Budget Council Meeting Notes  
October 1, 2010  

Members in attendance: John Bland, Kathy Buckingham, Ramah Carle, Ted Elling for Frank Fleming, Chris Ervin, Elizabeth Hardin, Trey O’Quinn, Carrie Smith for Ken Smith, Darin Spease, Clarisse Turner and Cleo Widmaier  

The purpose of today’s meeting is to provide you with updates on recent budget activity at the State level. General Administration (GA) has requested the submission of plans for budget cuts at both 5% and 10%. Our plans are due at GA by October 25.  

State Budget Updates:  
- The general feeling is that we will have a 15% gap in next year’s State’s budget, resulting in $2.5 to $4 billion, or 20% of the budget. Within six weeks, GA and the Office of State Budget Management (OSBM) will require the universities to create reduction scenarios only up to 10%. Other state agencies must go up to 15%.  
- During the last two or three years, we have discussed that FY12 could be the worst year in this cycle. There have been indicators that the recession is slowing or over, and there are signs of life; however, we have hardly rebounded.  
- In previous meetings, the types of recessions were discussed. Many past recessions were V shaped, rebounding quickly. It now appears the State is planning for a checkmark recession, one with a fast, steep downward plunge and slower upward movement. Beth thinks this designation is correct. She wonders if 2012 will actually be the worst year or will it be 2013?  

Tuition increases:  
- You may recall this past June’s frenzied legislative dance regarding tuition increases. We are now looking at a permanent budget cut, but we may ultimately be allowed future tuition increases to help us cover the cuts. We will not know until well into the legislative session.  
- When directions went out on the 5% and 10% budget-cut scenarios, the Chancellor went to bat for us and asked that we be allowed to factor in the tuition increase now. Unfortunately, his request was denied, and we must now create budget scenarios without using a $500 tuition increase.
Budget Planning:

- The good news is that we have some central dollars to buy down the budget cut slightly. Generally, central dollars are held by the Chancellor; however, some divisions also held back money from their budgets in anticipation of 2012.

- We must submit 5% and 10% cuts to GA with some level of detail; however, we will not know how much detail will be required until Tuesday, October 5, when OSBM reveals details of its new accounting system. There is a chance they will require detail on the number of faculty additions and number of staff additions overall. We will have the numbers to work with on Monday. Do not be surprised if they are higher than 5 to 10%.

- We also have a huge communications issue. We must have a plan that cuts more than 5% and 10%. Student Body President Megan Smith, who was very in tune to the University’s situation, has been supportive of the tuition increase.

- Noise in the system says we will be spending money while preparing cuts. For example, we are going to recruit a government affairs person, which is a very important position at the Legislature.

- A RIF scenario is possible, and other things will be added relative to productivity. We need to add one or two staff members in our Business Affairs technology unit. These things do not make better housekeeping or help buildings go up, but they will increase the productivity in Business Affairs and other divisions. These issues are hard for people to understand.

- The upcoming work will be hard and confusing with lots of moving parts. It will be better to work collaboratively rather than individually, and the Budget Office staff is available to talk with department heads about their budgets.

- Our plans must be submitted to GA by October 25, 2010.

Other items discussed:

- Beth shared amazing things she has seen in her work on a Mecklenburg Country project. The Library’s budget has been cut from $38 million to $17 million, and they have endured three rounds of layoffs. The current 20% hole in their budget has the potential for another round of layoffs. The University’s process is different, and we are in much better shape than the Library. We have a more consistent revenue stream.

- We have not yet undertaken strategic cost reductions among divisions. Initiatives to consider in approaching this issue could be position reductions, E-procurement,
outsourcing, cost reduction, and increasing our retention/graduation numbers to reduce cost per graduate.

- It would appear we will not replace the Vice Chancellor for URCA due to the cost involved. However, if we eliminate that and later come back asking for a Vice Chancellor, GA could react negatively. So, it is still uncertain.

- Adding new positions is a sensitive issue; however, we are doing that in certain situations. Also, it is important to other areas, such as Student Affairs, to continue shifting positions from general fund dollars to other dollars, such as auxiliaries. The shift of positions to other funds will continue, and we must resolve what is considered an auxiliary.

- We need a plan out there for reasonable expectations on tuition increases

- We should be making 5 and 10% and higher-level cuts as realistic and stark as possible. A fair amount of detail will make it look realistic, but we will not know the degree of detail required until Tuesday

- The issue of overhead on auxiliary dollars is very complicated and has a significant impact on cost structures of each unit. We must get resolution on that.