

Overview of UNC Five-Year Strategic Plan and FY 2013-15 Budget Request

Joint Education Appropriations Subcommittee


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The University of North Carolina

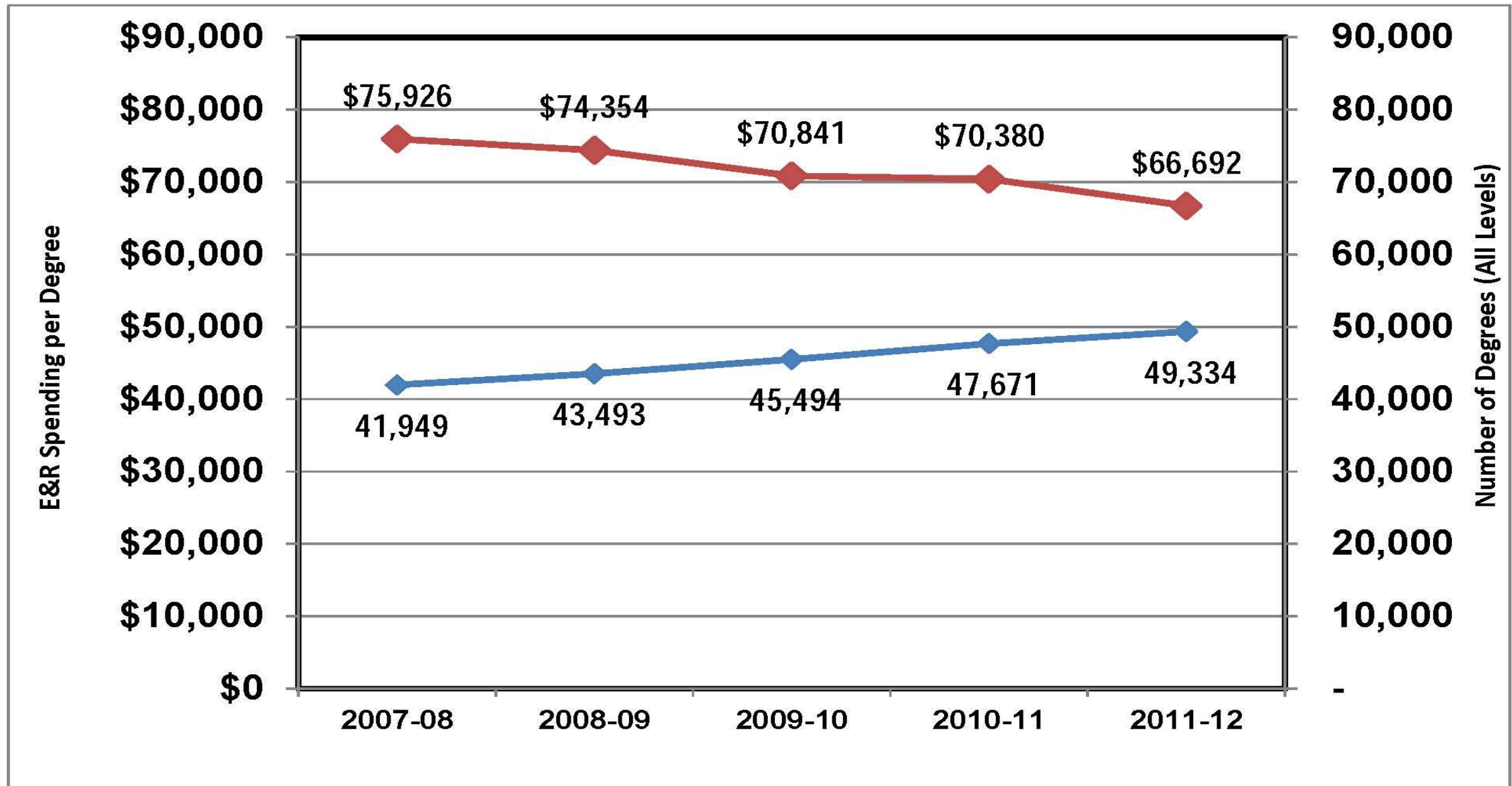
OUTLINE

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- Key Indicators
 - UNC Five-Year Strategic Plan
 - BOG Budget Request for FY 2013-15
 - Summary of Governor's Proposed Budget for UNC
 - Response to Governor's Budget

KEY INDICATORS

	2007-08	2011-12	% CHANGE
Inflation-Consumer Price Index	218.815	229.478	4.9%
Education and Related Spending per Degree (All Levels)	\$75,688	\$66,450	-12.1%
Degrees Produced (All Levels)	42,081	49,447	17.5%
Externally-Funded Research (in millions)	\$1,112	\$1,281	15.2%
Ratio of Appropriations/Tuition	73%/27%	66%/34%	-7%/7%
Appropriations per Student	\$12,897	\$11,292	-12.4%

FIVE-YEAR HISTORY: E&R SPENDING PER DEGREE (ALL LEVELS) AND TOTAL NUMBER OF UNC DEGREES PRODUCED



UNC EFFICIENCY INITIATIVES

President's Advisory Committee on Efficiency and Effectiveness (PACE) – 2006

- Examined administrative costs of University
- Implemented best practices and cost savings measured
- \$36M in annual cost savings; \$170M in cost avoidance

Ernst & Young, Operational Assessment – 2008

- Identified high-risk operations and areas for improvement
- Recommendations being implemented through UNC FIT

BAIN & Company Study (UNC-Chapel Hill) – 2009

- \$50 million in permanent administrative savings
- Recommendations shared with all UNC Campuses

McKinsey & Company Analysis – 2012

- Gathered data and examined academic operations
- Provided fact base for development of UNC Strategic Plan

STRATEGIC PLAN OVERVIEW

■ The UNC Strategic Directions for 2013-2018 focus on five high-priority goals:

1. Setting degree attainment goals responsive to state needs
2. Strengthening academic quality
3. Serving the people of North Carolina
4. Maximizing efficiencies
5. Ensuring an accessible and financially stable university

DEGREE ATTAINMENT

■ **Goal 1: 32% of North Carolinians with bachelor's degree or higher**

Strategies:

- Ensure college readiness for high school grads
- Improve graduation and retention rates
- Transfer, part-way-home, veteran and military students
- Performance funding incentives

STRENGTHENING ACADEMIC QUALITY

Goal 2: Guarantee a rigorous education for all students

Strategies:

- Core competencies, general education
- Student learning assessments
- E-learning, MOOCs
- Reduce hours to degree completion

SERVING THE PEOPLE OF NORTH CAROLINA

■ Goal 3: Serve the people

Strategies:

- Targeted investments in advanced manufacturing, data science, energy, marine science, pharmacoengineering, and defense and security
- Applied scholarship
- Address changing health care workforce needs

MAXIMIZING EFFICIENCIES

■ Goal 4: Efficient use of resources

Strategies:

- Expand shared services centers
- Program consolidation/streamlining
- Carry-forward reform
- Better data collection and analysis

ENSURING FINANCIAL STABILITY AND ACCESSIBILITY

Goal 5: Keep UNC affordable, financially sound

Strategies:

- Limit tuition increases
- Protect financial aid
- Continue CFNC services
- Ramp up private fundraising
- Repair and Renovation Fund

THE BOTTOM LINE

	2013-14	2014-15	2015-16	2016-17	2017-18
	Strategic Investments (in millions)				
Targeted research, health care, teacher training	27.8	69.4	103.5	129.0	143.9
Talent development	27.5	44.5	60.5	76.5	93.0
Academic innovation	12.7	18.9	21.3	22.3	23.3
Seed funding for data analytics, fundraising	5.5	8.2	8.4	7.0	7.0
	Direct Savings (millions)				
Efficiency Measures	(25.8)	(45.8)	(57.2)	(64.0)	(66.9)
	Overall Investment (in millions)				
Proposed Investment	47.7	95.2	136.5	170.8	200.3
Annual Growth	1.8%	1.8%	1.6%	1.3%	1.1%

THE BOTTOM LINE

■ Return on Investment by 2025

- 93,000 new degrees, making NC a top-ten most educated state
- \$350 million in avoided enrollment growth costs
- \$1.46 billion in economic activity
- \$934 million in new grants and contracts
- 125 new companies with more than \$500 million in revenues
- Nearly 23,000 new jobs

BOG RECOMMENDED FY 2013-15 BUDGET (\$ in millions)

	2013-14	2014-15
I. a. Strategic Plan Investments	73.5	141.0
b. Strategic Plan Savings Recommendations	(25.8)	(45.8)
c. Strategic Plan Net Investments	47.7	95.2

II. Need-Based Financial Aid (from Lottery receipts)

Restore \$25 million in nonrecurring funds from FY 2012-13. Also recommend additional \$10.7 million in FY 2013-14 and \$18.7 million in FY 2014-15, based on 3-year average change in undergraduate tuition, fees, and enrollment.

BOG RECOMMENDED FY 2013-15 BUDGET (\$ in millions)

	2013-14	2014-15
III. Optional Retirement Plan (ORP) Contribution Rate Increase Increases contribution rate from 6.84% to 8.0% over two years	5.0	10.0
IV. Security	0.5	0.8
V. Campuses Specializing in Arts and Sciences Provides \$1M for UNC School of the Arts and \$0.5M for UNC Asheville.	1.5	1.5
VI. Total Net Recommendations	54.7	107.5

* Aligns with 2% cap suggested by OSBM

* 50% less than past three expansion budget requests

SUMMARY OF GOVERNOR'S RECOMMENDED FY 2013-15 BUDGET FOR UNC (\$ in millions)

	2013-14	2014-15
FY 2012-13 Authorized Budget	\$2,577	\$2,577
Continuation Adjustments	\$50.4	\$78.8
<u>Recommended Reductions:</u>		
Non-Tuition Related Items		
Strategic Plan Recommendations	(\$25.8)	(\$38.0)
Utilities	(\$8.1)	(\$8.1)
Management Flexibility (recurring)	(\$66.9)	(\$79.8)
Management Flexibility (nonrecurring)	(\$43.8)	(\$36.0)
Other	(\$1.2)	(\$0.2)
Subtotal	(\$145.8)	(\$162.0)

SUMMARY OF GOVERNOR'S RECOMMENDED FY 2013-15 BUDGET FOR UNC (\$ in millions)

Additional Tuition Increases to Offset State Appropriations

Non-Resident Student Tuition (12.3% at six campuses, 6% all others)	(\$54.1)	(\$54.1)
Repeal Resident Tuition for nonresident Students on full academic scholarships	(\$8.6)	(\$8.8)
Subtotal	(\$62.7)	(\$62.9)
Total Recommended Reductions	(\$208.5)	(\$224.9)

Expansion Recommendations

Strategic Plan	\$19.6	\$43.6
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SUMMARY OF GOVERNOR'S RECOMMENDED FY 2013-15 BUDGET FOR UNC (\$ in millions)

Summary of Budget Recommendations:	2013-14	2014-15
Net Appropriations Change from FY 2012-13	(\$138.5)	(\$102.5)
Net Appropriations % Change from FY 2012-13	-5.4%	-4.0%
Net Spending Change from FY 2012-13 (controlling for tuition increases)	(\$75.8)	(\$39.6)
Net % Spending Change from FY 2012-13 (controlling for tuition increases)	-2.9%	-1.5%

RESPONSE TO GOVERNOR'S RECOMMENDED FY 2013-15 BUDGET FOR UNC

Positives:

- Includes funding for enrollment changes and building reserves
- Continues flexibility for implementing cuts
- Partially funds elements of UNC Strategic Plan

RESPONSE TO GOVERNOR'S RECOMMENDED FY 2013-15 BUDGET

Areas of Concern:

Magnitude of Management Flexibility reduction

- Hampers emphasis on performance and accountability
- Estimate 300-500 positions will be eliminated
- Further impact on class sizes and student support services
- Limits ability to replace and maintain key infrastructure

RESPONSE TO GOVERNOR'S RECOMMENDED FY 2013-15 BUDGET FOR UNC

Areas of Concern:

Size of Non-Resident Tuition Increase

- Long-term impact on campus enrollments
- Ability to collect projected receipts

Allocation of Repair and Renovations Fund

- Deviates from traditional 50%/50% split with State government
- Underfunds critical infrastructure repair needs

RESPONSE TO GOVERNOR'S RECOMMENDED FY 2013-15 BUDGET FOR UNC

Areas of Concern:

Need-based Financial Aid

- Does not restore any of nonrecurring \$25 million
- 8,400 eligible students would lose or not receive aid
- Students who do receive aid would receive less