

Yesterday, Governor Perdue released her proposed amendments to the FY 10-11 budget. These adjustments are designed to close a \$1.2 billion dollar budget gap that resulted from lower than expected revenues and mandated increases in entitlement programs. The single largest adjustment proposed by Governor Perdue is the recommendation for additional spending reductions totaling \$950 million across all state agencies.

The following is a summary of proposed amendments that impact funding for Western Carolina University:

- Implement a 3.9% flexibility reduction in general operating funds. This would be in addition to a 2% reduction that was included in the original budget. Western Carolina has set aside approximately 5% of its budget; however, this action would require us to make additional reductions totaling 1% of our operating budget.
- Restore \$35 million to campus budgets to allow the implementation of campus initiated tuition increases. The original budget included an 8% or \$200 increase, whichever is less, in North Carolina tuition rates with all the funds going to the state's general fund. This action eliminates those increases and allows campuses to retain funds generated through local tuition increases. For Western Carolina, we would implement a 6.5% increase in tuition and retain the revenues estimated to be \$936,000. Fifty percent of these funds would be set aside for need based financial aid and the remainder would be used in support of implementing the Quality Enhancement Plan.
- Fully fund enrollment increases for all campuses to accommodate the 4,485 additional students that are projected to enroll in the UNC system during FY 10-11. For Western Carolina, projected increases in student credit hours for both regular term and distance education would generate enrollment increases of \$3.6 million. By formula, 20 new faculty positions would be established and much needed funding for strategic initiatives across the campus would be provided. We will begin discussions on possible allocations later in the spring; however, until the funds are approved actions cannot move forward that would obligate any of these funds.
- Restoration of operating costs that were eliminated in the FY 09-10 budget for new and renovated buildings. This is very important to Western Carolina as it will provide utilities and other operating cost for capital projects that have recently been completed and have heretofore been paid out of existing budgets.
- Funding for capital projects was not included in the budget; consequently, our top project, Education and Allied Professions Building, remains unfunded.

From an employee standpoint, the Governor did include some proposals for compensation adjustments:

- Provide a 0.5% one-time bonus to restore the salary reduction taken to balance the FY 08-09 budget in the form of a 10 hour furlough.
- Award 32 hours of bonus leave to employees who are in a leave earning position. 24 hours would be flexible bonus leave and 8 hours would be taken on December 23, 2010.

Please be mindful that the Governor's budget is the first step in a long budget process. The General Assembly can choose to implement all, part or none of the Governor's proposed recommendations. The Legislature will begin their deliberations in earnest when they return to Raleigh for the short session in May. We anticipate a great deal of activity will take place before a budget is finalized. President Bowles issued a statement yesterday that summarized the impact to the UNC system if the Governor's recommendations were implemented. He stated "the inevitable result would be further increases in class size and fewer course offerings, the elimination and reduction of student support programs, and the elimination of critical administrative positions tied to academic and financial integrity." For Western Carolina, prior planning and tough budget decisions in the current budget year should allow us to weather this storm with minimal additional budget adjustments and hopefully no further eliminations of filled positions unless things get a lot worse. Please be assured that we will do everything possible to limit the impact of budget reduction to the programs and activities of Western Carolina University.

I will continue to provide updated information as it becomes available. Thank you for the service you provide to our students and the campus community.

John