Dear Friends:

As we approach the close of the 2008-09 fiscal year, I want to thank you for your commitment to our University during this year of unprecedented financial challenge. Throughout this past year, our campus has faced budget reductions and reversions of more than $8 million, a mandated furlough which caused a reduction in everyone's pay, loss of travel dollars and funds for essential supplies and equipment, and a state freeze on hiring even with searches underway. With all of this, coupled with the uncertainty of what lies ahead, you have demonstrated your unwavering commitment to maintaining quality in all programs and services. I thank you.

With the continued publicity about the budget shortfall in North Carolina and how it continues to grow, I want to share with you what I know about this financial challenge we face and, specifically, its impact on our University as we prepare for the 2009-10 fiscal year. First, the budget process is not over. The House continues to deliberate and make changes daily. When the House budget is finalized, a Conference Committee consisting of both Senate and House members will be appointed to work out their differences. More than likely, it will be several weeks before a final budget is passed. While the process continues in the House, our state's budget situation has not improved and it does not appear that it will improve in the near future. The state is facing a $4.2 billion shortfall from this year’s budget.

Second, although not final, the 11.1 percent cut currently under consideration in the House is of great concern. If the House budget were to prevail, this would translate to a budget reduction for Appalachian of $16,702,527 -- double the reduction we just endured. On Tuesday, I was in Raleigh and met with several members of the House. Based on my meetings and discussions, I assure you our state leaders realize the devastating impact an 11.1 percent cut will have on The University of North Carolina System and they are doing all they can to reduce the impact. No one I talked with in Raleigh is happy about this situation and all are committed to education. As reported in the June 3, 2009, Watauga Democrat, Rep. Cullie Tarleton wrote "We continue to be committed to
education as hard as that may be to believe right now." I am convinced this is true.

Further, as drafted at this time, the House budget revokes the tuition increase of $78 passed by this campus and approved by the UNC Board of Governors and proposes an average tuition increase of $200 per student. If this provision remains, the tuition would not come directly to our campus, but would go to the General Assembly to help close the state budget shortfall. UNC centers and institutes have been specifically targeted for budget reductions. Again, nothing is final, but I am very concerned.

A little positive news -- full funding for enrollment growth remains in the House budget. This is a very important provision for our campus. In addition, last evening, we received the following from the North Carolina Office of State Budget and Management: "Agencies may proceed with 2009-10 hiring and other 2009-10 spending actions (April 9, 2009 memorandum restrictions no longer apply effective July 1, 2009) without an exception from OSBM as long as the agency is managing spending using the lower of the 2009-10 Governor, Senate, or House budgets. Agencies are strongly encouraged to maintain similar agency-level budget management restrictions." The administration is evaluating this message and its impact on Appalachian. As we obtain more definitive information on this relaxed hiring/spending policy, we will share with you and communicate a plan for the beginning of the 2009-10 fiscal year. It is important for us to carefully monitor our expenditures over the coming months and there will be continuing restrictions on travel, purchase orders and hiring. We must remain conservative in our spending and conserve resources even after July 1.

Your continued support and understanding is needed and appreciated as we work together over the next several weeks heading toward a final state budget. I will do my best to keep you informed as the process continues.

Sincerely,

Kenneth E. Peacock
Chancellor