Introduction:

This document is provided to help faculty, staff, students and the public understand how ECU plans (budgets) the uses of funds from various sources. The information presented below is sourced from the University’s financial statements, which are audited by the North Carolina Office of the State Auditor. For more detailed financial information, ECU’s financial statements are located on ECU’s Financial Service's web site.

ECU’s Source of Funds:

During FY 2019, ECU received $949.2 million from various sources. Generally, uses of these revenues are prescribed by various sources, such as state and federal agencies, grantors, and donors. Each major revenue source is described below:

**State Appropriations** are the largest source of the University’s operating funds. The State Legislature establishes the amount which is funded predominantly from revenues collected from the state’s taxpayers. Funds for capital projects and the majority of student financial aid are not reported as state appropriations.

**Student Tuition and Fees** are paid by ECU students enrolled in courses or academic programs. The ECU Board of Trustees recommends annual tuition and fee rates to the Board of Governors, based on the tuition and fee policies set by the Board of Governors and guidelines provided by the UNC System Office. The Board of Governors establishes tuition and fee rates for ECU that are consistent with the actions of the North Carolina General Assembly.

Student fees support numerous University activities, including classroom technology, intercollegiate athletics, student health services, student life programming, and student clubs/organizations. Student fees
are used for debt service and operating costs for student activity buildings, such as the student centers and the recreation center. Application fees are included in this category. Fees are established and approved using the process outlined above for tuition. The tuition and fee amount above is net of scholarship discounts and allowance for uncollectable accounts.

**Patient Services** are generated by ECU Physicians and the School of Dental Medicine clinics and include contract and clinical operations revenues.

**Sales and Services** are generated by institutional auxiliaries from the sale of merchandise and services. Examples include parking, dining, housing, student stores, vending, and non-student fees revenue generated by campus recreation and wellness, student health services, and athletics. The student athletics fee is included in the Tuition and Fees category while other athletics revenue (ticket sales, conference revenue, etc.) is included in this category.

**Sponsored Grants and Contracts** are utilized to conduct specific research and instructional projects. ECU faculty members submit proposals to sponsoring agencies, such as the National Science Foundation, the National Institutes of Health, and other government agencies. Some private-sector organizations may also support research. Overhead revenues received from grants are included in this category.

**Student Financial Aid** is received from federal and state governments, public institutions, and other private organizations which are utilized to support students in the form of grants, scholarships, loans, and student wages.

**Noncapital Grants and Gifts** are given to the institution for noncapital uses and include funds from state agencies and donors.

**Investment Income** is derived from University funds invested in various investment vehicles.

**Other Revenues** includes capital appropriations, capital grants, capital gifts, additions to endowments, and other miscellaneous items.
ECU Uses of Funds:

During fiscal year 2019, the University expended $921.8 million. Operating expenses are incurred to acquire or produce the goods and services needed to fulfill the mission of the University. These expense classifications are used throughout higher education and they provide a consistent means for comparison across institutions.

One of the most challenging aspects of University budgeting is to maintain compliance with the various regulations while allocating funds to operations. Funds from each of the revenue sources outlined above must be expended for the purpose for which they were received. For example, funds paid by student fees for athletics must be expended on athletics. State appropriations and tuition revenues must be utilized in support of teaching, research, and public service while complying with the State Budget Manual. All funds must be expended consistent with State and University funding source guidelines, in addition to other accounting and purchasing policies.

The Biennial Budget Cycle:

The State of North Carolina appropriates operating and capital funds on a biennial (two-year cycle) basis. An approved budget includes annual amounts for each of the two fiscal years that make up the biennium. Each biennium is referenced by an odd-numbered beginning year and an odd-numbered ending year. For example, the “2019-21 biennium” covers the period from July 1, 2019 through June 30, 2021. The actual budget preparation begins in an even-numbered year. Preparation for the 2019-21 biennium began in calendar year 2018.

The legislative session convenes in January of the first year of the biennium (known as the “long session”) and convenes in May of the second year of the biennium (known as the “short session”). Both sessions are scheduled to end around the first part of July, but they often extend beyond that time.

In the long session, the General Assembly will consider the Governor’s recommended budget, as well as other changes presented for legislative review. Following review, a two-year budget will be approved by the General Assembly and certified for the upcoming biennium. The operating and capital budgets for the second year of a biennium are traditionally adjusted in the short session.

The state budget has several components: base budget, change budget, and capital budget. The base budget represents the annual funds required to provide the current level of services. The change budget may include funding for new programs, enrollment changes, and building reserves for new buildings. The capital budget provides for design and construction of new campus facilities funded by state appropriations.

Budget Decisions, the ECU Process:

The Chancellor and the Cabinet, with input from the University community and the Board of Trustees, establishes ECU budget priorities and allocations. Different revenues have different budget processes.

State Appropriations
Permanent state budgets in departments roll forward from year to year with varying levels of review/justification. Reallocation adjustments occur throughout the fiscal year as needed to support the University Strategic Plan and operational requirements. Enrollment growth is the primary means for the University to receive new state appropriations beyond legislative mandates specific to salary or benefit increases. Priorities are set by the University Strategic Plan, the Chancellor, and the Cabinet. In the early spring, if funds are available, units submit requests for new funding based on these priorities. The Chancellor and Cabinet review the requests and approve a distribution in June or July.

Once the legislative session is over and the Governor signs the budget into law, the Board of Governors and State Budget Office approve allocations to the campuses (around the end of the calendar year). The University adjusts planned allocations to align with the approved budget as needed.
**Tuition and Fees**
The tuition and fee process begins in the fall to establish rates for the next academic year. ECU cannot arbitrarily increase or lower tuition rates. The tuition and fee process is based on the Board of Governors’ policies/procedures and the state’s fixed tuition policy. Typically, the process begins with creating a Tuition and Fee Committee, which includes students, faculty, staff, and administrators. Each department that is seeking a fee increase makes a presentation to the Tuition and Fee Committee and explains the need for the increase. Requests are presented to the SGA Assembly and in student forums for student feedback. The Committee makes a recommendation to the Chancellor and the Cabinet. The Chancellor’s recommendations are presented to the ECU Board of Trustees for consideration and approval. Rates approved by the ECU Board of Trustees are sent to the System Office for review and to the Board of Governors for approval.

**Non-State Appropriated Auxiliaries:** including, Housing, Dining, Campus Rec, Student Health, Student Unions, Transit, Parking, Vending, Storerooms, Students Stores, Printing & Graphics, ICard, Ed & Tech, Safety, PCard, ECUP, SoDM, Athletics, and F&A

- Annually, by May 15, each Vice Chancellor and the Athletic Director (VC) prepares and approves annual operating and capital budgets using an ECU budget template for all non-state, unrestricted funds that have balances of at least $500,000 (as of March 31) and provides copies of those budgets to the Chancellor and University Chief Financial Officer (CFO)
- Annually, by May 31, CFO reviews budgets and aggregates changes in unrestricted fund balances and provides data in a spreadsheet to the Chancellor and VCs
- Annually, by June 10, Chancellor meets with VCs to strategize and prioritize requests for use of unrestricted funds so total (net of increases) does not exceed a decline in overall University unrestricted fund balances of more than 5%
- Annually, by June 15, Chancellor approves annual unrestricted operating and capital budgets, including use of fund balance
- Annually, by June 30, annual operating and capital budgets are loaded into Banner by fund managers
- Throughout the year when purchases require the use of unrestricted fund balance, fund manager completes a project request form that is signed by the VC and CFO confirming amount requested is included in Chancellor-approved annual operating or capital budget
- Unexpected and time sensitive requests that were not included in an approved budget will be brought to the Chancellor and CFO for Chancellor discussion with the VCs before funds are committed
- In advance of each Board of Trustees (BOT) meeting, VCs (or delegates) will provide an update to CFO on how actual use of unrestricted fund balance is trending compared to planned use of funds so CFO can comment on this metric at the BOT meetings

**ECU Physicians (ECUP) (Patient Services)**
Staff prepare a budget in collaboration with department chairs and administrators. Before that budget is presented to the Dean of the Brody School of Medicine and the Vice Chancellor for Administration and Finance, it undergoes a comprehensive review by the ECU Physicians Finance Committee. Adjustments are made, if needed. The ECUP Board reviews and votes on the budget. The budget is then submitted to the Chancellor for approval.