

I know that many of you are concerned about the state's budget situation and its possible impact at WCU. I have not sent formal information to the campus regarding the budget prior to this because we really do not know what next year's budget will look like. Right now there are just too many unknowns given the changes in the legislature, actual revenues that come from holiday spending, and any changes in philosophy that President Ross may bring to the table. Therefore, none of us know anything more than what we see in the newspapers.

If you follow the news, you will know that there are various estimates regarding the magnitude of the state budget deficit. I have seen numbers ranging from \$3 to \$4 billion. It also is possible that the legislature may allow temporary taxes to expire. And, while this may have some positive impact in the long-run, next budget year this could increase the difference between revenues and current state budgets.

Over the course of the last few weeks, I have met with a number of campus groups and have answered questions regarding the budget. Generally, despite all of the unknowns, there are a few things that we can surmise:

1. It is unlikely that the University will be allowed to carry-over unspent funds to help defray next year's cuts. In better times, this is a normal part of the budgeting process, but I would not count on it this year given the issues with which the state is coping. Therefore, equipment, facilities updates, faculty travel, and the like on which we expend funds this year will, most likely, have no impact on budget cuts for next year. Any funds remaining at the end of the year will most likely be called back by the state and not be counted as part of our expected budget cut.
2. Currently, capital funds cannot be considered as a part of a budget cut. Capital funds are "one-time monies." The budget cuts that we anticipate are from what is termed the "continuation budget." This means that the state has to expend these monies each year to pay people, run operations, pay utilities and the like. It also is doubtful that the state would agree to shift approved capital funds into the continuing budget to help off-set budget reductions. First, these funds would only be available on a one-time basis and, second, that would leave a great many uncompleted projects standing across the state. That would give future political opponents clear images of "state waste" and so it is most likely not a politically feasible solution. Therefore, there is no current or anticipated benefit to not completing approved projects. At the same time, I would anticipate few new capital projects being funded by the state in the near term (unless there is a decision to use capital as a "stimulus").
3. WCU has followed specific instructions of General Administration and planned for a ten percent reduction in state funding. This reduction does not apply to areas of the university that are not paid from state funds. I will let the campus know if we are given any additional instructions as the situation develops.

After the holidays, the state will have a more clear picture of tax collections and the new leadership of the legislature will have been selected and had time to begin meeting. Shortly after the beginning of the spring term, I plan to call an all-campus meeting to share what information I can regarding the state situation, including the possible impact of the Governor's proposed budget. I also will ask the Provost and vice chancellors to share with you the nature of the budget reductions that are expected in each division. Additionally, I will once more share with the campus as a whole the budget reductions that we have taken over the last two years. It is important for people to see the impact of budget reductions in context.

Please understand that I am watching this situation very closely and I am in regular contact with people in the system and state government to try to determine if there are any changes in expected revenues and approaches to budgets. These are very difficult times for all of us individually and as a campus community. Please let me know if you have additional questions.

John