

Memorandum

To: UNC System Chancellors

From: Jennifer Haygood 
Senior Vice President for Finance & Administration and Chief Financial Officer

Date: October 19, 2023

Subject: FY 2025 All-Funds Budget Guidance

The annual all-funds budget process provides a comprehensive operating budget for each University of North Carolina System constituent institution, reflecting both General Fund and Institutional Trust Fund operating revenues and expenditures, and must be approved by the institution's Board of Trustees. This memo provides guidance on assumptions and policy priorities campuses are expected to consider when developing their budgets.

Background

North Carolina has a long history of state support for public higher education, resulting in substantial state appropriations and low tuition. For the majority of the UNC System's history, these two revenue sources were the primary revenues that supported System operations. Since both are considered state General Fund revenues, they are governed by strong regulations for budgeting. However, Institutional Trust Funds, which comprise revenues from auxiliary enterprises, federal grants and contracts, donor funds, and student fees have historically not been subject to the same formal budgeting requirements.

G.S. 116-1 provides that the University has a duty, in the fulfillment of its mission, to "seek an efficient use of available resources to ensure the highest quality in its service to the citizens of the State." The comprehensive, all-funds budget provides the necessary structural foundation for the execution of the University's strategic plan and to ensure the delivery of the University's teaching, research, and service mission in a financially sustainable manner.

Policy Guidance for Development of FY 2025 All Funds Budget

Systemwide and Institution-Specific Strategic Goals

The UNC System strategic plan set ambitious goals for access, student success, and economic impact. The Board of Governors of the University of North Carolina System has also set goals for the president on metrics including on-time graduation and degree efficiency, student debt among bachelor's degree completers, and education and related expenses per degree.

Institutional financial plans should be reflective of strategic priorities set by the UNC System, Board of Governors, as well as those that help individual institutions reach mission-specific goals. Universities should consider needs specific to the institution, the students that the institution serves, as well as the local community. Budget narratives should clearly identify how the allocation of resources will drive meaningful improvement in pursuit of these goals.

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Student Affordability

The UNC System has a responsibility to continually look for ways to generate greater value with its limited resources in order to keep costs for students low. Institutions should consider whether there are opportunities to eliminate duplicative, underperforming, or low priority programs; to streamline and consolidate programs, offices, and services; and to reduce layers of management and administration. There should also be a focus on expenses that are directly driving aspects of student debt and cost of attendance, including in fee-supported units, housing, dining, and the use and prioritization of financial aid. Campus narratives should articulate specific strategies being implemented and an estimated amount of savings generated that can be repurposed towards higher priorities or to reduce costs to students.

Submission Requirements

Universities must **complete the provided budget template** (emailed separately to budget officers) for the identified organizational units. To allow for consistency in the approach to budgeting various items that impact most if not all institutions, **Attachment A** provides more explicit instruction for budgeting items such as enrollment funding, tuition and fees, and employee salary and benefit rates. The template and budgeting conventions provide a common minimum standard for presenting budget information. Institutions are welcome to develop more detailed budgets for internal management purposes and roll up that information for submission to the System Office.

Institutions must also **provide a written narrative of no more than two pages** explaining how the all-funds budget reflects investment in mission-aligned activities and addresses the policy priorities outlined in this memo. This narrative should also highlight noteworthy changes from the prior year as well as steps your institution is taking to manage inflationary cost increases.

Each institution is expected to work closely with stakeholders across the campus to ensure a collaborative process that promotes a shared understanding of resource allocation and management in pursuit of strategic priorities. The process should culminate in approval of the campus Board of Trustees, which should occur prior to May 1, 2024.

By May 1, 2024, please email the completed budget template and narrative to **Angelisa Riggsbee** (alriggsbee@northcarolina.edu). This information will be compiled for distribution to the Board of Governors at its May 2024 meeting.

We appreciate your cooperation in this important endeavor.

Att. A: Budgeting Conventions

cc: Chief Financial Officers
Provosts
Chiefs of Staff
Budget Directors

UNC System All-Funds Budget Budgeting Conventions

Accounting Basis

Budgets should be prepared on a modified cash basis. Revenues should be included as these are earned, so unearned revenue should not be included. Non-cash expenses (e.g., depreciation) should not be included. Planned eliminations should be included in the university-wide budget as outlined under “Internal Transfers – University” and should not be included in the unit-specific budgets. Other accruals generally do not need be budgeted.

State Appropriation

Impact of FY 2024-25 State Budget

Budgeted appropriation for FY 2025 should be based on the approved certified budget plus any enrollment funding and building reserves requested for FY 2025 from the General Assembly. Any other impacts from the 2024-25 state budget, including changes to salaries and benefits for state-funded positions or other line-item appropriation, should not be included.

Budgeting General Fund Revenue in Unit Breakouts

General Fund revenue should be budgeted in an amount equal to the General Fund expenses budgeted for the unit.

General Fund Carry forward

Carry forward does not need to be included in the budget. If it is included, it should be included in the Central Funds section of the template.

Tuition and Fees and Student Auxiliaries

Tuition and Fees

The budget should include gross tuition and fee revenues based on the rates approved by the Board of Governors for the 2024-25 academic year and anticipated 2024-25 enrollment levels. These rates are expected to be approved at the Board’s February 2024 meeting as informed by guidance released from the System Office in September 2023. Information submitted as part of the campus request for tuition and fees should align with what is included in the budget.

NC Promise Buy Down

Tuition for NC Promise institutions should be estimated as described in the “Tuition and Fees” section based on the NC Promise rate. The buy down should be estimated using a similar methodology and should be budgeted as state appropriation.

Student Auxiliary Rates

Housing, dining, parking, and other student auxiliaries should include gross revenue that is based on the rates for the 2024-25 academic year as approved by the Board of Trustees. When establishing these rates, campuses are expected to prioritize affordability for students, but should review their auxiliary fund balances to ensure adequate reserves exist.

Required Personnel Increases in Receipt-Supported Units

It is strongly recommended the salary and benefits expenses in fee-supported activities and auxiliaries include a reserve to support any required legislative increases.

Central Funds, Administrative Units

While many university transactions often flow through the business affairs or other administrative units, the budget for the unit should only reflect the activity related directly to the unit. Other funds held central or pass-through funds can be budgeted in the central funds unit.

Any operating funds that are set aside at the beginning of the year for unexpected needs but that do not belong to any specific unit should be budgeted as “Other Expenses” in the central funds unit.

Contracts and Grants

Multi-year contracts and grants should be budgeted annually on an expense reimbursement basis. Revenues should be budgeted in the year that expenses are expected to occur. Institutions are strongly encouraged to consult with stakeholders across the institution on expected contract and grant activity for FY 2025.

Financial Aid

The financial aid unit should include revenues and expenses associated with administering financial aid as well as state, federal, and institutional grants and scholarships. Loans should not be included. A worksheet has been provided to calculate discounts and allowances applied to gross tuition, fees, and sales and services. This worksheet is similar to required IPEDS reporting related to financial aid, which may be a useful resource in completing the information.

No more than 15 percent of the institution's budgeted tuition revenue or the amount reflected on the July 2023 Report on Need-Based Financial Aid from Tuition, whichever is higher, may be used to support the institution's need-based aid budget.

Fund Balance, Transfers, and Reserves

Fund Balance

Institutions are required to include beginning and ending fund balance information as part of their budget for auxiliary units only. Institutions may consider fund balance as part of their budgeting process for any other units as they see fit, but it should not be added to the template for other units.

Transfers

Planned inter-departmental and inter-institutional transfers should be included in the unit-specific budgets to adequately reflect revenues and expenses of the department. To the extent feasible, intra-departmental transfers should be excluded in order to clarify which funds are moving between units.

Transfers of operating funds to a capital reserve need to be included as a transfer out to capital. Transfers of operating funds to an operating reserve can be shown as a transfer out (other).

Auxiliary Overhead fees should be included as a revenue/expense, not a transfer.

Items to be Excluded

Capital Items and Debt Service

The budget should focus on operating items. Capital-related revenues and expenses should generally not be included.

However, a row has been included specifically for transfers out to capital, which should be budgeted if operating expenses are being used for a capital expense or capital reserve. Debt service (both payments towards interest and principal) should be budgeted as an expense and shown in the unit supporting the expense. Transfers to debt service funds should be included as debt service expense.

Endowments, Foundations, Loan Funds, and Agency Funds

Funds that are not governed directly by the university should not be included. This includes endowments, foundations, loan funds, and agency funds.

However, transfers in from endowments or foundations that are used to support the operations of the university should be budgeted in the appropriate unit.

Additional Resources

Please note that the Fiscal Year Overview is available to credentialed users via the insight platform. The dashboard now includes a view that formats actuals into the All Funds Budget format. This may be used as an additional tool as you develop your FY25 submission.