

NC STATE UNIVERSITY

May 28, 2009

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MEMORANDUM

TO: Executive Officers and Deans

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

SUBJECT: Continued Budget Planning for 2009-2010



Since February 11, when we set a budget reduction target of 7% for the university and called for each unit to find permanent reductions of around 5%, the state's economic situation has declined further. Current estimates of the 2009-10 revenue shortfall are now ranging up to 20%.

At this time, after consultation with Chancellor Oblinger, we are initiating an additional budget reduction process to develop a set of options for reducing the University's state general fund appropriation by up to 18%. We continue to work on university-level reductions that can return 2% (\$10 million) and will work to diminish the amount of the reduction to be allocated to the colleges and divisions even more. In the meantime, we believe it is prudent to achieve the remaining 16% with unit-level targets. We are initiating with this memorandum a planning process to identify an additional 11% reduction over and above the 5% that was approved in March. When the General Assembly approves a final budget and the Board of Governors forwards the appropriation to the University, we will select the combination of options that best protects the University's core mission within approved budget limitations.

Each dean, executive officer, and vice provost is being assigned a specific budget reduction amount as a planning target (Attachment 1). (Since tuition receipts appropriation is included in base budgets, the 11% of our state general fund appropriation actually results in an average planning target of 9% for each Academic Affairs/16030 unit.)

You are asked to describe the actions you would take to reduce your budget sufficiently to reach the assigned planning target. Your plan should follow the attached guidelines and template (Attachments 2 and 3). If your proposal would alter the reduction approved for your unit earlier this spring, you may amend that plan. As you develop your proposal, consider the impact of any shortfalls in non-state funding sources, including receipts, F&A, or other revenues.

You will also be asked to present these proposals at a meeting us in late June. You will be contacted soon to schedule that meeting. We will send you information about preparing for this meeting in advance.

As you consider additional reductions, please refer to the criteria developed earlier this year (Attachment 4). We intend use these criteria to assess the merits of each budget reduction strategy. The final reduction will be not be the same in each college or administrative unit and will reflect the University's budget principles. Based on your proposals and the follow-up discussions with you, we will assemble a set of reductions that sum to the amount the University as a whole is asked to return to the state, which we hope to know by mid-July.

Please feel free to contact us if you have questions or visit the Budget Central website at www.ncsu.edu/budget.

c: Chancellor James L. Oblinger
University Budget Advisory Committee

North Carolina State University
2009-10 Budget Reduction Planning Targets
 2008-09 State Appropriated Continuing Base Budget
 Class 212, 214, 215, 216
 Purpose codes 101, 106, 110, 142, 151, 152, 160, 170, & 180
 (Excludes Appropriated Receipts operations & Financial Aid)

Reduction Plan Target *		16030	16031	16032	Total
Est. General Fund Cut	18%	\$73,421,295	\$11,031,585	8,169,895	\$92,622,776
University Level Target	2%	8,157,922			8,157,922
Subtotal	16%	65,263,374	11,031,585	8,169,895	84,464,854
Previous 5% Reduction	5%	20,394,804	3,064,329	2,269,415	25,728,549
Add'l Planning Target	11%	\$44,868,569	\$7,967,256	5,900,480	\$58,736,305

OUC	Description	Continuing Base Budget**	Add'l Planning Target	Target % **	Previous 5.00%	Total Target	%
02	Vice Chancellor/Provost	\$12,609,360	\$1,132,085	9.0%	\$2,381,911	\$3,513,996	27.9%
25	NCSU Libraries	23,639,179	2,122,357	9.0%	867,559	2,989,916	12.6%
31	Undergraduate Academic Program	4,985,570	447,611	9.0%	234,858	682,469	13.7%
32	Division of Enrollment Management	3,921,756	352,100	9.0%	248,854	600,954	15.3%
33	Distance Education & Learning	14,086,316	1,264,688	9.0%	653,889	1,918,577	13.6%
35	Diversity and Inclusion	1,141,596	102,494	9.0%	69,694	172,188	15.1%
38	Equal Opportunity & Equity	1,048,276	94,116	9.0%	66,455	160,570	15.3%
39	Office of International Affairs	<u>1,366,898</u>	<u>122,722</u>	9.0%	86,736	209,458	15.3%
	Total Provost/Vice Provost Units	\$62,798,951	\$5,638,173	9.0%	\$4,609,954	\$10,248,127	16.3%
COLLEGES:							
11	Agriculture and Life Sciences	\$23,655,278	\$2,123,802	9.0%	\$458,100	\$2,581,902	10.9%
12	Design	7,483,247	671,856	9.0%	199,047	870,903	11.6%
13	Education	15,593,281	1,399,985	9.0%	459,175	1,859,161	11.9%
14	Engineering	65,460,205	5,877,104	9.0%	2,123,864	8,000,967	12.2%
15	Natural Resources	7,721,681	693,263	9.0%	233,523	926,785	12.0%
16	Humanities & Social Sciences	33,888,169	3,042,525	9.0%	580,048	3,622,573	10.7%
17	Physical & Mathematical Sciences	34,334,098	3,082,561	9.0%	587,681	3,670,242	10.7%
18	Textiles	7,948,513	713,628	9.0%	354,007	1,067,635	13.4%
19	Veterinary Medicine	27,233,870	2,445,093	9.0%	1,145,784	3,590,877	13.2%
20	Management	<u>19,464,270</u>	<u>1,747,528</u>	9.0%	467,951	2,215,479	11.4%
	Total Colleges	\$242,782,612	\$21,797,344	9.0%	\$6,609,179	\$28,406,524	11.7%
	Total Provost and Colleges	\$305,581,563	\$27,435,517	9.0%	\$11,219,134	\$38,654,651	12.6%
Other Institutional Support							
01	Chancellor	\$4,262,517	\$382,694	9.0%	\$265,291	\$647,986	15.2%
05/22	Student Affairs/Housing	5,439,443	488,360	9.0%	254,614	742,975	13.7%
06	Research	3,367,318	302,322	9.0%	213,672	515,994	15.3%
04	Graduate School	2,617,282	234,983	9.0%	145,489	380,472	14.5%
08	University Advancement	6,012,185	539,782	9.0%	381,501	921,283	15.3%
09	Extension, Engagement & Econ Dev.	3,420,089	307,060	9.0%	217,021	524,081	15.3%
27	Office of Legal Affairs	916,539	82,288	9.0%	58,159	140,447	15.3%
4Y	Utilities	30,558,575	2,743,589	9.0%	523,057	3,266,646	10.7%
4X	Finance & Business	58,523,678	5,254,333	9.0%	4,150,860	9,405,194	16.1%
51	Office of Information Technology	<u>23,579,821</u>	<u>2,117,028</u>	9.0%	<u>1,582,503</u>	<u>3,699,530</u>	15.7%
	Total Other Institutional Support	\$138,697,447	\$12,452,440	9.0%	\$7,792,167	\$20,244,608	14.6%
	Total Academic Affairs	\$444,279,010	\$39,887,958	9.0%	\$19,011,301	\$58,899,259	13.3%
	Personnel Benefits Budget	69,737,748	\$4,980,612	7.1%	1,383,503	6,364,115	9.1%
	University Level Targets - TBD		8,157,922			8,157,922	N/A
	Total Academic Affairs (16030)	\$514,016,758	\$53,026,491	10.3%	\$20,394,804	\$73,421,295	14.3%
	Agricultural Research Service (16031)	71,944,242	7,967,256	11.1%	3,064,329	11,031,585	15.3%
	Cooperative Extension Service (16032)	<u>60,903,931</u>	<u>5,900,480</u>	9.7%	<u>2,269,415</u>	<u>8,169,895</u>	13.4%
	Total University	\$646,864,931	\$66,894,227	10.3%	\$25,728,549	\$92,622,776	14.3%

* - The 18% budget reduction planning target is calculated on the university's recurring state general fund appropriation.
 ** - Continuing Base Budget includes the state general fund appropriations plus tuition receipts for the Academic Affairs budget code and Federal Appropriations and other appropriated receipts for the Agricultural budget codes.

Attachment 2: Guidelines for Preparing the Narrative

Prepare a set of proposals that address the points below. Submit the narrative – including Unit Profile, Other Shortfalls, and Proposed Actions – with the budget template described in Attachment 2 via email to Barbara Moses no later than noon, Monday, June 15.

1. Unit Profile

University Planning and Analysis will send you a profile of your college or division by June 10. In two pages or less, please:

- a. Comment on your Unit Profile. Direct attention to special qualities you want to emphasize, and explain any anomalous trends or measures.
- b. If you like, feel free to add additional measures and trend data that you find useful for managing your resources and tracking performance. Please include them *only* if you also provide the data.

2. Other Shortfalls

Describe any shortfalls you anticipate next year in addition to the reduction in state appropriation, such as endowment earnings, F&A receipts, or critical trust funds. Explain how you will accommodate the loss to your working budget.

3. Proposed Actions

Given this background, what activities will you reinvent, reorganize, consolidate, eliminate, or reduce to achieve your assigned planning target? Avoid shifting costs from state appropriated budgets to non-appropriated funds. Describe your proposed actions, limiting your narrative to one page or less per activity.

Summarize your budget reductions using the template in Attachment 3, listing the activities in priority order (#1 is the first to implement) and identify the recurring and/or non-recurring dollar savings in each of the next two years (Fiscal Years 2009-10 and 2010-11). Note that the permanent savings goal should be reached by June 30, 2011.

Schedule

June 15	Proposals for unit reductions due to Budget Office
June 18-July 8	Meetings to review proposals
Late July	General Assembly passes appropriations bill

Attachment 4: Criteria for program continuation/elimination/reduction

1. Is the program core?
 - a. Does it directly produce teaching, research and/or extension?
 - b. Does it directly enable teaching, research and/or extension?
 - c. Does it serve explicitly defined student or outreach clients?
 - d. Is it one of our strategic investment priorities?
 - e. Does it address one of our five focus areas?
 - f. Is it part of our response to UNC-Tomorrow?
 - g. Does it contribute to one of our distinctive characteristics?
 - h. Is it mandatory?

2. Is the program of high quality?
 - a. Is the program old enough to be evaluated properly?
 - b. Are assessments positive?
 - c. Is it highly ranked or regarded by external reviewers?
 - d. Are personnel involved highly ranked or regarded?
 - e. Does it attract external support?
 - f. Is the program improving?

3. Does the program provide a high return on investment?
 - a. Is it comparatively expensive, in money, space or time?
 - b. Does it serve a small or specialized audience?
 - c. Is it in high demand by our defined student/outreach clients?
 - d. Is it in high demand by our faculty and staff?
 - e. Is it in high demand by our alumni and friends?
 - f. Could we save substantial resources if we eliminated it?

4. Is the program unique?
 - a. Is it performed in other places around the university?
 - b. Is it performed in other places around the UNC system?
 - c. Is it performed by other organizations in NC or elsewhere?

5. Would eliminating the program have unacceptable negatives?
 - a. How many filled jobs would be lost?
 - b. Would closing the program cause negative public relations?
 - c. Could we restart the program easily if needed in the future?
 - d. Would other university units be negatively affected if closed?

6. Could the program be performed more efficiently/effectively?
 - a. Would it be better if more centralized?
 - b. Would it be better if more decentralized?
 - c. Could it be outsourced?
 - d. Is the way of performing the program out of date?
 - e. Can steps be removed without affecting the product?