

January 12, 2011

MEMORANDUM

TO: Vice Chancellors and Deans

FROM: Warwick A. Arden, Provost and Executive Vice Chancellor
Charles D. Leffler, Vice Chancellor for Finance and Business



SUBJECT: 2011-13 Budget Planning Memorandum #2

Since there will not be a major influx of new state revenue to relieve much of the projected \$3.7 billion state revenue shortfall, we must continue to plan for what promises to be a very challenging 2011-12 fiscal year. As noted in the December 20 memorandum from President Ross, we need to plan for a possible recurring budget reduction of up to 15% - http://www.fis.ncsu.edu/rm/budget_central/.

A 15% reduction to state appropriations is projected to be a \$63,335,820 reduction to the academic affairs budget (16030), a \$8,931,651 reduction for the agricultural research budget (16031) and a \$6,620,004 reduction to the cooperative extension budget (16032) for a total reduction of \$78,887,426. At this time, we are able to commit \$24.7 million from central reserves, including recurring funds held from the 2009-2010-budget reduction, to offset the reduction to the academic affairs budget and \$1.6 million and \$1.1 million to offset the reductions to the agricultural research and cooperative extension budgets respectively.

We should plan to meet the remaining reductions by reducing the continuing base budgets for the colleges, DUAP and the Graduate School by 9%, while protecting the library, utilities and Advancement with a 6% reduction. All other units would receive an 11.25% reduction. Attached is a preliminary schedule that allocates the above reductions to each of the University's units. You have already submitted 5% and 10% budget reduction plans. Please review these plans, make necessary modifications and list additional reductions that will be necessary to meet these goals.

As you develop your plans, you will need to consider significant organizational changes such as phasing out low productivity programs and services, combining departments and units and centralizing support services. Such changes will be necessary to meet the required reduction targets while sparing further attenuation of our core academic capacity. Make every effort to protect faculty positions (both tenure and non-tenure track), instructional capacity and the ability to generate and account for non-state resources in the future (grants and contracts, earned income and gifts).

Please note that this budget scenario includes a 2% increase in the administrative service fee charges to auxiliary and trust funds. It is expected that units will offset this charge by decreasing operating costs and not passing the cost to other university units or students by fee/rate increases. Funds generated by this administrative service fee are used as part of the central reserve allocation allowing additional offset of the total budget reduction.

We emphasize that these are planning targets and the final allocations of reductions will depend on: 1) the final reduction to state appropriated funds authorized by the legislature, 2) additional resources that may become available to offset this reduction (e.g. tuition, enrollment growth) and, 3) application of University Budget Advisory Committee principles to further protect the academic core of the university, particularly those programs that contribute significantly to general education undergraduate instruction. None the less, it is imperative that your budget reduction plans include significant restructuring options that will help preserve funding for core academic programs.

We ask that you submit your plan, including a brief narrative in Microsoft word and the accompanying template to the Budget Office no later than Monday, January 31, 2011.

In addition, we ask that you send us any suggestions your have for strategic budget reductions we should be considering at either the University level or for specific organizations, services, or programs outside of your college or division. We acknowledge that the university strategic planning process underway will provide additional guidance regarding the final budget strategy. Thank you for your collaboration.

Attachments

cc: W. Randolph Woodson
University Budget Advisory Committee
University Finance Officers

Projected 15% Budget Reduction Allocation

2010-11 State Appropriated Funds Budget
 Class 212 & 215 (Excludes Premium Tuition)
 Programs 101,106,110,142,151,152,160,170,180
 (Excludes Appropriated Receipts & Financial Aid)

*Budget reduction is based on state appropriated funds only; Continuing Base Budgets used **below***

for the allocation of reduction to Colleges and Divisions include state appropriated funds plus general tuition receipts and Federal Land-Grant funds

Budget Reduction Calculation		Acad Affairs	Ag Research ¹	Coop Ext ¹	University
2010-11 Certified Base Budget	Variables	\$422,238,801	\$59,544,343	\$44,133,360	\$525,916,504
Projected Reduction	15.00%	(\$63,335,820)	(\$8,931,651)	(\$6,620,004)	(\$78,887,476)
Less University adjustments					
Personnel Benefits Reserve ²	63.00%	(\$7,669,387)			(\$7,669,387)
Balance from 09-10		(\$14,000,000)	(\$1,600,000)	(\$1,100,000)	(\$16,700,000)
Increase Admin Srv Charge ³	2.00%	(\$3,000,000)			(\$3,000,000)
Balance to be allocated		(\$38,666,433)	(\$7,331,651)	(\$5,520,004)	(\$51,518,088)

OUC	Description	2010-11 Continuing Base Budget	Reduction Percentages	Reduction Allocation
02	Vice Chancellor/Provost	\$19,700,196	11.25%	(\$2,216,272)
04	Graduate School	2,516,383	9.00%	(226,474)
05	Student Affairs	4,819,168	11.25%	(542,156)
22	Housing Service	147,580	11.25%	(16,603)
25	NCSU Libraries	24,420,145	6.00%	(1,465,209)
31	Undergraduate Academic Program	3,977,747	9.00%	(357,997)
32	Division of Enrollment Management	3,664,005	11.25%	(412,201)
33	Distance Education & Learning	16,771,237	11.25%	(1,886,764)
35	Diversity and Inclusion	1,047,440	11.25%	(117,837)
38	Equal Opportunity & Equity	977,699	11.25%	(109,991)
39	Office of International Affairs	1,568,441	11.25%	(176,450)
	Total Provost/Vice Provost Units	\$79,610,041	9.46%	(\$7,527,954)
<u>Colleges:</u>				
11	Agriculture and Life Sciences	\$23,566,991	9.00%	(\$2,121,029)
12	Design	7,422,736	9.00%	(668,046)
13	Education	16,745,565	9.00%	(1,507,101)
14	Engineering-ex SolarCenter fr Dept of Ener	70,117,916	9.00%	(6,310,612)
15	Natural Resources	7,787,438	9.00%	(700,869)
16	Humanities & Social Sciences	33,636,431	9.00%	(3,027,279)
17	Physical & Mathematical Sciences	34,280,634	9.00%	(3,085,257)
18	Textiles	7,715,840	9.00%	(694,426)
19	Veterinary Medicine	25,112,853	9.00%	(2,260,157)
20	Management	16,452,817	9.00%	(1,480,754)
	Total Colleges	\$242,839,221	9.00%	(\$21,855,530)
	Total Provost and Colleges	\$322,449,262	9.11%	(\$29,383,484)
<u>Other Institutional Support</u>				
01	Chancellor's Units	\$3,181,355	11.25%	(\$357,902)
06	Research & Innovation	1,150,531	11.25%	(129,435)
08	University Advancement	7,454,515	6.00%	(447,271)
09	Extension, Engagement & Econ Dev.	2,562,056	11.25%	(288,231)
27	Office of General Counsel	1,200,317	11.25%	(135,036)
4X	Finance & Business	56,402,648	11.25%	(6,345,298)
51	Office of Information Technology	23,566,016	11.25%	(2,651,177)
XX	Utilities	32,242,852	6.00%	(1,934,571)
	Total Other Institutional Support	\$127,760,290	9.62%	(\$12,288,921)
	Sub-Total Academic Affairs	\$450,209,552	9.26%	(\$41,672,405)
	Personnel Benefits Budget	81,157,537		(7,669,387)
	Balance from 2009-10 (16030)	14,000,000		(14,000,000)
	Increase Admin Service Charge by 2%			(3,000,000)
	Total Academic Affairs	\$545,367,089	12.16%	(\$66,341,792)
	Agricultural Research Service	\$71,289,946	10.28%	(\$7,331,651)
	Cooperative Extension Service	\$59,784,149	9.23%	(\$5,520,004)
	Balance from 2009-10 (16031 & 32)			(\$2,700,000)
	Total University	\$676,441,184	12.11%	(\$81,893,448)

- 1 - Agriculture Research and Cooperative Extension reductions will be allocated proportionately to CALS and CNR.
- 2 - Personnel Benefits reserve reduction estimates the percentage of the reductions that will be in personnel budget lines.
- 3 - Receipts from the Administrative Service Charge increase will reduce the total state appropriated fund reduction that is allocated to the campus.