

DIVISION OF BUSINESS AND FINANCE

BUDGET ALLOCATION PROCESS

University Administrators Forum

February 6, 2013



North Carolina Agricultural and Technical State University



Presentation Outline

- Budget Overview
- Budget Outlook for 2013-2014
- Budget Training
- Timeline



Budget Overview

- Our economy is slowly recovering.
- Unemployment around the state is in excess of 9%.
- For the first time since 1870, the Executive and Legislative Branches of our State Government are controlled by the Republican Party.
- The Governor and Legislators are concentrating on complex issues such as unemployment, health insurance, and tax reform.



Budget Overview (continued)

- With these factors in mind, it is imperative that we maximize our resources and maintain fiscal stability.
- Resource reallocations and fiscal control will require us to make tough decisions.
- It also emphasizes our need to continue to strategically grow our enrollment and significantly enhance our operational efficiencies.



STATE OF NORTH CAROLINA Budget by Revenue Category

	(in billions)	(% of Total)
Individual Income	\$10.5	52.0%
Sales and Use	5.5	27.2%
Corporate and Franchise	1.7	8.4%
Other Tax	1.4	6.9%
Nontax & Transfers	<u>1.1</u>	<u>5.5%</u>
Total	\$20.2	100.0%



STATE OF NORTH CAROLINA

Budget by Program Area

	(in billions)	(%Total)
K-12 Public Education	\$ 7.8	38.6%
UNC System (with private colleges)	2.7	13.4%
Community Colleges	1.1	5.4%
Medicaid	3.1	15.3%
Corrections & Court System	2.3	11.4%
Debt Service	0.7	3.5%
DHHS (Excluding Medicaid)	1.6	7.9%
Other (General Government)	<u>.9</u>	<u>4.5%</u>
Total	\$20.2	100.0%



NORTH CAROLINA A&T STATE University Budget

	<u>\$ Millions</u>	<u>% of Total</u>
State Funds	160.0	65.6%
Auxiliary Funds	46.0	18.9%
Contracts & Grants	34.0	13.9%
Overhead	4.0	1.6%
Total	<u>244.0</u>	<u>100.0%</u>



STATE FUNDS - \$160.0 MILLION

General Uses

Core instructional, academic support and associated administrative services (includes faculty and staff salaries, library operations, academic advisors, campus safety, information technology, budget and human resources personnel.)

Limitations

Not allowed to support health centers, student activities, dining facilities, parking decks, athletics, or residence halls.

Funding Sources

State Appropriation and Tuition comprises 97% of the total State Fund Revenues.



NORTH CAROLINA A&T STATE UNIVERSITY STATE FUND BUDGET

	<u>\$ Millions</u>	<u>% of Total</u>
Revenues		
State Appropriation	95.0	59.4%
Tuition Revenue	60.0	37.5%
All Other	5.0	3.1%
Total	160.0	100.0%
Expenditures		
Salaries and benefits	125.0	78.1%
Purchased Services	20.3	12.7%
Student Aid	6.3	3.9%
Property and Equipment	5.8	3.6%
Supplies	2.6	1.6%
Total	160.0	100.0%



AUXILIARY FUNDS – \$46 MILLION

General Uses

Revenues generated by auxiliary enterprise operations exist to provide services to the students, faculty, or staff.

Auxiliary enterprises are managed as self supporting activities (includes residence halls, bookstores, food services, student health services, mail centers, and student unions).

Limitations

Must directly support the operations of the associated activities.



Auxiliary Budget Summary

Budget By Program Area	<u>in Millions</u>	<u>% of Total</u>
Housing Operations	13.0	28.3%
Food Services	12.0	26.1%
Athletics	10.0	21.7%
University Stores	5.0	10.9%
Campus Center	2.0	4.3%
Health Services	3.0	6.5%
Other	1.0	2.2%
Total	<u>46.0</u>	<u>100.0%</u>



CONTRACTS AND GRANTS - \$34 MILLION

General Uses

Research portion of faculty salaries, research personnel and graduate student workers for the project and other non-personnel expenditures related to the provisions of the grant.

Limitations

Restricted by the federal government and monitored for compliance. Funds cannot be legally diverted for purposes not central to the research mission.



OVERHEAD FUNDS- \$4 MILLION

General Uses

Derived from administrative recoveries from grant activity. Funds research administrative functions, faculty support and graduate student support.

Limitations

Must be used for the same purposes as state funds.



North Carolina Agricultural and Technical State University

BUDGET OUTLOOK FOR 2013-2014



STATE APPROPRIATIONS AND TUITION

	<u>\$ Millions</u>
State Appropriation	95.0
Tuition Revenue	60.0



State Appropriation and Tuition Revenue

- State Appropriation and Tuition Revenue comprise \$155 million or 97% of our State Budget.
- Tuition revenue increases as a result of enrollment and tuition increases.
- State Appropriations increase as a result of funding for new programs and provisions for expense increases such as salaries, benefits, utilities, etc.
- State Appropriations also increase as a result of enrollment growth at the University.



Enrollment Growth Funding

- The institutions in the UNC System receive funding based on budgeted enrollment projections.
- These projections also form the basis for the budget for tuition revenue.
- Prior to the beginning of the new two-year budget period, the University submits enrollment data comparing actual enrollment to the budgeted projections.
- If an institution exceeds these budgeted projections for enrollment, it is eligible to receive additional funding.



Enrollment Growth Funding (continued)

- Example: Based on enrollment projections, an institution is eligible to receive additional funding in the amount of \$1 million. The funding model dictates that part of the funding will be derived from additional appropriation and part from the receipt of additional tuition revenue.

Funding Requirement	\$1,000,000
Additional Tuition	400,000
Additional State Appropriation	600,000



Enrollment Growth Funding (continued)

- Conversely, institutions lagging budgeted projections are funded in excess of budgeted projections and must take action to decrease the appropriation and/or tuition budgets.
- Previously, Universities were held harmless and were not required to reduce their budgets but manage the shortfall through other means.
- The term has commonly been referred as “Being Held Harmless”.
- Effective July 1, 2012, Universities are no longer allowed to be held harmless.



Enrollment Growth Funding (continued)

- North Carolina A&T State University recently submitted enrollment projections for the next fiscal year.
- Based on the enrollment projections, the University is not meeting the budgeted projections, thus requiring a budget reduction.
- The reduction for the effective July 1, 2013 is approximately \$6.3 million.



Calculation of the Budget Reduction FY14

Budgeted Credit Hours

Per Current Funding Levels	292,607
Per latest Projections	269,848
Difference	(22,759)

Required Reduction **\$ 6,300,000**



Allocation of Budget Reduction

State Funds

Academic Affairs	1,600,000
Administrative Units	1,600,000
Tuition Revenue Support	1,700,000
Total State Funds	<hr/> 4,900,000
Auxiliary Funds	1,400,000
Total Reduction	<hr/> 6,300,000



Budget Reduction Strategies

I. Open Positions (as of December 31, 2012)

- Positions greater than two years are subject to centralization and abolishment, absent a compelling reason to maintain this position.
- Positions open between one and two years require a status update and are subject to centralization and abolishment.
- Open positions created by retirement require a justification for recruitment.
- Academic Affairs and Administrative leadership will make final determination on the status of these positions.



Budget Reduction Strategies

II. Academic Units

- The Enrollment Growth Funding Model determines the amount of funding an institution is subject to receiving.
- The model calculates the number of faculty positions necessary based upon the student credit hours and can further be detailed at the College and School level.
- Academic Affairs leadership will perform this analysis over a three-year period as an initial basis of determining the allocation of the reduction.
- Reductions will no longer be allocated at the same rate for all units.



Budget Reduction Strategies

III. Administrative Units

Staff Funding Model

- The Enrollment Growth Funding Model does not provide an indicator of staffing levels.
- Currently, there are no UNC System models that provide a basis of comparisons.
- Institutions do not have a meaningful basis for determining potential areas of additional investment and inefficiencies.
- Human Resources and Institutional Research partnered to create an Administrative Funding Model.



Budget Reduction Strategies

Staff Funding Model (continued)

- The team obtained faculty and staff personnel data of our UNC System Peers from the UNC System personnel system.
- These peers are UNC Greensboro, UNC Charlotte, and East Carolina University.
- For comparative purposes, the Health System personnel from East Carolina were excluded (with the exception of the Undergraduate Nursing Program) .
- All positions were divided into Job Category (JCATs) - Examples: Executive Administrators; Faculty; Fiscal Affairs Professionals; Office/Clerical Staff & Managers, etc.



Budget Reduction Strategies

Staff Funding Model (continued)

- To normalize for differences in size of school, each job category was compared on an Employee per FTE Faculty Basis.
- For example, if the University has 30 Fiscal Affairs Professionals and 100 FTE faculty members, the ratio of Fiscal Affairs to FTE Faculty members would result in a .3 ratio.
- This ratio is compared to average of our peers for the same category .



Budget Reduction Strategies

Staff Funding Model (Continued)

- This data has also been detailed by Division for each Vice Chancellor and will be used as a basis of allocating reductions.
- Divisions with staffing levels in excess of peer averages may be subject to greater reductions than those at or below peer averages.
- The recommended administrative reductions will be approved by the Chancellor and communicated to the respective Vice Chancellors.



Budget Allocation Summary

Allocation Strategies

	State Funds \$160 million	Overhead Funds \$4.0 million	Auxiliary Funds \$46 million
Budget Reduction Allocation	\$4.9 million	0	\$1.4 million
Personnel			
Open Positions (greater than 2 years)			
Faculty	Centralize in Provost Reserves	Centralize	Increase Net Surplus Expectations
Staff	Centralize in University Reserves	Centralize	Increase Net Surplus Expectations
Open Positions (greater than 1 year)			
Faculty	Require explanation of status	Require explanation of status	Net Surplus Expectations
Staff	Require explanation of status	Require explanation of status	Net Surplus Expectations
Retired Personnel	Require explanation of need to fill the position	Require explanation of need to fill the position	Net Surplus Expectations
Remaining Positions			
Faculty	Student Credit Hour Funding Model (3 year average)	Staffing Model	N/A
Staff	Staffing Model	Staffing Model	Net Surplus Expectations
Nonpersonnel			
Academic Units	Student Credit Hours Funding Model	Staffing Model	N/A
Administrative Units	Staffing Model	Staffing Model	Net Surplus Expectations



Budget Training

- Financial Managers and their key representatives will receive Budget Training.
- This overall goals are to inform users of our budgetary process and provide a Banner refresh training.
- The training will include the following:
 - » Budget Overview
 - » FY 13-14 Budget Outlook
 - » Budget Process for FY 13-14
 - » Banner System Training



Budget Training (continued)

- It is imperative that all users understand their budgets and how to access the appropriate information.
- Training will commence in February and continue throughout March.



Proposed Budget Calendar

Change Budget Process

Description/Action Proposed Dates

- Complete Detailed Budget Analysis November 30, 2012
- Update the Long Range Financial Plan February 10 , 2013
- Budget Advisory Committee Convenes February 14, 2013
- Budget Training February – March 2013
- Budget Instructions and Process Submitted to all Departments March 22, 2013
- Budgets Received from Departments April 22, 2013
- Budget Advisory Committee Review Results April 29, 2013
- Recommended Budget Submitted to Chancellor May 10, 2013
- Chancellor Approves Budget May 24, 2013
- Departments Notified of Final Budget May 31, 2013
- Budget & Planning Office prepares submission June 17, 2013
- *Budget ready for load into BANNER Finance July 1, 2013
- Expansion, Enrollment, Special Need Budgets Posted as approved

*Please note that the State Budget Office has to certify the year-end budgets for all state agencies. This usually occurs in mid to late July. The University is allowed to post budgets for the next fiscal year once upon receipt of final certification.



QUESTIONS!