Budget Council Meeting Notes  
June 16, 2010

Members in attendance: John Bland, Charles Bodkin, Susan Brooks, Kathy Buckingham, Ramah Carle, Chris Ervin, Frank Fleming, Alan Freitag, Margo, Gross, Elizabeth Hardin, Sherrie High, Trey O'Quinn, Ken Smith, Darin Spease, Gary Stinnett, Clarisse Turner, and Cleo Widmaier

Purpose of meeting:

- Voluminous information has appeared in the press about the “legislative dance” taking place in Raleigh as the Governor, Senate, and House attempt to finalize our FY11 budget. Today’s meeting was called to update council members on the status of a new budget.
- Prior to beginning discussions, the Budget Office provided council members with copies of three documents which will be included as part of today’s meeting notes:
  1. *The University of North Carolina Budget Comparison 2010-11* listing the proposed budgets from the Governor, House of Representatives, and Senate, and the UNC Board of Governors’ budget priorities;
  2. *Key Issues for the UNC System and UNC Charlotte*;
  3. *Key UNC Items in Controversy between Senate and House Budgets*.

FY11 Budget Planning:

- Due to the recession, last year’s budget planning included both years of the biennium, FY10 and FY11; therefore, plans are already in place for the upcoming budget. The OSBM and the North Carolina system agreed to a 5% cut for FY2011; all divisions planned their budgets accordingly.
- Certain areas of the 2011 budget will not require attention due to the previous planning; however, inflation-related changes to some programs may be required to maintain current activities at the same level.
- Beth Hardin called attention to the first section of the handout, *Budget Comparison 2010-11*. Those reductions were programmed last year during planning for the current biennium. The $2,555,273,493 continuation budget was authorized by the 2009 General Assembly.
- The second section of the handout compares the Governor’s, Senate’s, and House’s versions of further reductions for FY11, with totals ranging from the Senate’s $54,039,540 to the House’s $181,598,560. Beth predicts additional reductions will fall somewhere in the middle of the range, closer to the governor’s reductions totaling $104,002,867.
She pointed out the first item in the second section, *UNC Campuses Management Flexibility Reduction*, as the reason for most of what we have been reading in the newspapers. The Governor's $98,969,177 and the Senate's $50,000,000 are within the planned 5% reduction; however, the House's high-end reduction of $147,020,779 exceeds the 5% FY11 budget reduction agreed upon by the OSBM and the UNC system and used in all divisions' plans.

- Adopting the House's plan, with its FY11 budget cut in excess of 5%, could cause problems. More cuts than anticipated would be necessary; timing would be an issue as FY11 begins in less than two weeks. If we are faced with a 7-1/2% cut, layoffs would likely have to occur.

**FY2012 Budget Planning:**

- FY 2012 is predicted to be the worst budget year of the recession since federal stimulus money will no longer be available. Seven percent (7%) of our current budget is derived from stimulus money.
- People believe we are experiencing a “checkmark” recession, one that went down quickly and is coming back up slowly. Revenue growth has been slower than anticipated, which will impact funding for FY2012.
- We must plan to spend down; no carryover is anticipated.

**Key Items in Controversy:**

- The potential for prohibition of salary adjustments, except for true promotions, is high. The House does not support any increases; the Senate limits adjustments to promotions only. Any adjustments made must be reported and will undergo great scrutiny from G.A.
- There is no question the City of Charlotte and Mecklenburg County are in much worse shape financially than the University and are experiencing funding problems with public libraries, the school system, and parks and recreation. One reason is that the University’s funding comes from different sources.

**Big Issues:**

- **Enrollment cap** - We are hearing about discussions in the legislature relative to an enrollment growth cap at 1% for the 2011 Fall Semester. North Carolina has never had a policy limiting the number of enrolled in-state students. UNC Charlotte’s business model is based on enrollment; it permeates all of our operations. We did not experience the recession like other campuses because the State-funded enrollment growth. With a cap in place, we would admit fewer freshmen, the students who use more campus housing and
dining. We can bring in more transfer students, which would be good for us since they already have their general education courses, the area in which we have capacity. This fall, our number of students will exceed the number provided for in our budget. As a result, we will have to look at enrollment more precisely. Managing a capped enrollment will present new challenges for our admissions staff.

- **Building Reserves** – Building reserves are a necessity for our campus. Last year, we opened two new buildings and converted two others, Brocker and parts of Cone, without the receiving this funding. Two other buildings, Center City and EPIC, are currently under construction.

- **Furlough** – The controversy regarding who is authorized use furlough continues. The Senate provides the authority, the House does not. Furlough is a good tool to have in our toolbox. It cannot be used for a permanent budget cut, but it could be valuable in dealing with a precipitous drop in available cash due to the recession and avoiding a layoff. Having the tool does not mean that we must use it. At this point, furlough is only in one chamber’s budget; and nothing is sure until the Governor signs the budget.

**Thoughts on FY 2010:**

- The current year’s budget provided a vastly better process for managing cash flow than we experienced the previous year. We have been required to request money to pay our bills a week in advance and juggle payments a bit, but nothing has been turned down for payment. Last year, a cash management group met daily to discuss payments; that was not necessary this year.

- We did not experience a freeze on spending as happened in FY2009. (A freeze occurred in the last week of the fiscal year.)

- No furlough was enacted as happened in FY2009.

- The University did not experience a layoff of employees this year.