University Financial Update

November 6, 2020
UNC-Chapel Hill has operated with a structural budget deficit – a permanent gap between expenditures and recurring revenues – for several years. The projected structural deficit for the current year is ~$100 million.

Athletics, Housing, Transportation & Parking, the Faculty Practice of the School of Medicine, and other units could realize revenue losses approaching $200 million this fiscal year.

Carolina’s deferred maintenance backlog is estimated to total $850 million, primarily concentrated in academic and administrative buildings.
FY20 Revenues by Funding Source

- Research: 27%
- Tuition & Fees: 14%
- Healthcare: 18%
- Appropriations: 15%
- Auxiliaries: 8%
- Donor/FDN: 7%
- Other: 6%
- F&A: 5%
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This is not the 2008 Recession

2008 Recession Risk Profile
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COVID-19 Risk Profile
Fund Sources and Restrictions

**General Fund**
- **Sources**
  - State Appropriation
  - Tuition
- **Uses**
  - Instruction
  - Financial Aid
  - Academic & Institution Administration

**Trust Fund**
- **Sources**
  - Sponsored Programs
  - Endowments
  - User Fees
  - Research
  - Financial Aid
  - Auxiliaries
- **Uses**
  - Varying Levels of Flexibility and Restrictions

**Foundations and Associated Entities**
- **Sources**
  - Private Gifts
  - Endowments
- **Uses**
  - Intended Purpose of the Foundation
  - Designated Purpose of the Gift (example: Athletic Scholarships)
Updates on Key Inputs to FY21 Budget Management

• Federal and state funding outlook

• Spring 2021 planning and auxiliary management

• Carolina budget process status
What is Carolina’s financial situation and how does it compare to previous fiscal challenges?
What is the main source of Carolina’s financial challenge?
Why can’t the endowment address this fiscal situation?
Market Value of Endowment

- Less than 10% of $3.93B endowment is unrestricted
- Unrestricted funds available for central allocation total approximately $6.0M annually
- Major uses include support for scholarships, fellowships, advising, and Carolina Scholars programs
Development took in $565 million for the Campaign last year. Can’t Carolina apply those funds to the budget deficit?
NEW CASH & COMMITMENTS
(New Commitments)

FY20 | $564.6 million

- New cash committed and paid
- New multi-year pledges
- New private grants paid
- New deferred estate commitments

New restricted gifts committed & paid $139.7 M
New private grants paid $161.8 M
New deferred estate gifts $128.8 M
New multi-year pledges $119.5 M

New unrestricted gifts committed & paid $14.7 M
UDO tracks fundraising within these 30 schools/units ranging from UNC Health $142.1M down to Graduate School at $204K. One of those units is “University Wide,” which contains additional units that do not have dedicated fundraising staff.

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*(New Commitments)*

**FY20 | $564.6 million**

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- New private grants paid
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*NEW CASH & COMMITMENTS (New Commitments)*

<table>
<thead>
<tr>
<th>Unit</th>
<th>FY20 M</th>
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<tbody>
<tr>
<td>UNC HEAHLTH</td>
<td>$142.1 M</td>
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<tr>
<td>COLLEGE OF ARTS &amp; SCIENCES</td>
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*NOTE: The table above represents the breakdown of fundraising commitments for different units. The total for FY20 is $564.6 million. town using UDO tracks fundraising within these 30 schools/units ranging from UNC Health $142.1M down to Graduate School at $204K. One of those units is “University Wide,” which contains additional units that do not have dedicated fundraising staff.*
What is the University doing to mitigate the effect of these budget issues?
Should employees expect furloughs or salary reductions?
Will there be an early retirement option available?
Is bringing students back to campus in the Spring a financial decision?
Discussion