



THE UNIVERSITY OF NORTH CAROLINA
AT
CHAPEL HILL

Associate Vice Chancellor
for Finance

CB# 1000, 304 South Building
The University of North Carolina at Chapel Hill
Chapel Hill, NC 27599-1000

To: Deans, Directors, and Department Chairs
University Business Managers

From: Roger D. Patterson, Associate Vice Chancellor for Finance

Re: Fiscal Year 2002-2003 Budget Management

Date: July 1, 2002

The closeout process for fiscal year 2001-2002 is proceeding this week for our campus, and we continue communications with the Office of State Budget and Management (OSBM) regarding available allotments (release of budget by the State for spending) and the Office of the State Controller (OSC) regarding the release of cash for paying bills. Important issues such as allowing State agencies to process FY 2001-02 expenditures currently being held and the possible carryforward of receipts are still being considered by State officials. In the interim, we felt it important to notify you of decisions recently communicated by the OSBM in a June 28, 2002, memorandum regarding FY 2002-03 State funds.

The Budget Adjustment Bill under consideration by the House and Senate has not been ratified; therefore, a previous budget authorization to allow expenditures for fiscal year 2002-2003 will continue in effect. The previous budget authorization was based on revenue projections that are no longer accurate. The OSBM memorandum indicates that, based on current projections, the total expenditures of the State for the fiscal period 2002-2003 will exceed the total receipts. Therefore, OSBM must make the necessary adjustments in State expenditures to ensure that the budget for fiscal year 2002-2003 is balanced. As a result, campus allotments of state appropriations and receipts, along with the allotments of other State agencies, will be reduced to adjust for the lower than projected revenues. OSBM has indicated our July allotment, along with those of other State agencies, will be based on 96% of the remainder of the 2002-2003 authorized budget less the Governor's recommended budget reductions.

On a positive note, OSBM has indicated that the expenditure of State funds is now authorized subject to budget and cash availability. In other words the limiting of expenditures to those supporting classroom instruction has been removed. Beginning immediately purchase requisitions, check requests, and other disbursement methods may once again be used. Human Resources will provide separate communication regarding personnel matters.

We encourage you to closely consider your expenditure plans in light of the expected budget reductions by the legislature and the ongoing cash difficulties at the State level. Contracts should be evaluated on a case-by-case basis to determine if the goods or services are needed. Disbursements for supplies, travel, and other needs should be carefully considered. Since our allotment for July 2002 will be reduced by OSBM and OSC will monitor cash flow at the State level; you may wish to use alternate funding sources, if available, until our fiscal year 2002-2003 State budget is known. There will be a significant amount of unpaid bills carried forward from 2001-2002, and as noted earlier our available allotment for July 2002 is being limited by OSBM. Using alternate funding sources until the budget is resolved should not limit your use of available State funds at a later time.

Thank you for your cooperation and support as our campus addresses these important budget management issues.