



Legislative Report Finance Bill 33 (FY2010 Budget)

April 19, 2009

The UNC Association of Student Governments
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MEMORANDUM

TO: Council of Student Body Presidents

FROM: T. Greg Doucette, President *T. Greg Doucette*

DATE: April 10, 2009

RE: Legislative Report on Finance Bill 33 (FY2010 Budget)

Finance Bill 33 provides for the budgeting of the Association's recurring revenue (the \$1/FTE student fee) for the 2009-2010 fiscal year. The purpose of this legislative report is to provide you with (i) a general overview of the proposed budget, (ii) a detailed comparison of the budget proposed versus the FY2009 budget adopted in August, and (iii) offer answers to a few frequent budget-related questions.

I. General Summary of Changes in the FY2010 Budget

The recurring budget proposed in Finance Bill 33 takes a conservative approach to estimating the Association's anticipated revenues. Given significant year-over-year volatility in receipts (see spreadsheet "Student Fees by Campus by Fiscal Year"), the proposed budget includes a 0.0% (\$0.00) revenue increase for enrollment growth and forecasts only a 1.76% (\$3,500.00) revenue increase based on actual receipts received during FY2009. On the expense side, the proposed budget also reflects the full costs associated with the current office location and the office manager salary determined by UNC General Administration.

During the early months of the session, Senior Vice President Yopp and I made a significant effort to relocate the UNCASG office away from the expensive Raleigh downtown area back towards its historical location near the Cameron Village region of the City. Several less-expensive options were available and endorsed by this Council at its July 2008 meeting. The State Property Office, however, blocked our efforts and argued that the price-per-square-foot was too high -- as a result, we were required to extend our downtown lease for another three (3) years. The rent costs of this lease, as well as the parking expenses that would have been eliminated had the relocation taken place, are both reflected in the proposed budget.

Also early in the session, the Association's previous office manager resigned and as a result the Association's budget included an abnormal level of recurring funding in the "Unallocated Special Projects Fund" line item (line item 5605 in the FY09 budget, line

item 5604 in the FY10 budget) that resulted from the cost savings of the Chief Financial Officer temporarily filling in for the office manager position. Recognizing that these recurring funds were the result of a one-time, non-recurring situation, the funding in this line item was not spent and will instead be part of the non-recurring surplus for allocation in a summer budget bill.

Beyond the required changes relating to the office lease and the officer manager salary, the proposed expenditures for next year's recurring budget are largely similar to the FY09 budget with only minor changes that reflect actual expenditures throughout this session.

II. Block-Level Detail of Recurring Budget Changes Compared to FY2009

This section includes a line-by-line analysis of the proposed FY2010 budget, with comparisons with the FY2009 budget where applicable.

In several instances, line items that were in the FY09 budget have been eliminated entirely in FY10 for items that were date-specific (such as the July 2008 banquet) or the result of policy decisions by the Association (such as withdrawing from the U.S. Students Association). Eliminated line items are not included in this comparison.

The analysis follows the same group/block/line divisions of the budget itself.

1000 Group - Base Budget, Income and Other Revenues:

- **1100 Block - Base Budget:**
 - Line 1101: +\$1,000.00. Based on FY09 receipts.
 - Line 1102: -\$1,000.00. Based on FY09 receipts.
 - Line 1103: No change
 - Line 1104: No change
 - Line 1105: No change
 - Line 1106: No change
 - Line 1107: No change
 - Line 1108: No change
 - Line 1109: -\$450.00. Based on FY09 receipts.
 - Line 1110: No change
 - Line 1111: +\$2,000.00. Based on FY09 receipts.
 - Line 1112: +\$500.00. Based on FY09 receipts.
 - Line 1113: +\$350.00. Based on FY09 receipts.
 - Line 1114: No change
 - Line 1115: +\$100.00. Based on FY09 receipts.
 - Line 1116: +\$500.00. Based on FY09 receipts.
 - Line 1117: +\$500.00. Based on FY09 receipts.
- **1200 Block - Donations, Contributions and User Fees:**
 - No change
- **1300 Block - Expense Reimbursements to the Association:**
 - No change

- 1400 Block - Unencumbered Surplus:
 - No change

2000 Group - Stipends, Salaries and General Compensation:

- 2100 Block - Student Officer Stipends (Tier 4 Officials):
 - Line 2101: No change
 - Line 2102: No change
 - Line 2103: No change
 - Line 2104: +\$1,000.00. The President's proposed budget for the previous fiscal year requested \$4,000.00 for the Secretary's stipend, given the critical importance that meeting minutes provide to those who observe the Association. The Council disagreed with the recommendation, and reduced the budget for this line item to \$1,000.00. I believe the current stipend level is too low to ensure accountability of the Secretary, and given how vital minutes are to our operation have requested a +\$1,000.00 increase.
- 2200 Block - Student Officer Stipends (Tier 3 Officials):
 - No change. The President's proposed budget for the previous fiscal year requested increases for these officers given the elimination of other compensation (such as officer cell phones). The Council approved this request. I committed at that time to not seek an increase in stipends for these officials and I am keeping to that promise.
- 2300 Block - Student Officer Stipends (Tier 2 Officials):
 - Line 2301: No change
 - Line 2302: No change
 - Line 2303: No change
 - Line 2304: No change
 - Line 2305: No change
 - Line 2306: No change
 - Line 2307: New line item. Although no recurring funding is requested for this position, I will request \$2,000.00 in non-recurring pilot funding in the summer budget bill. I mentioned the idea of research and development work to each of the committees at the February business meeting, and while the idea was received favorably there were concerns about implementation. Rather than individual Divisions focusing on individual research projects, this position would centralize all R&D needs for the Association. This position will require confirmation by the General Assembly similar to other stipend-receiving officers.
- 2400 Block - Student Officer Stipends (Tier 1 Officials):
 - Line 2401: No change
 - Line 2402: No change

- Line 2403: New line item. This unpaid position is intended to mimic similarly-titled positions on individual campuses, where an individual will assist the President with the administrative duties of his/her office.
 - Line 2404: New line item. Identical to Line 2403, but for the Senior Vice President.
 - Line 2405: No change
 - Line 2406: No change
- 2500 Block - Student Officer Stipends (Tier 0 Officials):
 - No change
- 2600 Block - Student Support Personnel Compensation:
 - No change
- 2700 Block - Non-Student Support Personnel Compensation:
 - Line 2701: +\$31,170.10. This increase reflects the full 12-month office manager position. The salary is determined by UNC General Administration at the time of hiring.
 - Line 2702: -\$95.26. The new office manager does not receive state-mandated longevity pay.
 - Line 2703: +\$2,536.06. This increase reflects the full 12-month office manager position. The Retirement Plan contribution is determined by the State.
 - Line 2704: +\$3,819.92. This increase reflects the full 12-month office manager position. The State Health Plan premium is determined by the State.
- 2800 Block - Employer Payroll and Related Taxes:
 - Line 2801: +\$62.00. Reflects the increase to Line 2104.
 - Line 2802: No change
 - Line 2803: No change
 - Line 2804: No change
 - Line 2805: No change
 - Line 2806: No change
 - Line 2807: +\$513.04. Reflects the increase to Line 2701.
 - Line 2808: +\$14.50. Reflects the increase to Line 2104.
 - Line 2809: No change
 - Line 2810: No change
 - Line 2811: No change
 - Line 2812: No change
 - Line 2813: No change
 - Line 2814: +\$83.23. Reflects the increase to Line 2701.
- 2900 Block - Other General Compensation:
 - Line 2901: No change
 - Line 2902: No change
 - Line 2903: +\$100.00. This is the same dollar amount from the FY09 budget, but makes this a recurring allocation.

- Line 2904: No change

3000 Group - Infrastructure and Other Operational Expenses:

- 3100 Block - Office Operating Budget (Fixed Costs):
 - Line 3101: +\$279.32. Reflects annual contract rent increase.
 - Line 3102: +\$579.44. Reflects annual contract rent increase.
 - Line 3103: +\$960.00. Reflects parking for current location. FY09 budget proposed phasing out this line item if office relocation had been successful.
 - Line 3104: -\$560.00. Reduction based on actual FY09 expenditures.
 - Line 3105: No change
 - Line 3106: -\$240.00. Reduction based on actual FY09 expenditures.
 - Line 3107: No change
 - Line 3108: No change
- 3200 Block - Office Operating Budget (Variable Costs):
 - Line 3201: -\$500.00. Reduction based on actual FY09 expenditures.
 - Line 3202: -\$300.00. Reduction based on actual FY09 expenditures.
 - Line 3203: -\$300.00. Reduction based on actual FY09 expenditures.
 - Line 3204: No change
 - Line 3205: New line item. No funding is requested. This line item will fund any state-required advertisements in the event of a future vacancy in the office manager position.
- 3300 Block - Information Technology and Web Services:
 - Line 3301: +\$10.00. Reflects the addition of unctoday.org.
 - Line 3302: No change
 - Line 3303: No change
 - Line 3304: No change

4000 Group - Meetings, Lodging, Travel and Outreach:

- 4100 Block - Regular Meetings (Lodging):
 - +\$2,250.00 across several line items. Line-by-line allocations for this block will be revised after meeting locations are confirmed during the July Council / Executive Officer retreat.
- 4200 Block - Regular Meetings (Travel Grants):
 - +\$300.00 across several line items. Line-by-line allocations for this block will be revised after meeting locations are confirmed during the July Council / Executive Officer retreat.

- 4300 Block - Leadership Development and Special Events:
 - Line 4301: -\$2,500.00. Reduction based on actual FY09 expenditures and expectation for a shorter retreat during FY10.
 - Line 4302: No change
 - Line 4303: +\$250.00. New line item. Instead of funding end-of-year awards like the Sanders Award and ServiceNC plaque from event-specific line items, this line is intended to fund all of the Association's award/plaque needs.
- 4400 Block - Officer Travel, Communications and Outreach:
 - Line 4401: No change. A request for additional non-recurring funding will be made in the summer budget proposal.
 - Line 4402: +\$930.58. New line item. This line item is similar to Line 3205, but is dedicated to advertisement expenses focused on outreach to students.

5000 Group - Advocacy, Programming, Service Projects and Other Discretionary Funds:

- 5100 Block - Committee Operations Discretionary Funds:
 - -\$1500.00 (block de-funded). Reduction based on actual FY09 expenditures. No committee submitted a request for the funds that would not have been met by a separate line item (such as Office Supplies).
- 5200 Block - Advocacy & Service Project Allocations:
 - Line 5201: No change
 - Line 5202: -\$500.00. Reduction based on actual FY09 expenditures.
 - Line 5203: No change
 - Line 5204: -\$2,250.00. Reduction based on status of program. Since we are still working to re-establish ServiceNC, providing recurring funding at this time is unnecessary. The Division of Government Operations & Community Services can submit a request for non-recurring funding from the Unallocated Special Projects line item as needed.
 - Line 5205: No change
 - Line 5206: No change
 - Line 5207: No change
- 5300 Block - Voter Mobilization & Campus Innovation Programs:
 - No change
- 5400 Block - Affiliation Dues and Related Expenses:
 - Line 5401: New line item. Although no recurring funding is requested for this line item, I will request non-recurring funds in the summer budget proposal. The purpose of this line item is to help recreate the UNCASG Alumni Association.
- 5500 Block - Consulting and Professional Services:
 - No change

- 5600 Block - Special Projects and Non-Recurring Expenses:
 - Line 5601: No change
 - Line 5602: No change
 - Line 5603: No change
 - Line 5604: -\$10,123.99. As noted in the General Summary section of this memorandum, this recurring “reduction” is the result of the full 12-month office manager position. Although classified as recurring funds, the funding for this line item was actually a one-time revenue source resulting from the resignation of the previous office manager on July 18th, 2008.

6000 Group - Administrative Fees, Expenses Incurred/Approved by Prior Administration, and Operating Reserve:

- 6100 Block - General Administration Services:
 - Line 6101: +\$350.00. This increase is automatically calculated based on the base budget for the fiscal year.
- 6200 Block - Expenses Incurred/Approved by Prior Administration:
 - No recurring funding is requested for this block. Non-recurring funding will be requested in the summer budget proposal based on any expenses that are not paid by the end of the fiscal year.
- 6300 Block - Emergency Operating Reserve:
 - Line 6301: +\$291.67. This increase is automatically calculated based on the base budget for the fiscal year.

III. Common Budget-Related Questions

1. Why do we adopt the budget for next year’s session during this year’s session?

Adopting the budget for the following fiscal year is a common practice for governments, associations and other entities with recurring revenues, and is generally done as a protective measure. In the event some political crisis or upheaval impacts the following year’s session, the group can at least continue to operate at a basic level until things are sorted out.

A requirement to provide a budget for the following fiscal year has been in the Association’s government documents for some time (for example, the language in Article III, Section 5(G) of the new Association Constitution was taken directly from the Association’s old governing documents). This is simply the first time in at least three years that obligation has actually been met.

2. Why do we only budget recurring revenues? Isn’t there a surplus?

If the Association is run properly, it will always have a surplus: the standard 1/12 emergency operating reserve (line item 6301 in FB33) is never truly “spent” if there is no unexpected

emergency requiring it, freeing those funds for distribution on a non-recurring basis in the following fiscal year.

The operating reserve is, in other words, a recurring source of non-recurring revenue.

Confining the budget to only recurring revenues provides a few benefits to the Association and its various stakeholders:

- First, since the final amount of any budget surplus from the current fiscal year is not known until June 30th, it ensures no funds are budgeted for expenditure that do not actually exist;
- It provides a clear distinction between those programs and expenditures that are expected to take place every year, versus those new, temporary or pilot programs created by any given session that may not continue once the terms of current officeholders expire; and,
- It also levels the balance of power between successive sessions of the Association, since the new session will always need to adopt a supplemental budget in August to allocate any surplus funding instead of the previous session allocating it for them.

3. *What happens if the budget is not adopted?*

Under the Association's current governing documents, if the budget is not adopted before the start of the fiscal year the Association would essentially lack the legal authority to continue operating.

Failing to adopt the budget in a timely fashion has happened for each of the last three fiscal years, and has essentially resulted in UNC General Administration ensuring the Association's contractual obligations are paid (rent, office manager salary, copier lease, and so on) while no student-related expenditures take place until a budget is adopted.

In other words, it would seriously damage the Association's reputation and call into question its ability to manage what is essentially a small pool of money (for comparison, the N.C. State Student Government's budget is over twice as large and has been adopted for 88 years without controversy).

Amendments to the budget can be offered and considered, but a budget in some meaningful capacity must be adopted before the Association's adjournment *sine die*.

I hope this report is useful to you in your deliberations. Let me know if you have any further questions regarding the budget proposal.