August 21, 2013

Members of the University Community:

Last month, the NC General Assembly approved a state budget for 2013-15 that included a significant funding reduction for the University of North Carolina system, as well as a number of policy changes that will affect faculty, staff, and students across our campuses. While we also secured a number of important wins during this session and the University remains fundamentally sound, some of these changes will present real challenges.

For 2013-14, permanent funding reductions assigned to the UNC system total $115 million, or about 4.5% of our base operating budget. The largest cut components include a management-flexibility reduction ($65.8 million), the recapture of all efficiencies proposed in the University's new five-year Strategic Plan ($25.8 million), and the elimination of funding for the School of Medicine at UNC-Chapel Hill ($15 million). After accounting for funding adjustments for enrollment changes and reserves for operating new buildings, the net funding reduction for the system is just over $64 million, or about 2.5%. For 2014-15, the legislature also mandated tuition increases for most nonresident undergraduates that will further reduce our state appropriation by $27.2 million.

While no new funding was appropriated to begin implementing our Strategic Plan, the General Assembly authorized the University to redirect some existing resources. At its August 9 meeting, the UNC Board of Governors approved the allocation of targeted new funding and assigned cuts across our campuses, UNC General Administration, and affiliated entities.

Absorbing these required reductions will be difficult and painful, but the General Assembly provided us with the flexibility to determine how many of the cuts will be implemented, enabling campus leaders to mitigate harm to the core mission of our institutions. Importantly, we were able to avoid far deeper budget cuts and onerous line-item reporting requirements proposed during the session, limit the scope of mandated nonresident tuition increases, protect the ownership of intellectual property developed on our campuses, and retain oversight and control of our information technology operations. In addition, the General Assembly appropriated $60 million for building repairs and renovations. This marks the first time in several years that the state has provided any resources to help address the growing backlog of deferred maintenance on our campuses.
As we all know, North Carolina is in a period of transition, as evidenced by the fact that more than 60% of state legislators are in their first or second terms. We have much work to do to build our base of support within the General Assembly. We must help new legislators and the public better appreciate our University’s pivotal role in talent development and building a strong future for North Carolina. We will need your help and support.

While this is a long-term endeavor, we have already met with some success. Aside from the budget, we achieved several positive policy objectives during this legislative session, including expanding our authority to self-perform energy conservation and efficiency efforts, enabling our campuses to expand e-commerce initiatives, streamlining processes that enable our millennial campuses to promote economic development, and gaining approval of over $450 million in self-liquidating capital projects across the system. We should not forget these legislative victories or the legislators on both sides of the aisle who worked with us to achieve them.

We were not successful on every front. I am concerned about the potential consequences of several pieces of new legislation, including House Bill 937, which allows concealed-carry permit holders to bring weapons onto campus so long as they are kept in a locked vehicle. Our Chancellors and Chiefs of Police worry that having guns on campus will increase risks to public safety and hamper our ability to protect students, employees, and visitors. I am also troubled by a section of House Bill 74 that allows attorneys to fully participate in student disciplinary proceedings, as it has the potential to fundamentally alter processes intended to help students make better decisions and is likely to add delay and significant costs to the student disciplinary process.

Despite these funding and policy challenges, the University of North Carolina remains one of the most respected institutions of higher education in the world. North Carolina’s continued economic recovery will hinge on our ability to develop the strong talent pool our businesses and industries need to remain competitive, while also continuing to support and nurture the innovation historically present in our state. In recent years, we have done all we can to become more efficient without sacrificing academic quality. We must continue to ensure that every dollar is spent wisely and work with our state leaders, alumni, and other advocates to secure the resources required to sustain excellence and better serve the people of North Carolina.

I am grateful for your dedication to the UNC system and look forward to our continued success. We have much about which to be proud, and it is our time to continue our University’s historic greatness. Together we will be successful.

Sincerely,

[Signature]

Thomas W. Ross