

Colleagues,

The current fiscal year is now 25% complete and all necessary actions have been completed to address the budget adjustments that were part of the FY 10-11 budget and to meet the 1% required reversion that was assigned to us by the Governor and Office of State Budget. The 1% reversion funds are being held centrally by the State Budget Office to establish a rainy day reserve fund in the event overall State revenues continued to lag. Finally, Chancellor Bardo authorized the release of \$5.4 million in funding for non-recurring, one time expenditures. An allocation of non-recurring funds was made to every division within the University to cover much needed equipment and essential operating support. The funds to cover these non-recurring allocations represent the residual from previous budget cuts and unallocated funds from FY 10-11 enrollment growth appropriations that are being held to offset the impact of anticipated budget reductions in FY 11-12.

Looking to the future, the FY 11-12 years is expected to be a very difficult year for the State of North Carolina. Potentially, a budget deficit in the range of \$3 to \$3.5 billion could materialize. For the most part, the deficit situation is the result of several actions: the elimination of federal stimulus funds which have been used by the State to offset recurring operations; the end of several tax increases; the continuing stagnant economy in North Carolina resulting in flat or reduced tax revenues; and projected increases in Medicaid expenses.

The Governor has directed state agencies to prepare budget scenarios for 5, 10, and 15% budget reductions. UNC-General Administration has negotiated with the State Budget Office to limit the UNC System budget reduction scenarios to only 5% and 10%. Even though an across-the-board tuition increase may be implemented to soften the impact of these budget reductions, at this point, we must respond as if no tuition increase will be authorized.

Our continuing State appropriation for FY 11-12 is \$86,388,741 which will serve as the base for calculating our 5% and 10% reductions. A 5% reduction will be \$4,319,437 and a 10% reduction will be \$8,638,874. As noted earlier, we have accumulated funds over the past couple of budget cycles anticipating these possible reductions; consequently, we can absorb a 5% reduction without calling upon campus divisions for additional budget reductions. In preparation for a 10% reduction we will ask each division to prepare a 5% budget reduction plan.

As we begin preparing these budget reduction scenarios, we want to protect the core function of the institution as much as possible; however, the entire reduction cannot be absorbed from non-instructional areas and neither can we generate a 5% budget reduction without eliminating positions. UNC-General Administration has suggested the following items as possible budget reduction considerations: increased faculty productivity, academic administration, public relations and advancement offices, state funded activities not directly related to student enrollment and course delivery, low productivity/low enrollment programs, transferring appropriated activities to receipt support activities, personnel/faculty development and human resources, vacant positions, middle management, telecommunications, program consolidation, centers and institutes, and duplicative programs. These are only suggested areas for consideration; however, each campus is delegated the flexibility to make their own decisions related to where cuts should be taken.

Each division will be assigned a budget target reduction based upon their share of the overall budget. A divisional reduction cannot be met by simply implementing an across-the-board budget cut; rather, specific programs, positions or operating support funds must be identified. Every employee within a division should be engaged in a conversation concerning where reductions can and should be taken. The final divisional reduction plan should be distributed and discussed in detail within the division before it is completed and submitted to the Chancellor. The Chancellor and Executive Council will review each divisional report, assign priorities, and prepare the final institutional budget reduction plan for submission to the State Budget Office and UNC GA by October 25th. Divisional budget reduction plans must be submitted to the Budget Office by the close of business on Friday, October 15th. This will allow one week for final campus review and prioritization. The University Budget Office will provide the format and appropriate forms for divisional plans. In addition, each division will be asked submit a one-page narrative description of the impact that the budget reductions will have to their overall operation.

Please contact the provost, appropriate vice chancellor or chief of staff with questions specific to your division. As always, thank you for your service to Western Carolina University.

Thank You

Chuck Wooten
Vice Chancellor for
Administration and Finance