

# FY 2025-26 Budget Savings

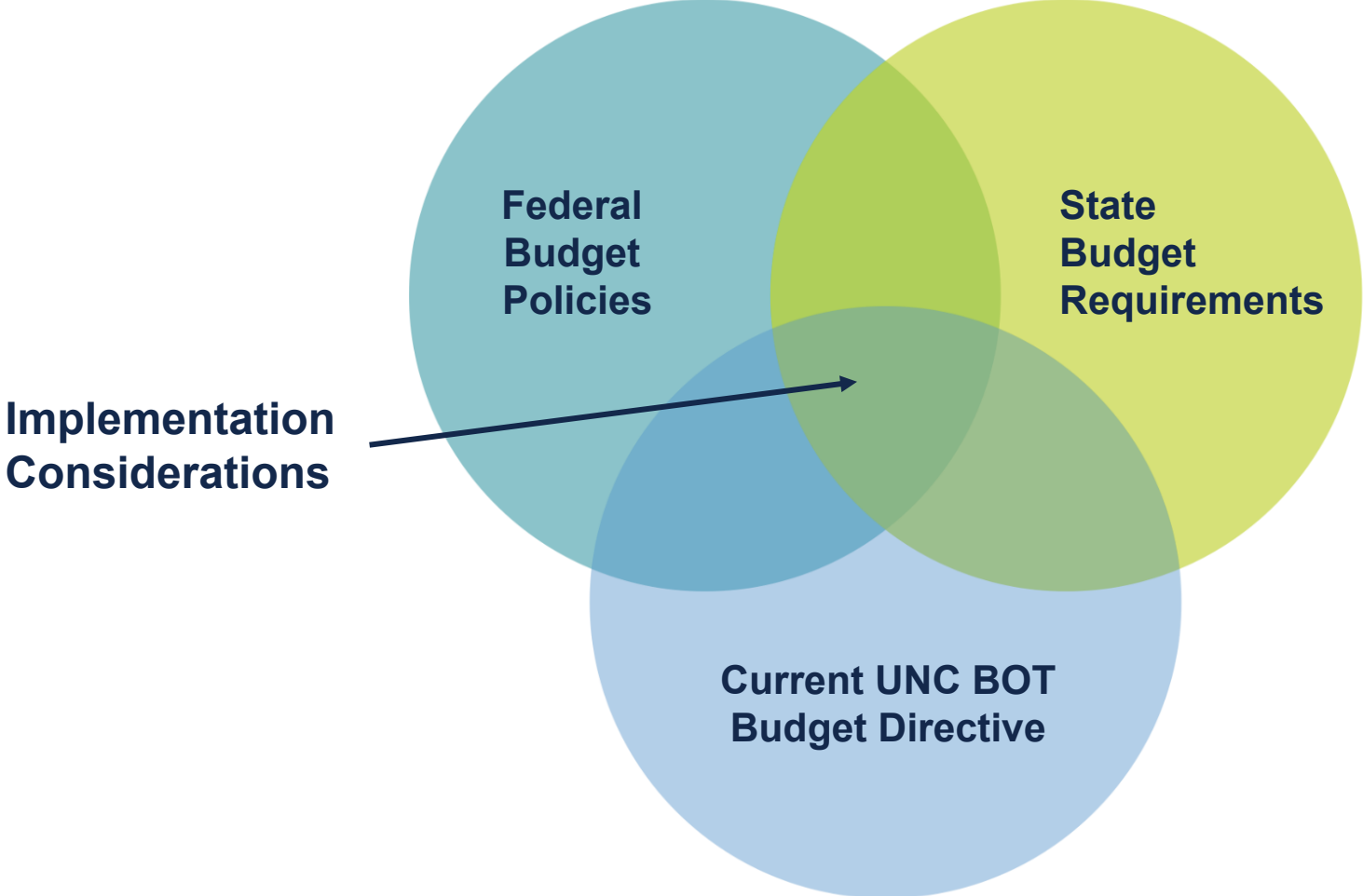
UNC-Chapel Hill Board of Trustees  
Budget, Finance and Infrastructure Committee

Nathan Knuffman, Vice Chancellor for Finance and Operations  
July 30, 2025

# FY 2025-26 Budget Overview

- 4<sup>th</sup> Year of All-Funds Budget, with limited funding for:
  - Enrollment Growth
  - Investments in AI
  - Campus Security, Risk and Accessibility
  - Facilities Needs
- March 2025: BOT budget approval included \$50M sequestration
- May BOT: High-level plan outlining general areas of cost savings
- July BOT: Comprehensive plan to address operational efficiencies and strategic cost saving opportunities

# Budget Guidance Intersection



# Monitoring Federal and State Environment

## Federal

- **Ongoing challenges to research funding**
  - As grants are terminated, we are evaluating administrative infrastructure to increase efficiency
  - Scrutiny and review of new hiring and personnel actions; some vacant positions not filled
  - Pause of capital expansion of research facilities (Translational Research Building, etc.)
- **Closely monitoring situation to forecast future potential reductions**
  - Tracking federal government engagement with other universities
  - Following potential for federal agency funding cuts
- **Effects of newly enacted federal budget**
  - Caps introduced on graduate and professional student borrowing and repayment plans less generous
  - Pell Grant changes
  - Endowment Tax increases

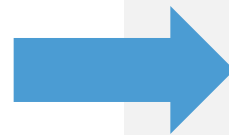
## State

- **No budget by July 1 deadline**
  - Full budget vote on hold
- **Mini-budgets released to fund urgent needs**
  - House budget includes reductions, LSI and step increases
  - Senate bill includes enrollment funding, no reductions or LSI
- **System Office actions**
  - Resource efficiency review due May 2025; serves as justification for potential in-state tuition increases
  - Focus on administrative staff growth and expenses

# Two Approaches to Budget Reduction

## Traditional Approach: Across-the-Board Percentage- Based Cuts

- Administratively more efficient
- Appears equitable on the surface
- Applies uniform percentage cuts across all departments
- **Risks:**
  - Penalizes efficiently operating units
  - Leads to superficial, short-term savings
  - Assumes all departments start from the same funding baseline
  - Relies on departments to make lasting changes



## Our Strategic Approach: Targeted Optimization

- Prioritizes strategic alignment
- Requires deeper engagement with leadership
- More administratively complex
- **Benefits:**
  - Drives institutional priorities
  - Enables sustainable, meaningful savings
  - Tailored to each department's unique funding scenarios
  - Supports long-term fiscal health

# Budget Savings: Guiding Principles



**Protect Carolina's  
Core Mission**



**Lead with Data  
and Transparency**



**Make Strategic,  
Differentiated Cuts**



**Preserve Capacity  
for Carolina's  
Strategic Priorities**

# Primary Drivers



**Strategic Reallocation:** Eliminating central subsidies to maximize the use of unrestricted state dollars



**Policy-Aligned Reductions:** Focusing reductions in areas already identified by state legislature or UNC System Office as potential targets for savings



**Operational Streamlining:** Identifying efficiencies and process improvements across administrative operations to reduce ongoing costs

# Budget Savings Summary



Strategy	Organizational Effectiveness	North Carolinians First	Academic Prioritization
Unit Optimization	\$10.3M		
Vacancies	\$3.9M		
VITAE/Elevate			\$7.3M
Procurement – Phase I and Food Purchases	\$9.2M		
Nonresident Financial Aid		\$17.2M	
Centers and Institutes			\$4.8M
Low Performing Academic Programs			\$2.0M
Administrative Staff Reductions	\$8.5M		
Faculty Retirement Incentive Program	\$1.9M		
Energy Savings	\$2.9M		
Other Administrative Efficiencies	\$1.5M		
<b>Total: \$69.5M</b>	<b>\$38.2M</b>	<b>\$17.2M</b>	<b>\$14.1M</b>

# Timeline and Next Steps

- \$29.5M savings in FY26
- Bulk of remaining savings will be achieved in FY27
- Some savings initiatives will require initial expenditure
- Savings progress reports in future BOT Finance Updates

