



## 2011-12 Budget Update

### A MESSAGE FROM THE CHANCELLOR | January 18, 2011

Dear Members of the Appalachian Family:

The new year brings unprecedented fiscal challenges for the State of North Carolina. Beginning in 2008, states across the nation struggled with high unemployment, decreased revenue, and increased spending requirements. North Carolina was able to avoid some of the devastating budgetary shortfalls that other states faced, in part, because of an infusion of Federal Recovery dollars and a temporary sales tax increase. Even though Appalachian has lost more than \$11 million of permanent state funding over the past three years, we have successfully protected both jobs and academic offerings. Only through campus-based tuition increases, enrollment growth, and budget management flexibility have we been able to minimize the impact of reductions on instruction. Compared to many state higher education systems around the nation, the University of North Carolina system has weathered the storm better than most.

There is no additional Federal Recovery money. The temporary state sales taxes are slated to end June 30, 2011, and our economy remains sluggish with growth less than predicted. North Carolina is now facing a projected \$3.7 billion shortfall for the 2011-12 year. According to the Office of State Budget and Management, this deficit translates to a 19.5 percent decrease across the board to all state agencies. Not since the Great Depression has North Carolina faced a budget deficit of this magnitude.

On December 20, I received a memorandum from then President Erskine Bowles and incoming President Tom Ross describing the severity of this shortfall. They asked each of the chancellors to submit details on how we would reduce our current budget by 2.5 percent and realize a 15 percent permanent reduction for the 2011-12 fiscal year that begins July 1, 2011. Reductions beyond the 10 percent range coupled with our already permanent loss of over \$11 million in state appropriations will dramatically alter Appalachian State University. A 15 percent budget reduction would result in a \$21.3 million cut to Appalachian. In a recent phone conversation, President Ross said, "We cannot do everything in the future that we have done in the past." He is right. If we have a 15 or 20 percent reduction, then our core functions and the quality of academic programs will be impacted.

While in recent years we have grappled with the implications of potential budget cuts, this year is different. The deficit is real and neither the Governor nor the legislature plans to increase tax revenue to reduce the shortfall. Come July 1, 2011, the actual deficit may be less than

projected and the impact on education may be less than a 19.5 percent reduction; however, if we do not begin serious and thoughtful discussions now about how to reduce our fiscal obligations, we run a great risk of making uninformed and reactionary decisions. That is a risk I am unwilling to take.

I met with members of my Cabinet to begin identifying and discussing options for reducing our state budget requirements. We have met with newly elected members of the General Assembly and shared with them the impact additional reductions in our state appropriations will have on our university, our region and our state. Interim Provost Lorin Baumhover and I have met with the college deans for a similar conversation. As a result, they and the Academic Affairs vice provosts and associate vice chancellors are consulting with each department to identify 2.5 percent savings from this year's budget as well as an additional 20 percent savings from the 2011-12 budget. Like the other state agencies, we must be prepared in case our state appropriation is reduced by 20 percent.

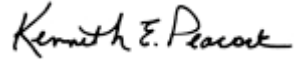
Please share your ideas for reducing our budgetary obligations with your division or department head and deans, as appropriate. As you consider budget reductions, use the University Strategic Plan as a guide for your recommendations. Honestly assess what we do best, and what we can sustain. Consider what Appalachian State University will look like in future. No reduction is simple and each has a dramatic cost – financial, social, moral, and political. As always, I need your help in guiding our fine institution forward and appreciate your careful evaluations and suggestions.

At the Spring Faculty Meeting on Friday, January 28, Interim Provost Baumhover and I will discuss more specifics of the university budget, including how we have managed past cuts, current funding allocations, and potential sources for future reductions. I encourage all faculty and staff to attend this important meeting that begins at 3:00 p.m. in Rosen Concert Hall.

This past week, I attended the UNC Board of Governors' meeting under the leadership of our new president. We continue to gather information about how our university should prepare for these reductions and share with our elected and appointed leaders the impact these cuts will have on our state's future. Appalachian has faced significant challenges in the past and I am confident in our ability to meet this current challenge in the best way possible through thoughtful and strategic action. I stand firm in the knowledge that the entire university community will once again demonstrate the creativity, engagement and commitment necessary to make difficult decisions that will ensure a strong and vibrant future for

Appalachian.

With Appalachian Pride,



Kenneth E. Peacock  
Chancellor

For the most up-to-date information concerning the 2011-12 Budget visit  
[www.chancellor.appstate.edu/budget](http://www.chancellor.appstate.edu/budget)