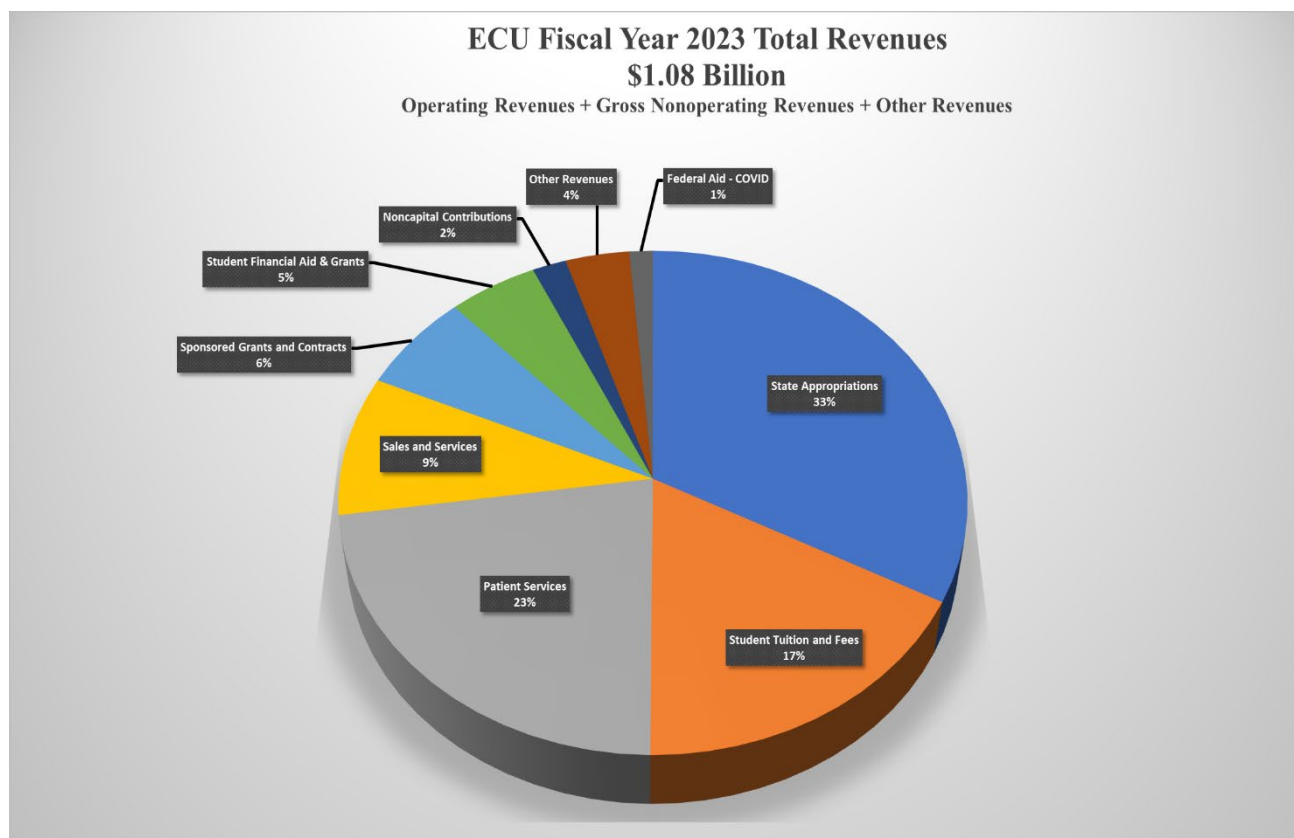


East Carolina University

Understanding the Sources, Uses, and Budgeting of University Funds

Introduction:

This document is provided to help faculty, staff, students, and the public understand how ECU plans (budgets) the usage 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 Fiscal Year 2023 Total Revenues

\$1.08 Billion

(Operating Revenues + Gross Nonoperating Revenues + Other Revenues)

- 1% - Federal Aid – COVID
- 4% - Other Revenues
- 2% - Noncapital Contributions
- 5% - Student Financial Aid & Grants
- 6% - Sponsored Grants and Contracts
- 9% - Sales and Services
- 17% - Student Tuition and Fees
- 23% - Patient Services
- 33% - State Appropriations

ECU's Source of Funds:

During FY 2023, ECU received \$1.08 billion 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 most of the 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 also 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, (a member of ECU Health), and the School of Dental Medicine clinics. This includes revenue derived from contract and net patient revenue from clinical operations.

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 fee 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.

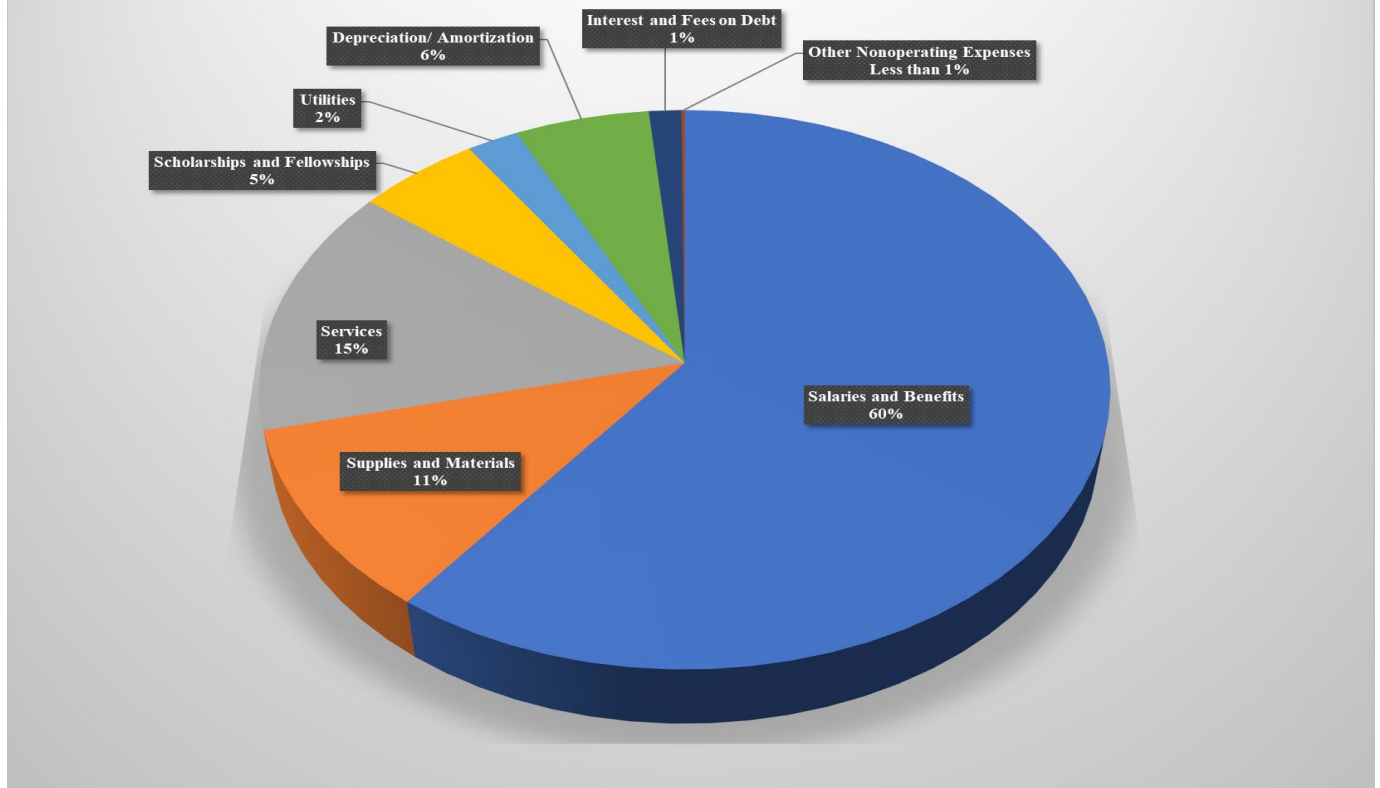
Noncapital Contributions are given to the institution for noncapital uses and include funds from state agencies and donors.

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

Other Revenues includes other operating revenues, capital grants, capital gifts, additions to endowments, investment income, and other miscellaneous items.

Federal Aid – COVID 19 are funds received from the Federal government via the CARES Act to support students in need and University operations.

ECU Fiscal Year 2023 Expenditures \$906 Million



ECU Fiscal Year 2023 Expenditures \$906 Million

- <1% Other Nonoperating Expenses
- 1% Interest and Fees on Debt
- 6% Depreciation/Amortization
- 2% Utilities
- 5% Scholarships and Fellowships
- 15% Services
- 11% Supplies and Materials
- 60% Salaries and Benefits

ECU Uses of Funds:

During fiscal year 2023, the University expended \$906 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 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 “2023-25 biennium” covers the period from July 1, 2023, through June 30, 2025. The actual budget preparation begins in an even-numbered year. Preparation for the 2023-25 biennium began in calendar year 2022.

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 and performance 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.

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 Funded Operations

Includes the following areas: Housing, Dining, Campus Recreation and Wellness, Student Health, Student Unions, Transit, Parking, Vending, Storerooms, Printing & Graphics, ICard, Ed & Tech, Campus Safety, ECU Health Physicians, School of Dental Medicine, Athletics, and Facilities & Administration (F&A) recovery.

The budget process for these funds is covered within the new “All Funds Budget” process and is discussed in more detail below. Budget targets are set and monitored at campus departmental level.

- Throughout the year when purchases require the use of unrestricted fund balance, the fund manager completes a project request form that is signed by the VC and CFO confirming the 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

All Funds Budget Process

Directed by the Systems Office, each University is required to develop and submit an “All Funds Budget”. Utilizing the modified cash-basis of operating activities, a budget is developed for the upcoming fiscal year that includes proposed income and expenses. The Office of Financial Planning and Analysis provides budgetary guidelines and data to Division leaders to create individual fund budgets. This process focuses on operating funds, and there are no adjustments for accrued liabilities, deferred revenue, etc. The budgets are consolidated to college and specific administrative departments per the template across campus to create a comprehensive university operating budget. The Budget is recommended to the Board of Trustees for action each Spring for the next fiscal year. The Board of Governors receives each institution’s budget. Budget targets are set and monitored at campus departmental level.

		East Carolina University FY 2023-24 All-Funds Budget				
		General Fund	Auxiliary & Other Trust Funds	Overhead/F&A Receipts	Restricted Trust Funds	Total
Revenues	State Appropriations	\$ 349,182,000	\$ -	\$ -	\$ -	\$ 349,182,000
	Tuition & Fees	\$ 169,916,000	\$ 53,655,000	\$ -	\$ 8,344,000	\$ 231,915,000
	Less Discounts and Allowances	\$ (17,113,000)	\$ (5,519,000)	\$ -	\$ (35,858,000)	\$ (58,490,000)
	Sales & Services	\$ 1,835,000	\$ 97,928,000	\$ -	\$ 2,816,000	\$ 102,579,000
	Patient Services	\$ -	\$ 272,523,000	\$ -	\$ 1,112,000	\$ 273,635,000
	Contracts & Grants	\$ 1,614,000	\$ 246,000	\$ 12,059,000	\$ 120,595,000	\$ 134,514,000
	Gifts & Investments	\$ -	\$ 9,464,000	\$ -	\$ 2,273,000	\$ 11,737,000
	Other Revenues	\$ 741,000	\$ 2,414,000	\$ -	\$ -	\$ 3,155,000
Revenues Total		\$ 506,175,000	\$ 430,711,000	\$ 12,059,000	\$ 99,282,000	\$ 1,048,227,000
Expenses	Salaries and Wages	\$ 310,446,000	\$ 205,014,000	\$ 4,136,000	\$ 31,334,000	\$ 550,930,000
	Staff Benefits	\$ 104,547,000	\$ 68,640,000	\$ 1,287,000	\$ 8,779,000	\$ 183,253,000
	Services, Supplies, Materials, & Equip.	\$ 57,277,000	\$ 134,423,000	\$ 5,041,000	\$ 30,999,000	\$ 227,740,000
	Scholarships & Fellowships	\$ 27,567,000	\$ 8,745,000	\$ 7,000	\$ 56,860,000	\$ 93,179,000
	Less Discounts and Allowances	\$ (17,113,000)	\$ (5,519,000)	\$ -	\$ (35,858,000)	\$ (58,490,000)
	Debt Service	\$ -	\$ 19,078,000	\$ -	\$ 8,179,000	\$ 27,257,000
	Utilities	\$ 23,399,000	\$ 571,000	\$ -	\$ 33,000	\$ 24,003,000
	Other Expenses	\$ 3,191,000	\$ -	\$ -	\$ 3,000	\$ 3,194,000
Expenses Total		\$ 509,314,000	\$ 430,952,000	\$ 10,471,000	\$ 100,329,000	\$ 1,051,066,000
Net Transfers		\$ (1,952,000)	\$ (3,789,000)	\$ (725,000)	\$ (3,713,000)	\$ (10,179,000)
Change in Fund Balance			\$ (4,030,000)	\$ 863,000	\$ (4,760,000)	\$ (7,927,000)

All Funds Process Schedule:

Schedule Date	Schedule Event
October 19, 2023	FY2025 All-Funds Budget Guidance from System Office issued
September 2023	Meetings with financial leaders in each Division
November 3, 2023	Provided campus guidelines
November 6, 2023	Began Anaplan training and providing access to budget development model in Anaplan
January 19, 2024	Budgets due to University Budget Office
Beginning February 26, 2024	Review and discussion of budgets with Chancellor
March 11, 2024	Final Budget Decisions
March 14, 2024	Final Budget Documents Completed
April 11, 2024	BOT Reviews Budget at meeting
May 1, 2024	All-Funds Budget Due to System Office
May 22, 2024	BOG Reviews Budget at meeting

Funds Included in The Process:

Source	Description	Projections
General Fund	State appropriations, tuition, miscellaneous revenues Supports instruction, academic support, institutional support, student services, financial aid, etc.	FY23 budget FY25 enrollment and performance funding change to appropriations Tuition revenue adjustments due to enrollment change
Auxiliary & Other Trust Funds	Self-supporting operations (housing, dining, parking, athletics, student health, campus recreation, ECU Health Physicians, Dental School Clinics, etc.) Student fees with minimal alternative revenues (SGA, Student Media, Ed Tech, Campus Safety, student programming, etc.) Other revenue generating activities- Child Development Lab, Study Abroad Programs, etc.	Department/Division budget officers projected budgets
Overhead Receipts	Federal Facilities and Administrative cost (F&A) receipts	Department/Division budget officers projected budgets
Restricted Trust Funds	Contracts and Grants Expendable resources from university endowments and professorships	Department/Division budget officers projected budgets

Areas Presented Individually in the All-Funds Budget Process:

Colleges and Academics	Administrative Units	Auxiliaries
Academic Affairs Each College School of Dental Medicine Library	Advancement Business Affairs Facilities Financial Aid Human Resources Information Technology Public Safety Sponsored Research Student Affairs University Administration	Athletics Dining Housing Parking Student Health Other