

University of North Carolina Budget & Legislative Update

BOG Policy Discussion



The University of North Carolina

June 10, 2010

Current Budget Process

- **2nd year of 2009-11 biennium**
- **General Assembly is adjusting the 2010-11 budget as passed by the 2009 General Assembly**
- **Senate and House have both passed versions of the 2010-11 budget**
- **Differences are being negotiated in Conference Committee**



The University of North Carolina

UNC System

Previous Budget Reductions & Reversions

2007-08

- \$21.1 million in permanent reductions in state appropriations

2008-09

- \$23 million in permanent reductions in state appropriations
- Required holdback plus spending restrictions resulted in reversions of \$319.7 million of state appropriations, which was partially offset by \$85.7 million of federal ARRA (stimulus) funds for a net of \$234 million.
- Total reductions for 2008-09 equaled \$257 million.



The University of North Carolina

3

UNC System

Previous Budget Reductions & Reversions

2009-10

- \$162.5 million in permanent cuts to operating budgets
 - 96.5% of permanent cuts were administrative
- 5% holdback – \$134.1 million
- Total reductions in 2009-10 equaled \$296.6 million.

Reductions for the last three fiscal years total \$575 million.



The University of North Carolina

4

UNC System Budget Reductions

Authorized by 2009 Session to be Implemented in 2010-11

- \$27.1 million/Management Flexibility
- \$2 million/Centers & Institutes
- \$21.5 million/Continuation items not funded

These reductions total \$50.6 million.

- EARN Scholarship Program will be completely eliminated (\$20 million)



The University of North Carolina

5

Differences in UNC System 2010-11 Proposed Budget Reductions

	2010-11	
	Senate	House
<i>Reductions :</i>		
UNC Campuses Management Flexibility Reduction	(\$50,000,000)	(\$147,020,779)
UNC Advertising Reduced	–	(2,500,000)
Eliminate Information Technology fund	(755,917)	–
Eliminate Nonresident Full Scholarship for Athletes	–	(9,432,978)
Eliminate Nonresident Full Scholarship for Academics		(6,055,245)
NCCU Historically Minority Colleges & Universities Consortium	–	(527,212)
UNC Hospitals Reduction	(2,000,000)	(10,000,000) R
		(5,000,000) NR
UNC-TV Analog to Digital Transition	(632,140)	(410,863)
Total Reductions, including others not listed here	(54,039,540)	(181,598,560)



The University of North Carolina

6

Differences in BOG Priorities Proposed 2010-11

	2010-11	
	Senate	House
Operating Reserves for New Facilities <i>Recommendation would meet 60% of the need for ongoing costs such as security, maintenance, & housekeeping</i>	\$ –	\$12,220,902
Need-Based Financial Aid <i>Senate recommends funding \$26.6M of the \$34.8M from lottery receipts.</i>	34,856,563 NR	12,000,000
Distinguished Professorships – Match Spangler Challenge Grants and Reduce Backlog	4,000,000 NR	–
NC Research Campus (Kannapolis)	–	500,000
NCA&T and UNCG Joint School of Nanoscience and Nanoengineering	–	1,000,000
Health & Wellness/Allied Professions (ASU, UNCA, UNCW) <i>Senate recommends \$500K be appropriated to ASU; House recommends ASU receive funding from the Strategic Initiatives Fund</i>	500,000	special prov.



The University of North Carolina

7

Differences in UNC System Proposed 2010-11 Capital Improvements

	Senate	House
Allocation from Repairs and Renovations Reserve <i>Senate recommends 54% of \$130M from COPs to UNC for R&R (\$70.2M); House recommends 50% of \$70M from COPs.</i>	\$70,200,000	\$35,000,000

Institution	Capital Budget	Senate ^{1,2}	House
ASU	College of Nursing & Health Sciences Building	2,400,000	–
ECU	Life Sciences and Biotechnology Building	6,100,000	–
ECSU	School of Aviation Complex *	533,778	–
NCA&T	College of Engineering	see note 1	–
NCSU	Engineering Complex and Renovations	see note 1	–
UNCC	Science Building	4,800,000	–
UNCW	Allied Health and Human Sciences Building	1,900,000	–
WSSU	Sciences Building *	1,400,000	–
WCU	Mountain Area Health Education Center	1,300,000	–
UNC-CH	Innovation Center at Carolina North – Infrastructure Improvements	see note 2	–

* These projects received planning funds in 2007.

¹ Senate Bill 1378, if ratified, would authorize the use of special indebtedness (COPs) to fund: \$55M for teaching and research equipment; \$104.3 for NCA&T College of Engineering; \$161.4 for NCSU Engineering IV building; and University-wide \$130M for R&R as noted above.

² The Senate recommends \$4M in COPs funding for the UNC-CH Innovation Center and also recommends amending a previous COPS authorization for UNCG's academic classroom and office building project to use up to \$4.5M to acquire real property.



The University of North Carolina

8

Differences in UNC System Other UNC Items

	2010-11	
	Senate	House
Other UNC Items		
NCSU Emerging Issues Institute	\$ 309,000 NR	\$ –
UNC-CH Center for Acquisition of Spoken Language through Listening Enrichment (CASTLE)	500,000 NR	575,000
NCA&T College of Engineering	–	1,000,000
Coastal Wave Energy Research <i>UNC Coastal Studies Instit. shall form a consortium that includes the Colleges of Engineering at NCA&T, NCSU, & UNCC</i>	2,000,000	–
NCSU Vet Med Clinical Teaching & Research Fund	250,000 NR	200,000
National Guard Tuition Assistance Program Transfer <i>(from Crime Control & Public Safety to SEAA)</i>	–	1,862,815



The University of North Carolina

9

Differences in Special Provisions

	Senate	House
Tuition – Both House and Senate repealed the legislative tuition increase and will allow the BOG tuition increase to return to the campuses.	Authority to increase by an additional \$750 to offset cuts	
UNC Enrollment Cap		Requires that enrollment projections for the second year of the biennium not be adjusted. Caps funded growth for 2011-12 at 1%.
Salary Increases	Maintains current authority. State Agencies shall report quarterly on any salary increases. Reports shall include the number of salary increases provided and the new annual salary.	Prohibits any salary increases beyond <u>May 31, 2010</u> . An exception is made for <u>promotions</u> only. This provision applies to ALL employees. For UNC, it includes constituent institutions, affiliated enterprises (UNC Hospitals) and foundations. OSP and OSBM shall monitor jointly and report quarterly to the legislature on their monitoring activities, including any actions taken with respect to any unauthorized salary increases.



The University of North Carolina

10

Differences in Special Provisions

	Senate	House
"Golden Parachutes"		<p>Outlines limitations on transition salary packages for FY 10-11.</p> <ul style="list-style-type: none"> • No state employee (see exceptions below) who leaves a position may continue to be paid the salary of that position when that employee no longer carries out the duties of that position, including periods of transition. • Exceptions for employees under contract where the terms of that contract require payment during periods of transition. The contract must be signed/ approved by the appropriate CFO, Chancellor, and BOT or BOG.



Differences in Special Provisions

	Senate	House
Furloughs	Provision provides furlough authority to UNC for FY 2010-11 to offset management flexibility cut.	
R&R	54% to UNC and 46% to State Government	50% to UNC and 50% to State Government
Campus Initiated Tuition Increases: 50% for Financial Aid		Requires that 50% of the BOG tuition increase be allocated to financial aid.



Key Issues:

UNC 2010-11 Budget Negotiations

- **House budget caps funded UNC enrollment growth for 2011-12 at 1%.**
 - **NC has never denied its qualified citizens affordable access to higher education.**
 - **Average enrollment growth over the past five years has been 3%.**
 - **UNC campuses will grow by more than 4,900 students in Fall 2010. If proposed cap had been in effect today, nearly half (2,700) of these additional students would have been denied admission.**
 - **Companies come to NC because of access to UNC campuses, their graduates, and their faculty expertise.**



The University of North Carolina

13

Key Issues:

UNC 2010-11 Budget Negotiations

**Management Flex Cut – in addition to the \$50.6 million cut in base budget
(estimate of impact)**

Senate	House
\$50M	\$147M
800 jobs, including 300 faculty	1,700 jobs, including 700 faculty
2,800 course sections <i>equivalent to the number of fall sections at NCA&T or WCU</i>	6,300 course sections <i>greater than the number of fall sections at ECU and twice UNCW's fall sections</i>



The University of North Carolina

14

Key Issues:
UNC 2010-11 Budget Negotiations

■ **UNC Need-Based Financial Aid Program**

- The Senate budget fully funds need-based financial aid (\$34.9 million) on a nonrecurring basis.
- The House budget provides only \$12 million of aid (recurring). If the House budget holds, it is estimated that 6,000 to 8,000 qualified NC students would not receive need-based grant aid for which they qualify.
 - ❖ Student indebtedness upon graduation will increase.
 - ❖ Students who apply for financial aid late in the application cycle will likely find that the pool of need-based aid has already been depleted.



The University of North Carolina

15

Key Issues:
UNC 2010-11 Budget Negotiations

■ **Tuition**

- Both the House and Senate budgets allow revenues from tuition increases to be used for purposes as previously approved by Board of Governors.
- The Senate budget would authorize additional tuition increases of up to \$750 to help offset the impact of budget reductions.
- If approved, we would need at least 25% of any tuition increase to go to need-based financial aid.



The University of North Carolina

16

Key Issues:
UNC 2010-11 Budget Negotiations

- **Repairs & Renovation Funding (from COPs)**
 - Senate – \$70.2 million; House – \$35 million
 - Senate has UNC at 54%; House has UNC at 50%
- **Operating Funds for 55 Buildings**
 - Senate – \$0; House – \$12.2 million recurring
- **Distinguished Professors Endowment Trust Fund**
 - Senate – additional \$4 million nonrecurring; House – \$0
- **UNC Health Care System**
 - Senate – \$2 million cut; House – \$10 million recurring and \$5 million nonrecurring cut



The University of North Carolina

17

UNC Campus
Budget Reductions

2010-11 – Potential Impact

- **Eliminate faculty jobs**
- **Increase class size and reduce sections**
- **Reduce lab & library hours**
- **Eliminate student programs**
- **Reduce tutoring & advising services**
- **Eliminate additional administrative positions**



The University of North Carolina

18

Examples of Budget Cuts and the Impact on Quality

- Increase faculty workload even more/reduce faculty
- Increase class sizes and reduce number of class sections
- Increase use of non-tenure-track instructors
- Reduce operating hours for computer labs
- Reduce library acquisitions
- Reduce/eliminate student programs (leadership, 21st century skills, study abroad, community engagement)
- Reduce/eliminate ability to address UNC Tomorrow priorities
- Eliminate EPA non-faculty and SAAO Tier 2
- Eliminate SPA jobs



The University of North Carolina

19

Examples of Budget Cuts and the Impact on Quality (continued)

- Reduce/eliminate centers and institutes
- Reduce/eliminate support for research grant development
- Reduce funding for Affiliates
- Reduce/eliminate support for graduate teaching and research assistantships
- Reduce/eliminate advancement personnel, leading to a corresponding decline in private gifts
- Decrease housekeeping and grounds maintenance
- Increase length of preventive maintenance cycles
- Reduce/eliminate contracted security services
- Reduce/eliminate investment in communications and technology



The University of North Carolina

20

Impact on Campuses

- Chancellor DePaolo
- Chancellor Reaves
- Questions/Discussion



The University of North Carolina

21

