



# The University of North Carolina

GENERAL ADMINISTRATION

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*Constituent Universities*

Appalachian State  
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Technical State  
University

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State University  
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North Carolina  
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North Carolina  
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University of  
North Carolina  
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School of Science  
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## MEMORANDUM

TO: The Chancellors

FROM: Erskine Bowles and Tom Ross

DATE: December 20, 2010

SUBJECT: 2010-11 Budget Management

Since we are in a transition period, together we want to ask for your cooperation in complying with the memorandum issued by the State Budget Director last Friday. The State Budget Director has directed Cabinet agencies to implement budget management strategies that would result in reducing annual 2010-11 General Fund appropriations by an additional 2.5%. When possible, we ask that you comply with the recommended strategies and operate in the same manner as cabinet agencies by holding State-funded positions vacant and limiting salary adjustments, purchase orders and travel and training. The memorandum calls for exceptions to compliance to be granted only by the agency head or designee. As far as we are concerned, that individual is you for your campus.

Remember that we have been collecting information on salary adjustments that is reported quarterly to the Office of State Personnel and to the General Assembly and that we have also recently indicated that we will need to collect information on State-funded positions that are deemed critical and filled. This information will be heavily scrutinized to ensure our compliance with the budget strategies recommended by the State Budget Director.

The budget operating strategies recommended in the memorandum from the State Budget Director are possible ways to meet the proposed budget reductions. There may be alternative management strategies that could be employed more effectively on your campus. Our principal goal is to meet or exceed the level of budget reductions requested by the State Budget Director. The strategies utilized to accomplish this outcome are within your control.

At the Governor's request, you earlier prepared budget reduction scenarios at the 5% and 10% level. If the currently projected \$3.7 billion budget deficit in the State's \$19 billion budget is closed through budget reductions alone applied on an across-the-board basis, all agency and institutional budgets would need to be reduced by almost 19.5% percent. Additionally, some areas of the State's budget are not discretionary and may not be reduced at all or would be reduced

at much lower levels. In light of this, we are now asking that you think about how to reduce budgets at your campus by 15%. Please be prepared to discuss the strategies you might use to accomplish this level of reductions at the January chancellor's meeting. It is not necessary that you prepare detailed reduction scenarios for this discussion.

Finally, the difficult economic times, coupled with the changes in the General Assembly, provide us with an opportunity to seek additional flexibility for the University. By Tuesday, January 18<sup>th</sup>, please provide Jeff Davies with your specific proposals regarding areas where additional flexibility would significantly reduce administrative burdens while ensuring that the University is fully accountable. We will summarize your proposals and discuss them at our January meeting.

Over the next year, the University will face some significant challenges. We will all work together to mount those challenges and as we make the University even stronger.

Thanks.