Data Center (with NCA&T)	23,151,008		926,008	374,542	5,565,153	14,916,701	1,361,332	7,272	
UNCP	Information Commons Building	59,450,000		2,000,000	1,976,254	16,405,966	36,776,780	2,291,000		
UNCW	Allied Health and Human Sciences Building	46,313,000		4,320,000	1,048,156	26,307,090	14,438,966	198,788		
WCU	Education and Allied Professions Building	47,652,700		4,018,700		10,457,062	31,364,727	1,676,765	135,446	
WSSU	Sciences and General Office Building	32,169,000	3,312,000	3,000,000	2,043,940	16,178,236	6,868,994	765,830		
NCSSM	Discovery Ctr- Science Labs/Classrooms/Res. Hall	81,900,000	3,337,000	7,250,000	2,763,747	11,122,024	23,931,289	23,047,100	10,448,840	

2009-2010 Appropriated Capital Improvements Priorities Worksheet

Project	Project Total	Appropriated in 2007	2008 Funds "On Hold"	Funding Requirement Plan					
				2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Upper Coastal Plain Higher Education Center	14,480,000		1,000,000	700,000	3,032,707	8,872,356	859,846	15,091	
Fire Safety Improvments	27,180,000			10,000,000	10,000,000	7,180,000			
Land Acquisition	25,000,000			10,000,000	10,000,000	5,000,000			
Allocation from Repairs and Renovations	218,000,000			72,700,000	72,700,000	72,600,000			
UNC-CH Biomedical Research Imaging Center**	35,000,000		35,000,000						
Totals	1,848,364,116	7,149,000	99,612,826	121,410,853	365,122,311	588,780,552	486,204,472	162,237,070	17,847,032
				Total 2009-15		1,741,602,290			
				plus previously approp		106,761,826			
				= project total		1,848,364,116			
* Funding from non-General Fund sources expected									
** BRIC - funded from appropriations of \$35M in 2008-09, \$172M in 2009-10 and \$45M in 2010-11									