Executive Overview
UNCG Operating Resources
STATE OPERATING BUDGET

The State Operating Budget is the largest component of the University’s operating funds. It is established by the State Legislature and is predominantly funded from revenues collected from the State’s taxpayers and student tuition payments. The state operating budget consists of two components, a continuation budget and an expansion budget which are described below:

Continuation Budget

The “Continuation Budget,” sometimes referred to as the “Base Budget,” is the permanent continuing budget for the ongoing operation of the primary functions and mission of the University. It is established by the General Assembly on a biennial basis. It is a line-item detail budget supported primarily from appropriations from the State of North Carolina and tuition charges to students. The state-operating budget for the University is enrollment-driven, dependent on the number of full-time equivalent undergraduate and graduate students and the related student credit hours. One FTE is based on 12 semester hours of work for undergraduates and 9 semester hours of work for graduate students.

This budget supports the functions of: instruction, libraries, general academic support, student services, institutional support, and physical plant operations.

There is a formal process for establishing the continuation budget on a biennial basis. Instructions are prepared by the Office of State Budget and Management. UNC General Administration (GA) then tailors instructions specifically for the university system. These instructions set forth what is to be included and what inflationary and other changes to the base budget that may be requested. Normally, the instructions are received in March of even numbered years and the completed package is due in September of even numbered years, approximately nine months before the beginning of the biennium for which the budget is being requested. Changes to enrollment are included in the continuation budget. UNC GA prepares a summary of the requests for the entire university system. The Office of State Budget and Management reviews the requests and makes adjustments to realign and to remove or reduce items included in the requests. The Governor submits the continuation budget request to the “Long Session” of the General Assembly in January of every odd numbered year. The General Assembly enacts legislation to establish the continuation budget for the biennium, usually in June, July, or August.

The continuation budget established for the biennium can be adjusted for the second year of the biennium when the General Assembly meets for its “Short
Session” in the following April through July. There may be budget changes in both the long session and the short session of the General Assembly.

In 2007-08, the enrollment change budget was included in the biennial continuation budget. The enrollment change budget is an estimate of the student credit hours that will change from the current budget. UNC General Administration requires the institutions to base projections on the prior year actual and the current year estimate. Using the funding model, the student credit hour change for both regular term and distance education are translated into a change in budgeted funds. These projections become a part of the base budget.

Since the continuation budget is somewhat fixed and stable, internal allocation decisions are made in advance of receiving the final approved budget from the legislature. The process for recording the new year budget is started in early June and is based on May 30 data. Financial Planning and Budgets extracts the permanent budget changes for each department from Banner Finance and posts these transactions to the new year. This allows purchases to be made as early in the new fiscal year as possible. Any permanent budget transactions recorded in June are reflected in the new year budgets in July. Allocation adjustments as a result of budget cuts by the legislature or the Governor are reflected in departmental budgets at the point the cuts are final.

Detail line-item budgets are established and controlled at the department level. The allocations to individual departments are made by the Provost, Vice Chancellors, and Deans for their respective areas of responsibility on an annual basis. The department heads make expenditure decisions and are held accountable for managing their budgets.

Salary Increases are legislated by the General Assembly. There are separate processes for the administration of salary increases based upon employee categories. Faculty and certain administrators are Exempt from the state Personnel Act (EPA) and the process for the related salary increases is set by the Board of Governors. Other employees are Subject to the state Personnel Act (SPA) and the process for salary increases is set by the Office of State Personnel. Both EPA and SPA salary increases, when approved on a recurring basis, become part of the continuing budget.

Expansion Budget

The expansion budget, sometimes referred to as the “change budget,” is that part of the state operating budget for new programs and changes in programs directly related to the institutional mission. These changes include adjustments in funding resulting from basic program support, and miscellaneous items such as library acquisitions, computing, safety equipment, preventive
maintenance funds, etc. The expansion budget becomes part of the continuation budget for the next biennium to the extent that the items are considered ongoing.

There is a formal process for requesting the expansion budget on a biennial basis. Instructions are received from GA in May of even numbered years that prescribe the format and nature of allowable requests and the amount of funding that can be requested. The Chancellor makes the internal allocation decisions for the divisions. The Provost and Vice Chancellors, together with department heads, deans and directors, develop the requests for each division based upon the allocations and priorities established by the Chancellor. The completed package is submitted to GA in September of even numbered years, approximately nine months before the beginning of the biennium. GA prepares a summary of the requests for the entire university system. The Office of State Budget and Management review the requests. The expansion budget request is submitted to the “Long Session” of the General Assembly by the Governor in January. The General Assembly enacts legislation to establish the expansion budget for the biennium, usually in June, July, or August.

Once the General Assembly enacts legislation for the expansion budget, the Board of Governors then makes allocations to the individual institutions in the UNC System. Instructions are received from UNC GA for the preparation of line-item detail budgets within a very tight timeframe, sometimes forty-eight hours or less. The Chancellor makes internal allocation decisions for each division consistent with the strategic operating plans. The Provost and Vice Chancellors then make divisional decisions in accordance with the allocations and general priorities established by the Chancellor.

The expansion budget is also addressed in the second year of the biennium when the General Assembly meets for its “Short Session” in the following April through July.

**Rules and Policies of Major Importance**

- There can be no deficit spending, overall or by specific category.
- The creation and elimination of positions require approval of the Provost or Vice Chancellor via a budget flexibility revision.
- Prior approval of the Provost or Vice Chancellor is required for transfers between purposes/function, transfer between Personnel Lines and OTP, and changes in the level of budgeted revenues and expenditures via budget flexibility revision.

Permanent positions are separately budgeted and cannot be overdrawn in total, or in terms of annual rate, FTE, or hourly rate.