



The University of North Carolina

GENERAL ADMINISTRATION

POST OFFICE BOX 2688, CHAPEL HILL, NC 27515-2688

ERNIE G. MURPHREY –*Vice President for Finance*

Telephone: (919) 962-4598 • Fax: (919) 962-0008 • E-mail: egmurphrey@northcarolina.edu

Constituent Universities
Appalachian State
University

East Carolina
University

Elizabeth City
State University

Fayetteville State
University

North Carolina
Agricultural and
Technical State
University

North Carolina
Central University

North Carolina
State University
at Raleigh

University of
North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

University of
North Carolina
at Pembroke

University of
North Carolina
at Wilmington

University of
North Carolina
School of the Arts

Western Carolina
University

Winston-Salem
State University

Constituent High School
North Carolina
School of Science
and Mathematics

An Equal Opportunity/
Affirmative Action
Employer

September 17, 2010

2011-13 Budget Memorandum – Number 4

TO: The Chancellors
President, UNC Hospitals at Chapel Hill

FROM: Ernie Murphrey *Ernie P. Murphrey*

SUBJECT: Preparation of 2011-13 Operating Budgets:
Continuation Base & Continuation Change Budgets

The purpose of this memorandum is to transmit supplemental instructions unique to the University for the preparation of your 2011-13 continuation budgets.

The Office of State Budget and Management has issued instructions for the preparation of the 2011-13 Governor's Recommended State Budget. If you have not already done so, please obtain copies of these instructions from OSBM's website using the following address: <http://www.osbm.state.nc.us>.

There are multiple changes to this year's budget process as OSBM transitions to a new statewide budget system, Integrated Budget Information System (IBIS). One of the major changes is in how the State will consider items needed to maintain current operational levels. In the past, these items were called "continuation" or "Worksheet I" and included such items as utilities funding adjustments, operating funds for new and renovated buildings, and other items needed to adjust existing budgets for the continuation of existing service levels. This year, these have been separated into two parts. There is now a "Worksheet I/Base Continuation Budget" and a "Worksheet II/Continuation Change Budget." This memo is to address how the University will approach these two portions of the OSBM process.

MEMO TO: Chancellors
Page Two
September 17, 2010

Worksheet I/Base Continuation Budget

The Base Continuation budget portion of the 2011-13 budget development was handled directly between your campus budget office and the budget analysts at OSBM. General Administration will work with OSBM to obtain any necessary information needed for the Board of Governors' Budget for 2011-13. As compared to prior years, OSBM limited the items for consideration to only three types:

- Annualization of appropriations that were partially funded in the previous biennium (for UNC, this is mainly operating funds for buildings that were already partially funded in 2009-11);
- Removal of nonrecurring reductions and nonrecurring expansion items; and
- Certain technical adjustments/corrections (requires specific OSBM approval).

Note that further information on this part of budget preparation can be found in the OSBM instructions, Part I, Section 6.

Worksheet II/Continuation Change Budget

Detailed guidelines for preparing the continuation change budgets (within Worksheet II) are in the OSBM instructions, Part I, Section 7 and Part II Section 5. Please note that sections regarding the Expansion Budget will be addressed through your separate submission of Expansion Budget Priorities to UNC-General Administration. The Board of Governors will approve the submission of a single unified request for expansion funds on behalf of the University. Finally, the Information Technology section does not apply to the University (OSBM Instructions – Part I, Section 8).

For the first time, campuses will use the new OSBM system, IBIS, to submit Worksheet II information. Some information will be moved from the traditional Budget Preparation System to IBIS, but other information will need to be keyed directly into IBIS. General Administration is in the process of working with OSBM to schedule some training sessions for campus personnel and your CFO and their staffs will be notified of the timing for those meetings.

As usual, minor additions and modifications to the statewide instructions are needed in order to meet the requirements for the preparation and timely submission of the President's recommendations to the Board of Governors.

MEMO TO: Chancellors
Page Three
September 17, 2010

Changes applicable to UNC are included as Attachment I. These changes primarily serve to maximize the time available for campus preparation and provide information necessary for preparation of the Board of Governors' Budget Priorities.

OSBM's instructions (Part I Section 7 and Part II Section 5) provide for optional submissions of inflationary increases for personnel-related items, replacement of existing equipment, vehicle replacement, leases, and inflationary increases for items such as utilities and fuel oil. In addition, those instructions describe the process for requesting operating funding for new buildings coming on-line in the 2011-13 biennium. The revised worksheet for requesting those building reserves is attached. In addition, please note that there is a similar spreadsheet for requesting funds due to building renovations. Please ensure that you use these updated templates for requesting operating funds for facilities coming online in 2011-13. All of these items will be considered only on a case-by-case basis, and I urge you to advocate for your institution by supplying ample information to justify any increases that you request.

The instructions from OSBM provide us with the opportunity to request funds to maintain our current service levels. I ask you to exercise diligence in providing the necessary supporting documentation and justification for all allowable increases. As usual, our work will be under constant scrutiny as the budget process goes forward. Most questions on the Worksheet II should be directed to your OSBM budget analyst. If you have additional questions, you may also contact Ginger Burks.

Please note that OSBM's instructions also call for the submission of the University's enrollment change request through Worksheet II. This portion of the process will happen in collaboration with General Administration and separate instructions will be issued to relay that process to you. Your campus does not need to make any entries into IBIS for enrollment change funds at this time.

OSBM's instructions also call for the submission of 5% and 10% budget reduction scenarios through the IBIS system. Please note that this process will also be handled separately and you can expect further guidance soon. (For planning purposes, we anticipate that information will need to be submitted during the week of October 25. You may also want to consult OSBM's memo of Sept. 2, 2010, as well as OSBM Instructions – Part II, Section 5.)

MEMO TO: Chancellors
Page Four
September 17, 2010

In order to meet advance mailing requirements for the Board of Governors, your Worksheet II Continuation Change Budget items should be submitted to General Administration through IBIS no later than **October 14, 2010**.

As noted previously, this due date is only for continuation change requests and should not include any information on expansion items, reductions, enrollment, or program data.

OSBM's budget instructions also call for program data to be submitted to that office through IBIS by October 29. For this information, you should follow OSBM's process, due dates and guidelines. General Administration will also work with OSBM to provide system-wide data.

Please submit materials through the online IBIS system as well as supporting documentation. Also submit electronic copies of Forms A, B, and C to Angelisa Riggsbee (alriggsbee@northcarolina.edu). (Please note: once items are entered into the IBIS system, OSBM staff will review and further adjustments may be needed.)

Attachments and forms:

Attachment I – Supplemental Instructions for Preparation of 2011-13
Continuation Budget, UNC Institutions

UNC Forms:

- Checklist for 2011-13 Continuation Budget Requests (UNC-Form A)
- Budget Code Summary (UNC-Form B – Worksheet I and Worksheet II)
- Summary of Changes 2011-13 Continuation Budget (UNC-Form C – Worksheet I and Worksheet II)
- Instructions and forms for New Building Operating Funds
- Instructions and forms for Operating Funds for Renovated Buildings

cc: Chief Academic Officers
Chief Finance Officers
Legislative Liaisons
Ms. Elizabeth Grovenstein, OSBM

**Supplemental Instructions for Preparation of
2011-13 Continuation Budget
UNC Institutions**

Items Handled through the Worksheet I Base Budget process with OSBM:

- 1. Fees and Tuition Increases (CITI)**
Both fees that affect the General Fund and authorized tuition increases for 2010-11 should be included in the authorized year (2010-11).
- 2. Recent Board of Governors' Allocations for 2010-11**
All approved budget revisions of a continuing nature affecting 2010-11 should be included in the authorized column.
- 3. Removal of Non-Continuing Institutional Allocations for 2010-11**
Nonrecurring allocations for 2010-11 should **not** be reflected in the authorized columns since these allocations **do not continue** in the institutional budgets.
- 4. Annualization of Partial Operating Reserves for Facilities from the 2009-11 Biennium**
Include the annualization of operating reserves for those authorized capital improvement projects which were appropriated in the 2009-11 biennium with less than 12 months of funding.

Items Handled through the Worksheet II Change Budget process with GA and OSBM:

- 5. Operating Reserves for New Facilities for the 2011-13 Biennium**
Include operating reserves for those authorized capital improvement projects scheduled for completion during the biennium in the Worksheet II continuation change submission. The updated building reserves spreadsheet, as well as a model for renovations is enclosed. Use the revised model applicable to UNC for calculating these reserves. The model is the spreadsheet that incorporates formulas and cost factors in accordance with our agreement with OSBM. If you have additional questions regarding operating reserves, please contact Associate Vice President Shari Parrish. Please follow the instructions as included and provide a thorough justification as requested by OSBM. These spreadsheets should be attached as additional information to your submissions through IBIS.
- 6. Allowable Inflationary Increases**
Allowable increases for the biennium for all constituent institutions include those described in the statewide instructions. Associated justifications should be attached in the IBIS system. Please note that the allowable inflationary increases (utilities, gasoline and fuel oil) are identified in the OSBM instructions.
- 7. Checklist for 2011-13 Continuation Budget Requests (UNC – Form A)**
Please include a **completed** checklist with each continuation budget package. **This form should be emailed to Angelisa Riggsbee by October 14, 2010.**
- 8. Budget Code Summary (UNC – Form B)**
A supporting schedule should be prepared to identify the operating expenditures by functional purposes and the receipts by source. A separate schedule should be prepared for each 160XX budget code. A sample format for presenting this information is enclosed. **By October 14, 2010, an electronic copy of Form B should be emailed to Angelisa Riggsbee.**

9. Summary of Changes in Columns (6) and (8) by Category (UNC – Form C)

A summary of changes in Columns (6) and (8) by category is requested in accordance with past practice. A sample format is attached. **By October 14, 2010, an electronic copy of Forms A, B, and C should be emailed to Angelisa Riggsbee.**

10. Transmittal

Entries should be made into the OSBM Integrated Budget Information System by October 14, 2010. When entries are completed, please notify Angelisa Riggsbee and Ginger Burks by email (alriggsbee@northcarolina.edu and ginger@northcarolina.edu). Information may be attached via the online IBIS system, **no later than October 14, 2010. In addition, electronic copies of Forms B and C should be emailed to Angelisa Riggsbee (alriggsbee@northcarolina.edu).** Please ensure that GA receives electronic copies of all information needed. At this time, no hard copies are requested.

11. Process after Transmittal

Once the items are in IBIS by October 14, your OSBM analysts will begin their review process. Changes may be needed at that point, and any necessary further instructions will follow.

Checklist for 2011-13 Continuation Budget Requests

Submit the following to UNC-GA electronically:

| | | |
|---------------------------|---------------------|-------|
| UNC-Form A | Completed Checklist | <hr/> |
| UNC-Form B – Worksheet I | Budget Code Summary | <hr/> |
| UNC-Form B – Worksheet II | Budget Code Summary | <hr/> |
| UNC-Form C – Worksheet I | Summary of Changes | <hr/> |
| UNC-Form C – Worksheet II | Summary of Changes | <hr/> |

Done through the OSBM IBIS system:

| | |
|--|---|
| Summary of Total Continuation Budget Requests by Department | <u>IBIS generated</u> |
| Summary by Purpose | <u>IBIS generated</u> |
| Summary by Account | <u>IBIS generated</u> |
| Detail Request | <u>entered in IBIS</u> |
| <i>Should be entered in IBIS by broad category, e.g., "vehicles" and attach the associated spreadsheet as supporting documentation</i> | |
| Position Count | <u>migrated to IBIS from WSI completed</u> |
| Reconciliation of Requirements, Receipts, & Appropriation | <u>through BPS/BRS completed</u> |
| Reconciliation of Position Counts and Budgeted Salaries | <u>through BPS/BRS</u> |
| Attach all supporting documentation such as bldg. reserve spreadsheets, equipment or vehicle spreadsheet, photos as appropriate, etc. | <hr/> |

Please note: New Operating Reserve funds will not be considered unless the appropriate building reserves template is attached within the IBIS system.

OSBM Instructions - Part I, Section 8 related to Information Technology does not apply to the University.

Reductions Scenarios and Enrollment requests will be considered via separate processes and therefore should not be submitted in this package.

Information may be submitted to General Administration by October 14 without the inclusion of program data which will be due to OSBM directly by October 29.

SAMPLE FORMAT

The University of North Carolina
 Summary of Changes
 2011-13 Worksheet I Base Budget

UNC - Form C, Worksheet I
 Page 1 of 1

ABC University Institution
Academic Budget Code Title
160XX Code Number

| Identification | Description | 2011-12 (match to IBIS submission) | | | 2012-13 (match to IBIS submission) | | |
|---------------------------|--|------------------------------------|---------------|------------------|------------------------------------|---------------|------------------|
| | | Requirements | Receipts | Appropriation | Requirements | Receipts | Appropriation |
| A | Annualized Operating Reserves for Facilities | 2,000,000 | 0 | 2,000,000 | 2,000,000 | 0 | 2,000,000 |
| B | Adjustment for Nonrecurring Items (describe) | (90,000) | 0 | (90,000) | 0 | 0 | 0 |
| C | Technical Adjustments & Corrections | 150,000 | 50,000 | 100,000 | 150,000 | 50,000 | 100,000 |
| Total Net Increase | | 2,060,000 | 50,000 | 2,060,000 | 2,150,000 | 50,000 | 2,060,000 |

The total increase (for Requirements, Receipts and Appropriation) should be the same amount as that in Worksheet I for IBIS as of submission date.

SAMPLE FORMAT

The University of North Carolina
 Summary of Changes
 2011-13 Worksheet II Continuation Change Budget

UNC - Form C, Worksheet II
 Page 1 of 1

ABC University Institution
Academic Budget Code Title
160XX Code Number

| Identification | Description | 2011-12 (match to IBIS submission) | | | 2012-13 (match to IBIS submission) | | |
|---------------------------|---|------------------------------------|---------------|------------------|------------------------------------|----------------|------------------|
| | | Requirements | Receipts | Appropriation | Requirements | Receipts | Appropriation |
| A | Operating Reserves for New Facilities | 2,583,926 | 0 | 2,583,926 | 3,692,574 | 0 | 3,692,574 |
| B | Utilities | 90,000 | 30,000 | 60,000 | 135,000 | 45,000 | 90,000 |
| C | Required Staff Benefits & Continuing Personnel Costs | 129,000 | 50,000 | 79,000 | 166,400 | 64,500 | 101,900 |
| D | Replacement of Vehicles and Equipment | 130,409 | 0 | 130,409 | 257,981 | 0 | 257,981 |
| E | Financial Aid programs | 375,000 | 0 | 375,000 | 375,000 | 0 | 375,000 |
| F | Other adjustments (list description of what is included) | 50,000 | 0 | 50,000 | 75,000 | 0 | 75,000 |
| Total Net Increase | | 3,358,335 | 80,000 | 3,278,335 | 4,701,955 | 109,500 | 4,592,455 |

The total increase (for Requirements, Receipts and Appropriation) should be the same amount as that in Worksheet II for IBIS as of submission date. (PLEASE NOTE CATEGORIES REFLECTED ON THIS SHEET ARE DIFFERENT THAN WHAT HAS BEEN REQUESTED IN PREVIOUS YEARS.)