

February 16, 1999

IMPORTANT!
FOR YOUR INFORMATION

MEMORANDUM

TO: State Board Members
Presidents
Business Officers
Trustees Association

FROM: H. Martin Lancaster

SUBJECT: 1999-2001 Expansion Budget/
Governor's Recommendation

On Monday, February 15, 1999, Governor James B. Hunt, Jr., released his "1999-2001 North Carolina State Budget - Summary of Recommendations" (Summary). Representatives from the Office of State Budget and Management (OSBM) met with me prior to the release to discuss the Governor's recommendations for permanent budget reductions, and his recommendations for expansion budget funding. It is the purpose of this communication to share with you a summary of the Governor's recommendations, as compared to the request made of the Governor by the State Board of Community Colleges.

We have all been concerned for some time about potential permanent budget reductions which we feared would be necessary in order to balance the budget for the 1999-2001 biennium. I am happy to report that the Governor's Summary includes a 2 percent increase in resident and nonresident curriculum tuition instead of any cuts. Of course, new revenue helps balance the budget just as cuts do. This is the only "revenue enhancement" which the Governor has recommended for community colleges other than the loss of four positions on the System staff.

Before discussing what the Governor included in expansion budget funding, I feel it is important to share with you what the OSBM representatives communicated to me about the Governor's budget. There is no funding recommended at this point for non-recurring items that are not required either

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by law (Reserves for Budget Stabilization, Repair and Renovation, Clean Water Trust Fund), the result of recent court decisions (Bailey/Emory/Patton), or the Public School ABC bonus. Recommendations on non-recurring appropriations will be forthcoming as the revenue picture is clearer. We hope to get our equipment and new and expanding industry money, among other things (depending on the fund availability), when that part of the budget is released in April.

What this means to community colleges is that there is no recommendation for replacing non-recurring funds for either equipment or books which we received in the short session, nor is there a recommendation for either new construction or renovation or repair funds. The rationale given at this point is that there are not sufficient funds, even with the inclusion of both the year-end credit balance and the balance in the Budget Stabilization Fund, to meet the required obligations.

As you will note from the attachment, "The State Board of Community Colleges - The 1999-2001 Expansion Budget Request," the Governor did recommend funding for items # 1 (Enrollment Growth), #2 (Instruction & Support Capability), and for salary increases. The Governor also recommended a "Reserve for Enrollment & Excellence in Community College Teaching." The enrollment and salary items may appear confusing because it appears that they are established separately, yet coupled with the recommendation for a reserve for both. Let me try to sort them out clearly.

We discovered early in the first week of February that enrollment data from the fall semester was telling us that enrollments were up far in excess of the projections made last summer/fall when the expansion budget request was submitted to the Governor, as required. While we had used conservative growth estimates of 2%/4% for curriculum and 3%/6% for continuing education and basic skills, which were in excess of the three most recent year averages, revised estimates at this point yield growth ranging from 4.5 percent in curriculum to 5.3 percent in continuing education to more than 12 percent for basic skills. IF these estimates hold, the total cost for enrollment growth could be in excess of \$22.5 million. This is over \$13.7 more than originally projected. Therefore, the Governor has added a reserve for enrollment growth above original projections of \$14,000,000. Should any of these funds not be needed for growth, once better estimates are obtained, the Governor recommends that any excess funds be used for "additional salary increases for teaching faculty." The encouraging thing is that the Governor had included this full \$14,000,000 in salary enhancements before our enrollment "bomb shell" hit him.

With respect to faculty, the Governor has recommended two specific amounts of money. First, there is \$7.1 million recommended to "Reward Excellence in Community College Teaching." This represents an approximately 2 percent increase in faculty salaries for those faculty "who have demonstrated excellence in teaching," but permits the State Board to adopt policies for its distribution. Additionally, the Governor recommends a 3 percent salary increase for all faculty.

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Both of these increases are in recurring funds. He also included a special provision stating his intention that all faculty should receive a 5 percent pay raise. The Governor has also recommended a 3 percent permanent increase in compensation for all college personnel (non-teaching), plus a 0.5 percent bonus (non-recurring).

It also should be noted that there were not sufficient funds to allow the Governor to include funding for the Specialized Training Centers as we had anticipated. Since this initiative requires significant continuing funding, we do not believe that this idea will be debated in this session.

In summary, the Governor's recommendations are weighted toward full funding of enrollment increases, faculty and staff salary increases, albeit in differing amounts, and a 2 percent increase in tuition. While there are many items which are not recommended for funding, I believe it is important to take this recommendation as a starting point and work hard in the 1999 Session to obtain funding for those unfunded items on our priority list. We should recognize that the General Assembly may free up additional funds because of their differing priorities in addition to the increase revenues we anticipate materializing in April. We should be making our case strongly for funding our other priorities from these additional funds.

I hope the attached information is useful. If there are any questions about the Governor's recommendations, please feel free to call me, Barry Russell, or Kennon Briggs.

HML/kdb

Attachments