

July 1, 2009 (Formal Notice)

Subject: Campus Budget Update

To: Students, Faculty and Staff

From: Holden Thorp

Dear Students, Faculty and Staff:

Many of you are aware that the state budget for next fiscal year remains unclear. Legislators worked this week to enact a temporary spending bill to start fiscal 2009-2010, which began today. The joint Senate-House conference committee also continues negotiations about a spending package for the biennium for consideration by the full Legislature and Governor Perdue. When a final budget may be approved is unknown. But we do know that the budget picture in Raleigh remains bleak. Revenue projections haven't improved during the fourth quarter. Nothing has changed expectations that significant cuts will be necessary for all state agencies in the new fiscal year.

To be prudent, the UNC system is moving forward at the direction of General Administration and President Bowles with permanent cuts totaling 10 percent of state appropriations for 2009-2010. For our campus, that's an additional 5 percent on top of the recurring state budget cuts of 5 percent announced as a proactive step in March that take effect this week. We've been saying all along that additional cuts were possible and that permanent cuts would be unavoidable.

Neither the UNC system nor our campus is approaching this new challenge as an across-the-board proposition. Our campus Budget Committee will spend the next two weeks determining exactly how we'll take the additional 5 percent. Vice chancellors and deans worked diligently last spring to make realistic budget plans. We'll take those efforts into account. Our top priority remains protecting students in the classroom and academics. We still anticipate cuts for research centers and institutes reflecting recent legislative scrutiny, but we expect to have some flexibility in how we take those reductions.

To put these new developments in perspective, keep in mind that the original 5 percent cuts for the new fiscal year equated to nearly \$29 million in state funding. Now we're facing a total reduction of almost \$60 million for the entire campus, including the Area Health Education Centers program, during this fiscal year.

Even if cuts at these levels don't fully materialize in the final state budget, we're expecting a difficult year that could include additional reversions in the coming months. We're treating these targets as actual cuts because they are realistic given the state's current dire situation.

On a positive note, we have secured \$2 million in outside funding for faculty support as part of a new contract with Nike Inc. to supply apparel and equipment to our athletic teams. One provision stipulates that Nike will send \$2 million to the Chancellor's Academic Enhancement

Fund. I'm designating that funding for use by campus units to support fixed-term faculty and instructors.

I wish that I had better news to share about the University's state funding prospects. President Bowles has made the right decision to take these actions now as the UNC system deals with its share of state budget cuts.

As I've said many times before, thank you for all you do for Carolina. The Carolina spirit has served us well in these difficult times, and I Remain inspired by the extraordinary work that we do and the way we help each other in the face of these challenges. We'll provide additional updates as details become available.

Sincerely,

Holden Thorp