

Report to Faculty Senate

by Rick Niswander, Chair, University Budget Committee of the Faculty Senate
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FY 2001-2002 Budget

Based on current projections, the current year NC budget is expected to show a deficit of between \$800 million and \$1 billion.

Some reasons:

- Individual income tax revenues are 8% below forecast
- Sales tax revenue is 3% below forecast
- Corporate tax revenue is 17% below forecast
- Medicaid caseloads are 7% above forecast

Governor Easley's proposed measures to balance the budget focus on some or all of the following items:

	in millions
Agency Reversions (up to 7%, about 4% to UNC sys).	\$ 356.0
Repair and Renovation Reserve.....	112.0
Health Insurance Portability & Accountability Act.....	13.5
Special Funds and Trust Funds.....	25.0
Contingency & Emergency Fund.....	4.0
Savings Reserve Account (Rainy Day Fund).....	313.0
Local Govt Reimbursement – suspend inventory pmt..	95.0
Clean Water Management Trust Fund.....	20.8
Highway Transfer.....	80.0
Local Revenue Sharing.....	114.0
Mental Health Trust Fund.....	37.5

Current Resources Available.....	\$ 1,170.8

In addition, \$150 million of the Hurricane Floyd disaster relief reserve is potentially available.

Virtually all items are either one-time "givebacks," emergency funds, or special purpose funds that can be replenished in the future (at least in theory).

Effect on ECU is a reversion of \$4.8 million in Academic Affairs and \$1.8 million in Health Affairs. Indirectly, ECU also lost about \$5.1 in repair and renovation funds that were not provided to begin with.

Reversion amounts were expected. With current conditions, further cuts this FY are not anticipated.

FY 2002-2003 Budget

The 02-03 NC budget is estimated to be in the hole \$1-1.5 billion from a steady-state base. In other words, if the 01-02 budget ends up being \$800 million in the red, the 02-03 budget will be underwater by that amount *plus* an additional \$200-700 million.

It is expected that the current (01-02) FY budget will be balanced by temporary reversions and use of available unspent funds. The Governor has stated that he wants the 02-03 budget to be balanced through the use of budget cuts, not by reversions and unspent funds. In other words, he is requesting permanent cuts rather than temporary cuts.

Assuming the estimated budget shortfall materializes, possible outcomes that may affect ECU and the UNC System may include:

- No additional funding for enrollment increases
- Current year 4% reversion becomes a permanent cut
- An increase in the 4% figure
- Position givebacks

ECU remedies to date have centered around items that can be undone in the future. Particularly as the actual severity of the 02-03 budget shortfall increases, this approach becomes less viable.