Members in attendance: John Bland, Charles Bodkin, Susan Brooks, Kathy Buckingham, Chris Ervin, Frank Fleming, Alan Freitag, Elizabeth Hardin, Lucy Mullens, Trey O’Quinn, Jay Raja, Carrie Smith, Ken Smith, Gary Stinnett, Charisse Turner, and Cleo Widmaier

Guests in attendance: Niki Moseley, Academic Budget and Personnel; Paula Rennix, Human Resources; Teresa Newman, Human Resources; Jeanne Madorin, Human Resources

FY12 Budget Cuts:

- Recent communications from UNC General Administration (GA) and the Office of State Budget Management (OSBM) instructed universities to plan for a 15% budget cut for FY12, even though GA and OSBM had reached an agreement last summer to limit FY12 budget planning for the universities to scenarios for 5% and 10% cuts.

- In June 2010, the State identified a large hole in the budget ($2.5 to $4 billion) that could not be filled with just budget cuts. The Legislature levied a “sunset” income tax to help offset the shortage, but the tax is set expire June 11, 2011. Those funds, along with Federal Stimulus funds will no longer be available for FY12.

- With a cut at 15%, $31 million must come from our FY12 budget. The cut could be offset or mitigated through alternate courses at 100%, funded at a lower rate, or not funded at all. Beth’s best judgment tells us we will experience something in the middle.

- This shortfall is no surprise; the surprise is that we had a plan that did not hold

- Now, we have a $3.2 billion budget hole. With a lot of uncertainty in planning, we must act on the worst-case scenario, a 15% cut without chances for improvement, also referred to as an unmitigated 15% cut.

- The cut could be worse than 15%, but Beth thinks that is unlikely. Her best professional judgment is that we will face a cut around 15%.

- Remember, we have been hoarding cash since the recession began and have centralized uncommitted funds in anticipation of FY12 being our worst budget year in the recession. At this point, we have bought down everything we can.
What Could Happen?

- At the 15% level, it is unlikely we can sufficiently reduce the budget without layoffs. At this time, we do not know how many jobs will be involved or where cuts will be made. Business Affairs and Academic Affairs have plans, but smaller units do not typically use the same process to arrive at a plan.

- We could be allowed to increase tuition more than the 6.5% (The Board of Governors’ official policy cap existing unless circumstances unless circumstances are different) that is already baked into the system. Last year, we added an additional increment of $424 in tuition (16.7%), which offset our budget cut. In the course of a week last year, the Board of Governors and others changed what we could do tuition-wise twice and settled on allowing us to cover our cut with new tuition. Unfortunately, after all approvals were collected, our fall bills went out a month late, and Financial Aid had to recalculate 14,000 federally subsidized loans within a month. We could increase our tuition by 69% and still be in line with comparable schools; however, the concern in shifting the cost to students is North Carolina’s mandate that a university education should be free to its citizens if practicable.

- It is possible we will be allocated building reserves. We have two large buildings opening next year with ballpark operating costs of $4 million. If we get building-reserve money, other money could be freed up to fund the cut.

- In the past years, we have received enrollment-growth funds; however, GA has indicated they will not fund enrollment growth for FY12, even though we have a target of adding 350 more students next fall.

- The worst case could be mitigated by four major revenue enhancements to draw us back from a 15% cut: These include a tuition increase, funding of enrollment growth, the pending decision on building reserves, and carry forward funds.

- Late in the 2009 game, the State decided to cover severance costs, which made a big difference. If the State covers severance again, we can wait until June 30, 2011, to cut positions because we will not have to cut more the next year.

Budget Planning for FY12:

- We ask for the following to assist us in the process: (1) Information from the Board of Governors and OSBM sooner instead of later; (2) a tuition increase in excess of 6-1/2%; (3) plan now rather than in July; (3) knowledge of the Board of Governors’ constraints; and (4) the State Legislature, Board of Governors and OSBM need to stake out their positions.

- We should prepare for worst-case scenarios; then we can step back as things are approved.
• In the near future, the vice chancellors will get the unmitigated cut of 15%. It will not look good, but you are encouraged not to dwell on it, as this is the worst-case scenario. Units will be responsible for creating a plan to address the worst-case scenario.

• We should review the severance calendar for clarification on things such as severance notification requirements, reporting, data collection, and steps to be taken in notification, and notification. Severance is paid over a 90-day period, and notice requirements and length of time for payout are different. Gary Stinnett also recommends reading PM 19 to refresh your knowledge on RIF’s.

• No decision has been made relative to when people will be noticed should layoffs and RIF’s become necessary. Rigorous thought is needed before anything is done. The Cabinet will make the decision on Beth’s recommendation; however, no permanent employee will be released when there is a like probationary person employed.

• Beth stated that this year’s budget planning will make 2009 look like a cake walk. We will have to plan with a short fuse.

• Beth is available to talk to vice chancellors and business managers; and this time around, she plans to push that idea more. She will bring someone with her who understands options for moving budget items off general funds. She needs to know what can be done from a university standpoint. For example, some police officers can be paid from parking funds since they often provide parking assistance to our visitors, students, faculty, and staff.

• Budget Council will now meet weekly for awhile.

**Hiring Freeze Update:**

• Due to discussions about to the potential for layoffs and RIF’s, inquiries were made relative to the hiring freeze and the “Mission Critical Position Justification” forms by which permission can be granted to hire certain positions. Beth reported that the Chancellor had received a number of the forms and approved some.
  
  • Beth received ten requests, but approved only two. Again, those two are being reevaluated as well. However, she has three critical positions within Business Affairs (Chief of Police, Facilities Management Operations Manager, and a campus bio-safety officer) that must be filled in spite of the hiring freeze. This may create dissension within the campus community due to some positions being filled while we lay off others.

**Reversion:**

• Susan Brooks reminded those present to assure it is clear the university held back money to pay for a 4% reversion even though they asked for 3-1/2%.
• The Governor may ask us to freeze travel, etc., but we are not going to do that yet. Everyone should spend their current budget soon, but not foolishly.

• Spend smart.

• Business Affairs will push harder on technology spending, which will help us when we have less money.

Addressing Rumors:

• Some members present reported hearing a rumor that there will be a 5% pay cut. Beth responded saying it is possible and being discussed in Raleigh; however, we do not have the authority to initiate a pay cut.

• A rumor about the possibility of a buyout for early retirement has been circulating. Beth feels the odds of that happening are under 50%.

• Others asked about furloughs. Beth responded that furlough is being discussed, but would not be helpful with a permanent budget cut. A salary cut would be more effective in the current situation. However, she reported that Gary Stinnett and Ramah Carle have been developing a furlough policy for the University’s toolkit in case it is needed in the future.

• Beth was asked about rumors that schools within the UNC System will be closed due to the budget situation. She does not think that will happen, but says we will be hearing about program consolidations within the system.

• Beth requested the council members to stay in touch and share any rumors they hear so the correct information can be shared with the campus.