MEMORANDUM:

TO: Vice Chancellors, Deans, Associate & Assistant Provosts

FROM: Bruce W. Carney
Executive Vice Chancellor and Provost

SUBJECT: 2010-11 Budget Management and 2011-12 Budget Planning

DATE: January 14, 2011

Actions to be Taken During FY 2010-11

This memorandum communicates important budget management instructions for the balance of the current fiscal year and initiates our formal budget planning processes for 2011-12. As you know, the State is faced with a considerable budget deficit. Earlier this year, UNC General Administration directed us to plan for cuts of 5% and 10%. Recently, we have also been asked to plan for a total reduction of 15%. My office has been in discussion with the deans and vice chancellors to determine the effects of such cuts, and to ascertain the degree to which our budgets could be cut without critical damage to our instructional, research, and operational missions. I have determined, and the Chancellor has agreed, that the University can absorb one last cut amounting to about 5% of the total State appropriation. For two reasons, I am directing that these cuts be taken this fiscal year. The first reason is that we anticipate that further cuts may be forthcoming, and we need to have the 5% cuts completed, including all end-of-employment payments, before the new fiscal year begins. These cuts will not be across-the-board. Your unit’s cut will be provided below in terms of a dollar amount. To reiterate, these cuts must be fully in place by July 1, 2011, and preferably sooner.

The second reason for taking the cuts now is that the UNC General Administration has also instructed the University to take measures to achieve a savings of 2.5% of our current fiscal year State appropriation, in addition to last year’s budget certification, in which the Office of State Budget and Management instructed all state agencies/entities to hold back 1% of their 2010-11 fiscal year budget. Please recall that point from the budget authorization letters delivered in August to your unit. To cover the 3.5% loss to this year’s fiscal budget, we expect that the fourth quarter allotment from the State will amount to only 86% of what we anticipated, and we must consequently move quickly to prepare for this shortfall. The prompt 5% permanent cut will provide help to cover those losses. We recognize the importance of preparing for contingencies such as staff reductions and want to give all units the proper consideration for planning these very difficult budget and operational decisions.
Given these instructions, I am directing that we proceed with a non-recurring budget reduction that would be in effect by March 1, 2011. These reductions will also not be across-the-board, but will be in proportion to each unit’s 5% recurring budget reduction for FY2011-12. Each unit will therefore be required to transfer 70% of the recurring budget reduction identified below to the campus’ Budget Office by March 1, 2011. You may use State or non-State funds to accomplish this goal. For the recurring FY2011-12 budget reduction, however, only recurring State appropriations may be used. Please submit your reductions to the Budget Office via one-sided budget revisions in FRS.

Your unit’s recurring budget reduction for FY2011-12 due by July 1, 2011, will be $.

Your unit’s non-recurring budget reduction due by March 1, 2011, will be $.

2011-12 Budget Planning Process (Budget Hearings)

The volatile budget prospects compel me to adopt a revised approach to the normal budget planning and hearings process of recent years. This year’s budget hearing discussions will focus on information that will prepare us to respond to anticipated inquiries for the current year, including our budget reduction strategies and the impacts on our programs and operations. With this in mind, please prepare a budget planning document and submit it to me electronically by the close of business on Monday, February 28, 2011. The document should be a maximum of five pages in length and consider the following topics as they apply to your unit:

1. Using Form A, describe first how you are absorbing the 5% permanent cut for FY2011-12. Describe as well the effects on your instructional, research, and operational missions.
2. Using Forms B and C, please describe how you absorb cuts of 5% and 10% respectively in addition to those described above. Again, please describe the effects on your instructional, research, and operational missions.
3. In a narrative document, with a maximum of five pages, describe the following:
   a. Provide a summary of how you have used outcomes assessment and/or Carolina Counts-like initiatives to enhance student learning or administrative effectiveness. Please give an example of any quality improvements made in your academic programs or administrative services as a result of assessment.
   b. Describe how you used and are using enrollment increase funds that were allocated to your unit (if they were provided).
4. [FOR THE COLLEGE AND SCHOOLS] – Provide your projected enrollment by degree program and residency status for the 2011-12 academic year.

Budget hearings will be scheduled to begin in March. I plan to attend all hearings and if an emergency arises and I cannot attend, we can reschedule if you wish or hold the hearing as planned with the remaining team members. In addition to me, the core hearing team this year will include Vice Chancellor for Finance and Administration Richard Mann, Associate Provost Dwayne Pinkney, Associate Vice Chancellor Kevin Seitz, and Executive Associate Provost Ron Strauss. Assistant Provost Barron Matherly and Associate Provost Carol Tresolini will serve as alternates, as needed. I ask that you limit your representation to three
people, one of whom should be your financial manager. Please do not bring PowerPoint presentations; however you may provide team members with a handout (3 page limit), in addition to the forms above. At the conclusion of our discussions, I will prepare a summary of the reductions presented and their impact on the University, which I will share with the Chancellor. The General Assembly’s deliberations this year and their ultimate adoption of the 2011-13 biennial budget will greatly impact the final outcome of our budget planning processes. These budget discussions will be critical in planning a course of action best designed to preserve the quality of the University, and in subsequently identifying means to overcome the financial challenges that we face.

cc: Financial Managers