

University Budget Update

March 2021

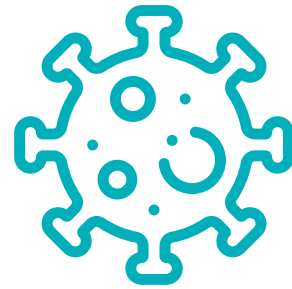


Carolina's Financial Challenge: It's Really 3 Problems



Structural Deficit

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.



COVID-19 Revenue Losses

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.



Deferred Maintenance

Carolina's deferred maintenance backlog is estimated to total \$850 million, primarily concentrated in academic and administrative buildings.

Structural Deficit: March 2021 Update



Structural Deficit

- *Nov-Dec 2020:* Extensive budget discussions and engagement with unit leadership and finance leads
- *Jan 2021:* Campus-wide memo on central fund budget reductions (1.5% personnel and 7.5% operating) distributed
- *Feb 2021:* All units submitted budget reduction plans aligned to principles; Finance leadership met with every unit on campus; leadership carefully reviewed plans
- *March 2021:* Plans approved and returned to units

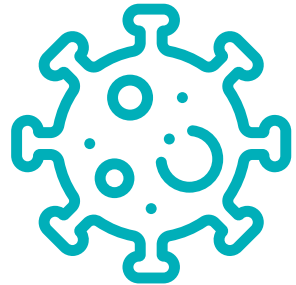
Structural Deficit: March 2021 Update



Structural Deficit

- **Fiscal Responsibility:** Eliminate \$100 M structural deficit by end of FY21-22
- **Reduction Plans:** Units largely eliminating vacant positions, including senior leadership positions; consolidating programs; optimizing space
- **Strengthen Governance:** VC F&O implementing more frequent reviews to monitor progress
- **Protect Mission:** Avoided large-scale reductions-in-force and broad, across-the-board furloughs; prioritized VITAE and opportunity hires; revamped revenue streams (F&A); positioning University for strategic reinvestment

COVID-19 Revenue Losses: March 2021 Update



COVID-19 Revenue Losses

- Carolina received additional **\$25.5M** and estimated **\$45M** through additional rounds of Higher Education Emergency Relief Fund (HEERF)
- Congress expanded usage for HEERF II & III institutional portion to defray **COVID-related expenses**, including **revenue loss**
- Relief funds help to **offset pandemic impacts** and expenses, but **insufficient** to cover substantial revenue losses (\$200M+)
- State of North Carolina received est. **\$9B in state fiscal relief** through the American Rescue Plan

Deferred Maintenance: March 2021 Update



Deferred Maintenance

- **State of North Carolina FY21** revised forecast shows an expected **15% increase** in revenue over FY2020 (~\$4B)
- Revised forecast and unallocated balances could create **one-time funding opportunities**
- Carolina well-positioned to receive state support for deferred maintenance
- **Not a permanent solution**, but short-term strategy

Questions
