



Ongoing Budget Challenges: An Update

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Categories : [Budget Updates](#), [Dues](#), [Local Government](#)

Date : December 16, 2009



The folks who are attending the course pricing roundtables are getting the following budget update as context for a discussion of why we need to raise our course registration fees. The budget challenges affect the entire School, however, and I want to be sure that everyone has the same information. This post may feel like the equivalent of coal in your stocking, and I apologize if it does. I am optimistic that we will make it through this challenging time if we are creative and confront our economic challenges directly and together.

State Budget Cuts. The most significant ongoing challenge will be another round of permanent state budget cuts next fiscal year (July 1, 2010). That is the coal in our stocking. All of the deans at Carolina have been told by the interim provost to begin planning for permanent cuts of between 2-5%. That translates into a permanent budget reduction of \$120,000-\$300,000 for the School. It is entirely possible that the cuts will be higher than 5%. Everyone I talk with also expects more permanent state budget cuts in the fiscal year beginning July 1, 2011, and the cuts may even continue through the following fiscal year. A major concern is that the temporary federal stimulus money that was built into North Carolina's budget last summer is scheduled to disappear in 2011, which will mean more spending cuts if the economy does not improve enough to fill the gap with new state revenue. We are a long way from being out of the woods.



Membership Dues. As we have discussed before, our experience with membership dues this year has been fantastic. All counties and nearly all of the municipalities have paid their dues. Is there any reason to believe that next year will be different? All of the local government managers I've talked to believe that next fiscal year will be much harder for them than this fiscal year. In addition to dealing with their own budget shortfalls, they worry about additional cuts that the state might pass along to them. The managers also say that they will have fewer options for managing their budget cuts next year—they took the most obvious options to meet cuts this year, and their next round of local cuts will require tougher choices. Will they pay their membership dues again next year when confronted with more difficult choices? Two weeks ago we heard from the City Manager for the Town of Gastonia that they will not be paying their dues (nearly \$8,000) this year because of budget cuts. Is this a sign of things to come for next year? I have no way of predicting, of course, but I will not be surprised if there is some drop off in the payment of dues.

Course Receipts. Attendance at our courses is down this year. This is no surprise. Local governments have imposed restrictions on travel and training to save money, which is a common response during tough budget times. It means that our receipts for courses are down about 20% compared with the same time last year. There is no way to predict where receipts will end up this fiscal year. It is reasonable to expect continued pressure on our course receipts given the challenges facing local government budgets.

The main reason for this update is to let everyone know that we will be working hard to manage future state budget cuts as effectively as possible. The other pressures on our budget present additional short-term challenges. I am optimistic that we can find ways to reduce the impact of the state cuts on our people and programs. The roundtable sessions focus on increasing our course registration fees to recover all of the indirect costs for our programs. This new revenue will give us greater flexibility in meeting our state budget cuts—some of it may be used to replace lost state money that has been going to pay staff salaries. I cannot promise that we will make it through the next round of cuts without additional layoffs and without reductions in services, but we will do our very best. Of course we will continue looking at other strategies for reducing costs and increasing revenue, and I encourage you to continue making suggestions in both areas. We will get through this together.