



The University of North Carolina

GENERAL ADMINISTRATION

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Constituent Universities
Appalachian State
University

East Carolina
University

Elizabeth City
State University

Fayetteville State
University

North Carolina
Agricultural and
Technical State
University

North Carolina
Central University

North Carolina
State University
at Raleigh

University of
North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

University of
North Carolina
at Pembroke

University of
North Carolina
at Wilmington

University of
North Carolina
School of the Arts

Western Carolina
University

Winston-Salem
State University

Constituent High School
North Carolina
School of Science
and Mathematics

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April 2, 2014

MEMORANDUM

TO: Chief Finance Officers

FROM: Charles Perusse *Charles E. Perusse*

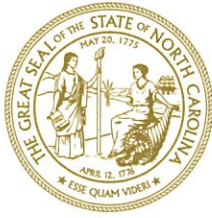
SUBJECT: Spending Guidelines for the Remainder of FY 2013-14

On March 27, 2014, Governor McCrory issued a memorandum (see attached) to all State agencies directing them to implement a variety of budget management strategies for the remainder of FY 2013-14 because of Medicaid over-expenditures and revenue uncertainty. Andrea Poole in UNC General Administration's Finance Division shared earlier today the April allotment reduction approved by the Office of State Budget and Management (see attached spreadsheet). In cooperation with this directive, campuses should ensure the following measures are implemented:

- **Salary Adjustments:** Unless they are already being processed, no General Fund appropriation-supported base salary increases may be granted except for promotions, retention, or an increase in job duties.
- **Travel:** All General Fund appropriation-supported travel should be limited to instances involving employees' routine, required job duties. Alternative forms of communication should be attempted in lieu of normal business travel where possible. All travel that has been authorized to date that is not part of an employee's routine, required job duties should be re-evaluated. Travel authorizations for which non-refundable costs have already been incurred may be honored. A limited number of staff may be approved to attend conferences and training sessions that have been contracted or otherwise obligated (i.e., a signed agreement with a hotel or similar vendor). Any additional meetings or conferences should be deferred until next fiscal year if the registration fees and associated travel would be supported by General Fund appropriations.
- **Purchasing:** The purchase of supplies and materials supported by General Fund appropriations should be closely monitored and limited to those that are essential to support the mission of the institution. The purchase of supplies and equipment for classroom instruction (including labs) and key technology initiatives may continue.

Unless otherwise notified, these measures will remain in effect through June 30, 2014. The Governor is allowing agencies and institutions to use professional judgment in implementing these restrictions. We appreciate everyone's cooperation with implementing these measures and the conscientious use of General Fund appropriation-supported resources.

Cc: President Tom Ross
Chancellors
Chief Academic Officers
Chief Human Resource Officers



STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR

PAT McCrory
GOVERNOR

MEMORANDUM

TO: Council of State, Cabinet Secretaries, and Agency Heads
FROM: Governor Pat McCrory
DATE: March 27, 2014
SUBJECT: 2013-14 Budget Management Initiatives

I am writing to provide guidance concerning budget management for the remainder of the 2013-14 fiscal year.

The enacted budget for the 2013-2014 fiscal year included an additional \$213.5 million for the State Savings Reserve Account and an unappropriated General Fund balance of \$323.7 million. Furthermore, even as we are in the middle of the "tax refund" season, the NC Department of Revenue is paying our citizens their tax refunds on a timely basis, and the overall state Unreserved Fund Balance is \$770.7 million as of March 26, 2014, 76% higher than the March 26, 2013 Unreserved Fund Balance of \$436.1 million.

Because overall North Carolina is in a sound financial position, I do not need to invoke my constitutional authority to order "necessary economies" under Article III, Section 5 (3) of the North Carolina Constitution. However, the state still needs to exercise restraint for the remainder of the fiscal year.

The North Carolina Department of Health and Human Services has been monitoring and examining state Medicaid expenditures for this fiscal year to date, and projected expenditures through June 30, 2014. In June 4, 2013, the Office of State Budget and Management recommended an increase in funding for the Medicaid budget for 2013-14 that was not included in the enacted budget. Furthermore, the Medicaid program has not realized all of the savings from the reductions included in the enacted budget and due to continuing changes in the implementation of the Affordable Care Act, its impact on state's Medicaid budget cannot be determined. Regretfully, the state is once again facing state expenditures for Medicaid greater than the authorized state General Fund budget in the range of \$120 to \$140 million.

The Office of State Budget and Management also continues to evaluate revenue collections. While revenue collections through the end of February, 2014 are modestly ahead of the previous year, there is revenue uncertainty for the remainder of the fiscal year.

As the unappropriated General Fund balance cannot be utilized for the projected Medicaid shortfall without enactment of a supplemental budget bill, rather than waiting for the short session of the General Assembly to convene in May, and due to the uncertainty as to state expenditures and revenue for the balance of the fiscal year, I have directed the Office of State Budget and Management to immediately implement the following measures in accordance with N.C. Gen. Stat. Sec. §143C-6-2:

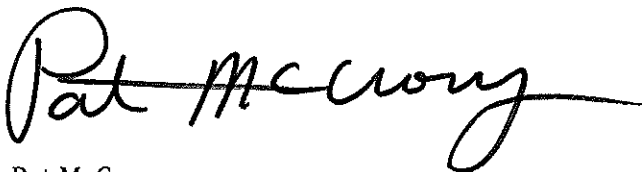
April allotments will be authorized at the average monthly use of state General Fund appropriations from the period July 2013 – February 2014 or 95% of a 1/12th calculation of adjusted total General Fund appropriations, whichever is lower, excluding entitlements and the Public School Fund. Furthermore, OSBM may make adjustments for normal fluctuations in the timing of receipts or for extraordinary cases where this creates undue hardships on programs or services. In this manner, (1) allotments will more closely reflect actual monthly use of state appropriations and lessen the burden to the General Fund and (2) should Medicaid expenditures be greater than anticipated or final total General fund revenues be under realized, this early measure to limit allotments to monthly usage now will lessen the impact of spending reductions and forced reversions in the remaining months of the fiscal year.

Spending is limited to what is necessary to achieve mission critical services benefiting the taxpayers of North Carolina. Each agency, department or institution should implement the following measures:

1. Most salary increases, such as career banding and in-range adjustments, should be discontinued. Limit compensation increases to only those funded by the statewide Salary Adjustment Fund or those needed for promotions and reclassifications where there is clear documentation of increased responsibilities and the expectation that agency accountability and performance will be approved. To be clear, the increases already approved for the Salary Adjustment Fund will continue.
2. Limit purchases for goods and services to the minimum amounts and inventories required. Non-essential purchases should be canceled.
3. Reduce administrative spending (such as travel and administrative personnel costs), evaluate all contract (for profit, non-profit and those with universities and other state agencies) and other allocations.

Receipts that wholly or partially support agency operations must be collected timely, such that the General Fund is not bearing this cost. Monthly revenue clearing accounts for revenues “due to” the General Fund and prior year earned revenues in the ensuing fiscal year, which reflect a timing differential between when receipts are earned and when they are collected, should be minimal.

The Office of State Budget and Management is available to provide guidance and assistance to you and your staff and respond to any questions about this memorandum. We will closely monitor revenues and expenditures through April and revisit guidance to agencies for May and June allotments. By taking prudent action now, the state can fulfill its duty to our citizens and avoid taking more severe action in the closing weeks of this fiscal year.



Pat McCrory
Governor of the State of North Carolina

cc: Art Pope, State Budget Director

Final UNC April Allotment Reduction

	Authorized Budget as of 2/28/14 (RK325)	1.25% Reduction	April Allotment Reduction Based on 1.25% Reduction
16010 - UNCGA	37,604,410	470,055	156,685
16011 - UNC BOG*	22,212,222	277,653	92,551
16020 - UNCCH	265,483,725	3,318,547	1,106,182
16021 - UNC HA	181,024,575	2,262,807	754,269
16022 - UNC AHEC	41,501,523	518,769	172,923
16030 - NCSU	387,046,978	4,838,087	1,612,696
16031 - NCSU AG	53,238,851	665,486	221,829
16032 - NCSU AG EXT	38,552,799	481,910	160,637
16040 - UNCG	148,711,504	1,858,894	619,631
16050 - UNCC	195,501,004	2,443,763	814,588
16055 - UNCA	37,274,521	465,932	155,311
16060 - UNCW	98,791,212	1,234,890	411,630
16065 - ECU	214,073,440	2,675,918	891,973
16066 - ECU HA	65,086,106	813,576	271,192
16070 - NCAT	93,484,602	1,168,558	389,519
16075 - WCU less NC Arboretum	81,085,629	1,013,570	337,857
NC Arboretum	2,359,998	29,500	9,833
16080 - ASU	129,101,168	1,613,765	537,922
16082 - UNCP	52,517,799	656,472	218,824
16084 - WSSU	65,381,629	817,270	272,423
16088 - FSU	48,428,130	605,352	201,784
16090 - NCCU	80,354,967	1,004,437	334,812
<i>UNC Subtotal</i>	<i>2,338,816,792</i>	<i>29,235,210</i>	<i>9,745,070</i>
Held Harmless			
16086 - ECSU	33,314,669	-	-
16092 - UNCSA	31,924,835	-	-
16094 - NCSSM	19,084,037	-	-
<i>Hold Harmless Subtotal</i>	<i>3,391,079,534</i>	<i>-</i>	<i>-</i>
UNC Grand Total			
	5,729,896,326	29,235,210	9,745,070

*Allotments are not made to this budget code, however UNC will commit to revert the equivalent at year end.