

Memorandum

To: UNC System Chancellors

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

Date: October 30, 2024

Subject: FY 2026 All-Funds Budget Guidance

Per UNC Policy Manual 100.1 – Appendix 1, Section V, institutions must annually develop a comprehensive, “all-funds” budget for the upcoming fiscal year that is approved by the institution’s Board of Trustees. This 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. This memo provides guidance on assumptions and policy priorities campuses are expected to consider when developing their budgets.

Policy Guidance for Development of FY 2026 All Funds Budget

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.” Towards this end, all-funds budgets should reflect the institutions’ efforts to promote the following:

- **Strategic resource alignment:** Financial plans should reflect the strategic priorities set by the UNC System, Board of Governors, as well as those that help individual institutions reach mission-specific goals. Budget narratives should clearly explain how the allocation of resources will drive meaningful improvement on key metrics, including on-time graduation and degree efficiency, average credit hours earned, student debt among bachelor’s degree completers, and education and related expenses per degree.
- **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 student costs low. Attention should be paid to expenses that are directly driving aspects of student debt and cost of attendance, including housing, dining, and the use and prioritization of financial aid.
- **Financial sustainability:** Achieving the UNC System’s mission is predicated on the financial stability and sustainability of its institutions. It is imperative that structural budget issues – instances where recurring revenues are inadequate to support recurring expenditures – are identified and remedied through thoughtful planning. 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.

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.

At its September 2024 meeting, the Board of Governors Committee on Budget and Finance discussed allowing institutions that demonstrate significant, strategic resource realignment to propose resident undergraduate tuition increases for the 2026-27 academic year. Further instructions on how to document this standard has been met will be provided **under separate cover** in November.

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, 2025.

By May 1, 2025, 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 a subsequent 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 2025-26 State Budget

Budgeted appropriation for FY 2026 should be based on the approved base budget plus any enrollment funding and building reserves requested for FY 2026 from the General Assembly. Any other impacts from the 2025-26 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 2025-26 academic year and anticipated 2025-26 enrollment levels. These rates are expected to be approved at the Board’s February 2025 meeting as informed by guidance released from the System Office in September 2024. 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 2025-26 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 2026.

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 2024 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. Institutions will also receive compiled datasets of their prior submissions. These may be used as additional tools as you develop your FY26 submission.