

March 24, 1998

MEMORANDUM

TO: Presidents  
Business Officers

FROM: H. Martin Lancaster

SUBJECT: Status of Budgets - 1997-98 and 1998-99

There has been a flurry of activity around both the current year's budget and the 1998-99 Consensus Budget. It is the purpose of this MEMO to share with you information about each. On both accounts, the news at this juncture is good.

**Status of the 1997-98 Budget**

On Tuesday, March 17, staff from the System Office presented to the Joint Education Appropriations Sub-Committee an enrollment report update (attached). This report was shared with members of the Presidents' Association Executive Committee and the Finance Committee of the State Board on Thursday, March 19. The report, as you will see, indicated that final fall semester 1997 Curriculum, and final spring, summer, and fall 1997 Occupational and Basic Skills enrollment data indicates that as a system we have experienced an enrollment growth of about 500 FTE. This is truly remarkable, given the yet undetermined effects of both re-engineering and semester conversion, and it reflects a tremendous level of effort on behalf of the administration, faculty, and staff of system colleges.

As the enrollment picture has improved, so has the status of receipt collections. As you are aware, we "called back" a 1/2 percent reversion in January 1998, based upon the shortfall of receipts collected at that time and the uncertainty over enrollments. Staff in the System Office has held, but not acted upon, the reversions colleges sent forward. The "Budget Revision" form (Form 104) will not be processed, and will be returned to the Business Office. If a college has posted the reversions to their monthly reports, this action should be REVERSED. I am pleased to inform you that it appears at this time that "normal" reversions, plus the amount of funds held in reserve by the State Board from a new industry refund, commonly known as the Kodak money, should be sufficient to cover the slight receipts shortfall which is still anticipated. Mr. James Woody, finance chairman, advised the State Board of this action on Friday, March 20. If there are any questions, please contact System Office staff for further assistance.

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### **Status of the 1998-99 Budget**

As you will recall, early last fall we received from the Office of State Budget and Management a directive to identify and send forth permanent budget reductions of 1.5 percent for fiscal year 1998-99. In response to this directive, the State Board directed the System Office to survey all colleges to determine the negative impacts such a budget reduction would render. The State Board sent forward in early January 1998 budget reductions totaling \$5.23 million (1 percent vs the 1.5 percent requested), along with a statement of the negative impacts of such reductions. On Wednesday, March 18, 1998, State Budget Officer Marvin K. Dorman Jr., presented to a joint, full Appropriations Committee the Governor's proposed budget reductions for 1998-99. Of the proposed \$150 million in reductions statewide, the following breakout reflects the "Education" portion of the reductions:

<u>Education Agency</u>	<u>Recommended Reduction</u>	<u>% of 1998-99 Budget</u>
Public Education	(\$59,725,172)	1.33%
University of North Carolina	(\$ 6,723,360)	0.46%
Community Colleges	(\$ 572,559)	0.11%

What this indicates is that instead a possible reduction of \$5.2 million systemwide, the reduction will be only \$573,000. Therefore, any expansion budget funds the Governor recommends will truly be "new money". This is surely good news.

Also on Wednesday, I presented the State Board's 1998-99 Consensus and Capital Improvements Budgets to the joint Appropriations Sub-Committee on Education. While I am realistic about the competing demands for additional resources, I am encouraged by the positive reception the budget request received. We will keep you informed about budget deliberations as they occur, but I encourage you to contact your local delegations now about both the 1998-99 budget requests.

As always, if you need additional information, or further clarification, please contact us in the System Office.

HML/kdb  
Enclosure