

September 25, 2009

MEMORANDUM

TO: NC State Campus Community

FROM: James H. Woodward, Chancellor



The past several months have been extremely challenging for the NC State University community as we have worked with the Governor's Office, the General Assembly, the Board of Governors, and UNC-General Administration to implement the various spending guidelines, budget reversions, and budget reductions. Recognizing that we needed to look long-term at the changing economic environment, the campus began last spring considering budget reduction strategies, as high as 18%. These larger reductions were considered in order to encourage us to look carefully at what we could do more efficiently or perhaps stop doing altogether. What is clear is that the budget reductions over the last decade have led to a severe lack of operating funds, resulting in an excessive reliance on lapsed salaries from vacant positions to fill the operating shortfall.

For Fiscal Year 2009-10, we were directed to prepare and submit to UNC-General Administration a 10% recurring budget reduction plan that totaled slightly more than \$53 million. We worked closely with the Deans and Vice Chancellors to protect the academic core programs so that significantly lower reduction percentages would occur in the colleges than in the administrative support areas. That plan was subsequently implemented and incorporated the elimination of 440 positions, many of which were vacant because of our hesitancy to hire new staff over the last several months.

It is important to emphasize that the 10% budget reduction was intended to serve two primary purposes:

- 1) For 2009-10 it will cover the recurring Management Flexibility budget reductions required by the 2009-11 Appropriations Bill as well as the 5% reversion of State Appropriated funds required by State Budget Director in his August 14, 2009, directive. As a result, we do not anticipate further budget reductions for the current fiscal year unless the state's economy worsens dramatically in 2010;
- 2) For 2010-11 it will cover an additional recurring Management Flexibility budget reduction and, if the state's economy does not worsen, provide some restoration of funding for re-investment in new strategic program initiatives and to shore up operating requirements of core academic programs.

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There has been considerable publicity and discussion regarding administrative positions at the campuses of the University of North Carolina. The number 900 has been frequently mentioned. The "900 positions" refers to the number of positions that UNC-General Administration estimates will be eliminated at all UNC institutions to meet the requirements of the 2009-10 permanent Management Flexibility budget reductions (including Centers and Institutes). NC State University has already implemented those budget reductions. Therefore, no further budget reductions or position eliminations are anticipated at this time.

As we continue to look for improvements for effectiveness and efficiency, we are undertaking a review of a broad set of university-level strategies. These involve policy and procedure opportunities ranging from purchasing methods as well as a variety of administrative processing procedures. I anticipate initiating several specific task force teams, made up of campus representatives, in the next few weeks to support this effort.

I appreciate the hard work, dedication, and cooperation of the campus community to develop the 2009-2010 NC State operating budget and to help prepare us for the financial realities of the future.

JHW/am