

# Policy Discussion 3:

2011 – 2013

Budget

# *Planning for 2011-13 Budget*

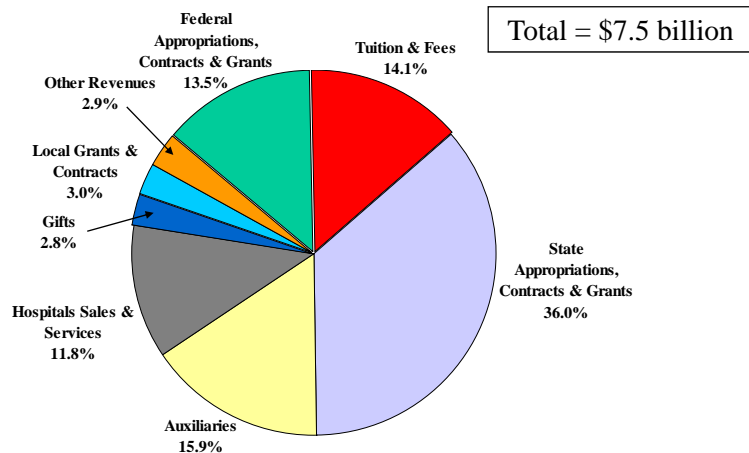


## *Board of Governors' Policy Discussion*

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October 7, 2010

## *2008-09 UNC Summary – Revenues (excludes capital revenues)*



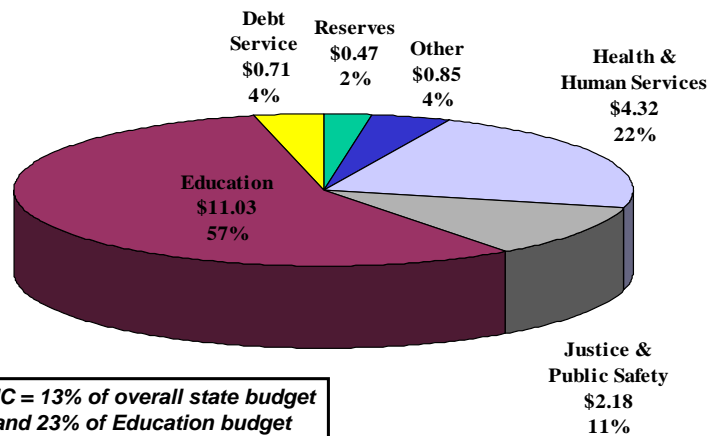
\*Investment income and endowments suffered a net loss of \$388M in 2008-09. It is shown as zero for the purposes of this calculation.



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Source: IPEDS Data

## ***NC State Budget - \$19.6 billion 2010-11***



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## ***Education Budget Breakdown 2010-11***

- **DPI: \$7.1 billion**
- **UNC: \$2.6 billion**
- **NCCCS: \$1.1 billion**
- **Private Colleges: \$.1 billion**



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## *Fiscal Year 2010-11*

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- 2010-11 revenue projections are based on 2.7% growth.
- Governor has required 1% to be reserved.
- General Fund revenue \$25 million below the \$2.75 billion target for the first two months of the fiscal year.
- The latest expectations are that the stagnant slow growth scenario that emerged this summer will stay with us for the duration of 2010. Most economic forecasts expect an uptick in economic growth by mid-2011.



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Source: *Fiscal Research Division*

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## *Economic Outlook*

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- The key economy-based taxes, wage and salary withholding and the sales tax, continue to reflect poor employment conditions and bleak consumer sentiment.
- Most economists are forecasting the U.S. unemployment rate will remain above 9% through much of 2011. North Carolina is not expected to fare any different than the nation.
- Three economic events continue to drag down the U.S. and N.C. economy: the ongoing housing recession, wary consumers that are still reeling from the recession, and the ongoing uncertainty of business leaders about the economy and their reticence to hire new employees.



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Source: *Fiscal Research Division*

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## ***2011-13 Budget – Key Issues***

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- **Estimated \$3.2 billion budget gap**
- **Pressures on state budget:**
  - **Expiring temporary taxes (\$1.3 billion)**
  - **Loss of Federal ARRA (Recovery/Stimulus) Funds (\$1.6 billion)**
  - **Weakened economy/other (\$.3 billion)**



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Source: *Fiscal Research Division*

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## ***UNC State Budget***

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- **The Board of Governors shall develop, prepare, and present to the Governor and the General Assembly a single, unified recommended budget for all of public senior higher education. – G.S. 116-11**
- **Statute prescribes form of budget requests – three categories:**
  1. **Continuing Operations – allocated to institutions**
  2. **Academic Salary Increases – lump sum to Board of Governors and then allocated to campuses**
  3. **Expansions/Improvements Items – lump sum to Board of Governors and then allocated to campuses**



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## ***UNC State Budget***

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### ■ **Legal Basis**

- **State Executive Budget Act – G.S.143C**
- **Higher Education Reorganization Act of 1971 – G.S. 116**

### ■ **Board of Governors' Role:**

- **Presents comprehensive financial plans to General Assembly**
- **Modifies plans based on resources made available by Legislature**
- **Establishes annual budgets which are administered by the constituent institutions**



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## ***2011-13 Budget – Base Continuation & Continuation Change***

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### ■ **Governor's Office of State Budget & Management (OSBM) has made significant changes to the budget process for 2011-13.**

- **One of the major changes is in how the state will consider items needed to maintain current operational levels.**

### ■ **Base Continuation Budget (Campuses submit directly to OSBM)**

- **Annualization of appropriations that were partially funded in the previous biennium**
  - ◆ **Operating funds (Building Reserves) for state-funded facilities that opened in 2009-11**
- **Removal of nonrecurring reductions and nonrecurring expansion items**
- **Certain technical adjustments/corrections**



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## ***2011-13 Budget – Base Continuation & Continuation Change***

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*(Continued)*

- **Continuation Change (campuses work with GA and OSBM)**
  - Building reserves for new state-funded facilities opening during 2011-13
  - Replacement Vehicles & Equipment
  - Inflationary Increases (utilities)
  - Required Staff Benefits & Continuing Personnel
  - Enrollment



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## ***Expansion Budget Process***

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- **Budget Preparation**
  - Campus Submissions (Sept)
  - UNC-GA Review (Sept-Oct)
  - 21 Chancellors' & Affiliates one-on-one discussions (Sept-Oct)
  - BOG Workshops (Oct-Nov)
  - Final Recommendations (Nov)
- **Note: For 2011-13, the Governor and OSBM will require that *both* continuation change and expansion items be *prioritized* in the University's budget submission.**



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## ***2011-13 Expansion Budget – Operating***

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- **Campus Safety**
  - University Police Departments
  - Student Mental Health & Counseling
  - Emergency Management
  - Physical Security
- **Our Citizens & Their Future: Access to Higher Education**
  - UNC Need-Based Grant
  - Student-focused Programs:
    - ◆ Retention and Graduation



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## ***2011-13 Expansion Budget – Operating***

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- **Increase Efforts to Recruit & Retain High Quality Faculty**
  - 80<sup>th</sup> Percentile and/or Across the Board Merit Increases
  - Distinguished Professors
  - Recruitment & Retention Fund
- **Our Health**
  - Dental/Medical/Nursing Programs



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## ***2011-13 Expansion Budget – Operating***

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- **Our University's Outreach & Engagement**
  - **Regional Issues**
- **Our Children & Their Future: Improving Public Education**
  - **Programs focused on producing math & science teachers**



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## ***2011-13 Expansion Budget – Operating***

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- **Our Environment**
  - **Campus sustainability programs**
  - **Research related to sustainability**
- **Efficient Use of Available Resources**
  - **Fiscal Integrity**



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## ***2011-13 Budget – Capital***

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- **Repair and Renovation Funds**
- **Funding for projects which have been approved for planning**
- **Planning funds for other important priorities**



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## ***Results of Working Together***

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- **Minimized Cuts**
- **Received funding for high priority items**
  - **Keep tuition receipts on campuses**
  - **Enrollment growth**
  - **ECU School of Dental Medicine**
  - **UNCC EPIC**
  - **NCA&T & UNCG Joint School of Nanoscience and Nanoengineering**
  - **NCA&T and NCSU Colleges of Engineering**
  - **Distinguished Professors Endowment Trust Fund**
  - **NC Research Campus at Kannapolis**



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## ***2011 NC Legislative Process “Long Session”***

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- **Governor’s Budget Proposal – January 2011**
  - **General fund availability is determined**
- **General Assembly convenes – January 26, 2011**
  - **House Budget – first**
  - **Senate Budget – second**
  - **Conference Process Results in Final Budget – June/July**



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