

# Faculty Council Meeting: UNC-CH Budget Outlook

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Friday, September 11, 2020

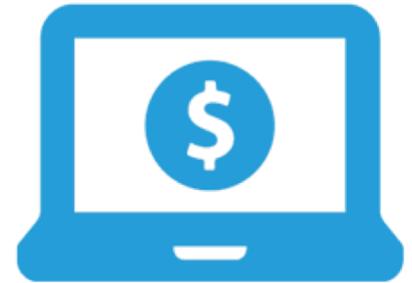
Nate Knuffman, Interim Vice Chancellor for Finance & Operations

# External Environment

- UNC's governance bodies are asking for – and expecting – greater financial and operational transparency and accountability
- Carolina will continue to face downward pressure on its primary revenue sources (e.g., tuition, appropriations, patient revenues) due to:
  - Economic uncertainty and dislocations resulting from the pandemic
  - Recent Board and legislative actions directed at increasing affordability
  - Questions about the financial health of the entire higher education sector, exemplified in the recent negative outlook rating given to the sector by 2 of the major rating agencies, Moody's and Standard and Poor's

# UNC-CH Financial Environment

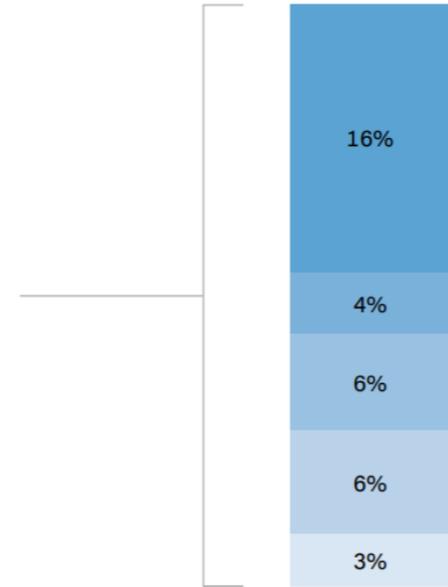
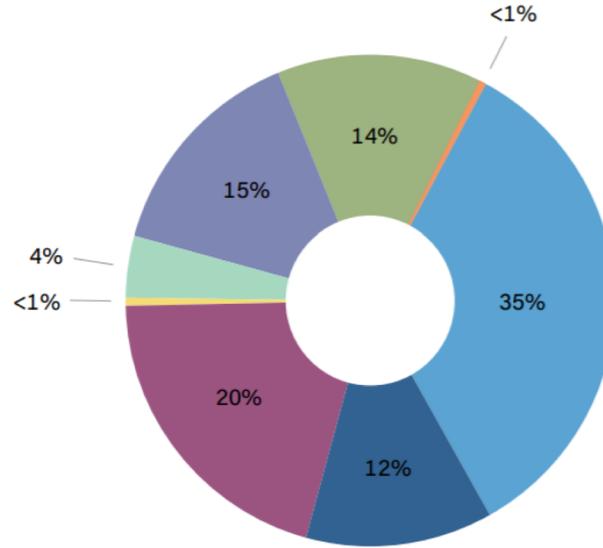
- Until this year, the University has never operated with an all-funds, prospective budget outlining the use of revenues and the level of planned expenses
- The current decentralized and fragmented operating environment makes decision-making based on “University” perspective difficult
- Ambitious goals of Blueprint for Next will require investments
- University finances are healthy when viewed in the aggregate, but obscure sizable structural issues located at the “center” of the University
- COVID-19 has exacerbated the existing structural pressure on university budget



# 2019 Revenue by Source:

**\$3,467,521**

(\$ in thousands)



- Student Tuition and Fees, Net—\$424,391
- Federal Grants and Contracts—\$710,288
- State and Local Grants and Contracts—\$12,172
- Nongovernmental Grants and Contracts—\$143,681
- Patient Services, Net—\$506,766
- Sales and Services, Net—\$488,582
- Other Operating Revenues—\$10,128
- Other—\$1,171,513
- State Appropriations—\$543,274
- Noncapital Grants—\$125,698
- Noncapital Gifts—\$191,455
- Investment Income, Net—\$206,536
- Other Nonoperating—\$104,550

# Mitigation Approach

- Continue and amplify **expense management actions** to help address growing consequences of the pandemic
- Auxiliary units will need short-term adjustments in spending and support to preserve operational infrastructure on the expectation that Fall Semester 2021 will resume with in-person, residentially based instruction
- Leverage university **budget process** to reevaluate unit budgets in light of COVID-19 impacts and address structural shortfall
- Short-term and/or permanent adjustments will need to be tailored to each situation

# Current Management Actions

Action	Time Period	Notes
<b>Personnel Action Limitations</b>	March 2020 – Present	Weekly review of all salary and hiring actions.
<b>Non-personnel Spending Review</b>	March 2020 – Present	Weekly review of all budgeted non-personnel expenditures.
<b>Capital Project Postponement</b>	March 2020 – Present	All University capital projects were systematically reviewed and prioritized.
<b>Auxiliary-Specific Actions:</b> <ul style="list-style-type: none"> <li>- redeploy temporary staff</li> <li>- reduce operating hours</li> <li>- reduce contracted services</li> <li>- furlough/leave vacancies unfilled</li> </ul>	August 2020 – Present	Unit-specific management plans were constructed with each auxiliary. The plans went into effect with the August 18 change in operations.

# Guiding Principles for Budget Decisions

- Prioritize **core mission** of teaching, research, and service
- Value and support the University's **workforce**
- Recognize the **differentiated impacts** and complexity of current conditions and avoid a one-size-fits-all approach
- Engage **stakeholders** across campus

# Questions?