

February 20, 1998

IMPORTANT!

MEMORANDUM

TO: Presidents  
Business Officers

FROM: Kennon Briggs  
Vice President for Business  
and Finance

SUBJECT: 1. Budget Transfers  
2. 1998-99 Consensus Budget & Capital Budget Request

Enclosed you will find several documents. One document was prepared as the result of a legislative inquiry, while the other is the State Board of Community Colleges' 1998-99 Consensus Budget, as approved on Friday, February 20, 1998. Taken together, these documents should help in explaining the news release surrounding the budget transfers made for fiscal year 1996-97, and how it relates to the need for additional funding. The following information may be used in any manner deemed necessary by your college.

A. Budget Transfers

In response to a legislative inquiry, the Division of Business and Finance prepared an analysis (attached) of the budget transfers based upon the FTE formula allotments (only) for fiscal year 1996-97. The transfers reflect the movement of funds (Budget Revision Form 104) in and out of salaries and other costs as defined by budget categories. We were not at liberty to share this information in printed form under the confidentiality statutes (G.S. 120-130 & G.S. 120-131.1 ). As soon as the legislator who requested the information made it public, we at the System Office were enabled to release it. This occurred on Friday, February 20. At the State Board meeting that day, copies of this information were distributed and explained to the Board by the President and staff.

In order to understand the information, we have attached what appears to be duplicates. The first set of numbers shows the net movement in and out by category, while the second set of numbers shows the gross transfers in and

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out by salaries and other costs. In other words, while it is true we net moved approximately \$25.4 million funds out of "Curriculum Instruction", in fact we transferred \$28.2 million out of "Curriculum Instructional Salaries", but \$2.8 million of the \$28.2 million went into "Curriculum Other Costs".

The second set of numbers helps show more clearly where the funds were moved. Systemwide, approximately 13 percent of the "Curriculum Instructional Salaries" was transferred out.

While some would call this an indictment of the Community College System, President Lancaster saw it otherwise. If you examine closely where the funds were transferred, the story is compelling. Approximately \$19 million of the \$28 million transferred out of "Curriculum Salaries" was moved to supplement "Instructional/Administrative Support", and another \$4 million was moved to "Equipment and Books". If one were to look even closer, of the \$19 million moved to "Instructional/Administrative Support", \$13.6 million went into Salaries and another \$5.4 million went into Other Costs. In other words, college presidents and business officers, out of necessity, transferred funds to the places most needed to operate their programs. The picture now becomes more clear. While it would be extremely popular to retain all funds in "Curriculum Instructional Salaries", it would create an impossible situation in trying to provide sufficient program supervision, counselors, technology staff, and financial aid personnel; procure sufficient supplies, materials and computer software; provide state-of-the-art instructional equipment; and the myriad of other things required to operate a community college. The statement made here, while intentional or not, is most compelling: Colleges must have sufficient funds with which to operate, even if funds must be transferred from other areas in order to serve students.

#### B. 1998-99 Consensus Budget and Capital Budget Request

As a result of the six regional meetings, input from the Trustees' and Presidents' Associations and review and comment by the State Board's Finance and Capital Needs and Legislative Committees, the 1998-99 Consensus Budget and Capital Budget Request have been approved by the State Board (attached). The only modifications which have been made since the presidents reviewed and unanimously voted to support the 1998-99 Consensus Budget in Wilson are:

1. Revising the funds needed for enrollment.
2. Adding the amount necessary for Occupational Extension funding to reflect enrollment growth.
3. Updating the amount needed for multi-campus funding.
4. Adding the request from the Center for Applied Textile Technology.

None of these items alters substantively the position taken by the presidents.

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In view of the discussion in "A" above, we would ask that you lay side-by-side the State Board's budget request and the budget transfer information. The State Board is requesting funds for instructional support, other costs, and equipment. These are exactly the places colleges were, out of necessity, precipitated to transfer funds. One could conclude that IF colleges were properly funded in these areas, funds intended for "Curriculum Instructional Salaries" could remain there. The consequences of this are two-fold. First, average faculty salaries would increase systemwide. Second, colleges would be enabled to hire more full-time faculty.

You will note that the Board is asking for funds in "Technology", "Improve and Enhance Instruction and Support", and "Equipment and Physical Plant Improvements" for these purposes. Again, only if we can get funding in these areas can we retain the funds in instructional salaries.

We in the Division of Business and Finance will be glad to assist in explaining any of the information contained herein. Please call us if necessary. We hope this information will be useful in answering any inquiries, and in explaining the 1998-99 Consensus Budget.

/kdb

Enclosures