


NC STATE UNIVERSITY

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July 22, 2009

MEMORANDUM

TO: Erskine B. Bowles, President

FROM: James H. Woodward, Chancellor 

SUBJECT: Budget Reductions for 2009-11

NC State University has submitted descriptions of budget reductions totaling \$53 million through the online system developed for this purpose. These reductions include the elimination of nearly 300 class sections and 9,750 seats, and 440 FTE faculty and staff positions, of which 176 are currently filled.

The impact of these reductions is significant. Although we are committed to reaching the enrollment targets that form the basis for our enrollment funding, I believe the longer term impact will be slower growth due to an eroding resource base. We allocated smaller reductions to academic units, yet we are still losing enough non-tenure-track faculty and teaching assistants that our instructional capacity will drop by about 3%. Low enrollment programs are being eliminated, and new programs are being put on hold. We have protected General Education to a very large degree, but students' opportunities to participate in academic enrichment and co-curricular programs -- such as study abroad, leadership programs, service learning, and research -- will diminish, thereby lessening the collegiate experience.

I am also concerned about the erosion in core faculty expertise. Many departments are giving up faculty positions, vacated by retirements or departures, that once contributed specialized knowledge to undergraduate and graduate students, an interdisciplinary research program, and/or a team of faculty and students engaged in an economic development project. As faculty reduce their research and extension activities to cover the classroom, we will be less able to leverage the state's investment to increase the external support for research that ultimately enhances social and economic well-being.

In preparing these budget reductions, we were careful to respect the Board of Governors' Value Statement, your Guidelines on Budget Reductions, our own University Budget Principles and strategic plan, and the voices of our students, faculty, and staff. As you know, NC State has been deliberately preparing for budget reductions for more than 8 months. We communicated with the campus through four budget forums and regular web postings, and we met with each unit head twice to understand the impact of potential reductions.

Memorandum – President Erskine B. Bowles

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Our primary strategies were to avoid formulaic, across-the board cuts and to look first for efficiencies and last for reductions in service. Our priorities were to protect undergraduate general education and to minimize the impact on our core mission. For example, although the mandated reduction was 10%, the reductions allocated to our colleges ranged from 3.36% to 8.55%. Beyond that, we gave priority to programs aligned with NC State's strategic plan, chosen academic thrust areas, and UNC-Tomorrow goals.

Enclosed please find a description of the process we used to develop our budget reduction plan and priority listings of the budget reductions for each of our three budget codes: 16030-Academic Affairs, 16031 Agricultural Research Service, and 16032 Cooperative Extension Service. The web application could not accommodate multiple priority listings by budget code.

Of course, I am not yet fully knowledgeable about the many academic, research, and service programs provided by NC State. Yet, I am certain that an investment in this institution is an investment in North Carolina's youth and to the knowledge foundation necessary for the state's continued development. To the degree that the reduction to NC State is minimized, my first priority for reinvestment will be undergraduate education, particularly the General Education component. With Interim Provost Arden and Vice Chancellor Leffler, I am committed to continuing the campus discussion about improving efficiency and reducing costs as soon as we have made final allocations for 2009-11.

JHW/amm

Attachments: Budget Reduction Overview
Budget Reduction Priorities by Budget Code

cc: Vice President Robert O. Nelson
Provost Warwick A. Arden
Vice Chancellor Charles D. Leffler

**NC State University
Budget Reduction Overview
July 22, 2009**

Despite adherence to our own budget priorities and those of the Board of Governors and the President, if all of the 10% reduction requested from NC State University is necessary, the reduction will have a significant negative impact on human, physical, and financial resources. As the narratives accompanying our reductions demonstrate, the reductions we have submitted would result in:

- Elimination of 117 EPA faculty, 117 EPA professional, and 206 SPA positions, of which 40% are currently filled, in our three budget codes (Academic Affairs, Agricultural Research Service, and Cooperative Extension Service).
- Elimination of 9,750 seats in classes, despite increased teaching loads and larger classes.

The impact of these actions will significantly affect student success and the university's abilities to make progress toward important aspects of our institutional strategic plan:

- Fewer seats in classrooms will decrease student retention and graduation rates, with consequent increases in the cost of education for North Carolina families.
- Higher student/faculty ratios, fewer teaching assistants, and reduced investment in instructional laboratories and field experiences will have an impact on the quality of learning afforded to our students.
- Larger class sizes will reduce opportunities for faculty to advise and mentor undergraduate and graduate students and to conduct research and extension activities.
- Reduced funding for repairs, renovations, and preventive maintenance continues to cause deterioration of our facilities and infrastructure making it extremely difficult for us to catch-up on our project backlog of almost \$200 million.
- Reduced funding for research and service programs in areas identified by the UNC Tomorrow Commission will negatively impact the future economic development of North Carolina.

The requested 10% budget reduction plan was developed in two phases, with an initial 5% reduction plan developed in April 2009 and already implemented and an additional reduction plan to meet the required reduction amount developed in June 2009. The resulting plan was developed based on targeted reductions from administrative and academic. For example, although the overall reduction was 10%, the reductions assigned to the academic colleges varied from 3.36 to 8.55%, with the smallest reductions associated with colleges where mission emphasizes undergraduate education. Specific budget reductions were selected and prioritized based on our University Budget Principles, developed in 2006 by the University Budget Advisory Committee, which identify the following areas which "should be protected, to the extent possible, in the following order:"

- a) Undergraduate academic programs (including General Education and other service courses)
- b) Graduate academic programs
- c) Financial aid (need-based)

- d) Libraries
- e) Essential campus infrastructure
- f) Campus safety and security
- g) Classroom conditions and services (e.g., classroom technology, seating, etc.)
- h) Student services
- i) Campus aesthetics

The NC State approach to budget reduction is also consistent with the Value Statement of the UNC Board of Governors:

- a) As much as possible we have protected our commitment to our mission as a land-grant university, including the commitments made through UNC Tomorrow to maintain our leadership in economic development, in STEM education, in extension and engagement, and in research and innovation—all of which benefit the state, particularly as North Carolina recovers from the current economic crisis. However, mandated reductions to the Cooperative Extension Service and Agricultural Research Service budgets as well as the University's Academic Affairs budget have meant that our public service mission is affected in several areas.
- b) Our budget reductions in academic and non-academic units are not across-the-board but thoughtfully developed following reviews with each dean and vice chancellor of their submitted reduction plans. As a result of that intense process:
 - Academic college make-up 55% of the Academic Affairs base budget but have been allocated only 39% of the total reduction.
 - The Provost's units make up 14% of the Academic Affairs base budget and have been allocated 25% of the total reduction.
 - Other Institutional Support units, which are primarily other vice chancellor units make up 25% of the Academic Affairs base budget and have been allocated 33% of the total reduction.
 - The Utilities budget makes up 6% of the Academic Affairs base budget and has been allocated 3% of the total reduction.
- c) We have reduced our instructional capacity by only 3%, despite significant reductions in academic personnel.
- d) We have re-focused on our selected programmatic priorities in NC State's strategic focus areas:
 - 1 Producing leaders for the state, nation and world
 - 2 Creating educational innovation
 - 3 Improving health and well being
 - 4 Fueling economic development
 - 5 Driving innovation in energy and the environment
- e) We are continuing to implement efficiency improvements consistent with the spirit of the PACE effectiveness and efficiency process.
- f) We will continue to seek areas of collaboration within our own campus and with other UNC institutions to make our programming more efficient.
- g) We have already initiated a collaborative project with UNC-CH to develop together future financial and human resources administrative systems.

- h) We are continuing programs, such as Pack Promise, that enhance affordability and access.
- i) We have reviewed all aspects of our centers and institutes, with the goal of eliminating those which are no longer sustainable or whose missions are not consistent with current institutional goals and combining related centers for greater efficiency. This review resulted in the disestablishment of 9 Centers and Institutes and consolidation of 7 others resulting in savings of nearly \$1.1M (\$965,000 in the Academic Affairs budget code and \$66,000 in the Agricultural Research budget code).
- j) We will use our strategic approach to budget reduction as a tool to uncover future ways to re-direct resources from less important to high-priority areas.

As President Bowles noted in his memorandum to the Board of Governors in March, a large proportion of our state funds are used for personnel (as much as 90-95% in many of our academic and many non-academic units). These personnel are largely dedicated to instruction, academic support, and student services. Given the scope of our recurring reductions, they will necessarily impact our core instructional mission. Where reductions to the instructional core could not be avoided, we have used processes that ensure efficiency, effectiveness and quality consistent with General Administration's the Guidelines for Implementing 2009-11 Budget Reductions.

- a) To protect classroom instruction, we have chosen to eliminate vacant faculty positions, non-tenure-track faculty appointments, and instructional support staff rather than reducing tenured and tenure-track faculty positions. These reductions will result in higher teaching loads, larger classes, and additional service responsibilities for our faculty, whose teaching loads already exceeded Board of Governors guidelines and most of our peers.
- b) Where it has been necessary to reduce sections and student seats, we have moved more instruction from face-to-face to online and from regular term to summer sessions where possible.
- c) We have attempted to maintain our support for graduate teaching and research assistants, who contribute significantly to our instructional and research programs and represent future leaders who will contribute to the development of human, social, and economic capital of the state.
- d) We have made significant modifications to many of our centers and institutes based on a previously established review process as well as on the recommendations of the General Assembly.
- e) We have reviewed administrative units and identified areas for consolidation and elimination of duplication, resulting in significant reductions in SPA and EPA professional positions (including several "middle management" positions) but making every attempt to retain critical checks and balances required to remain in compliance with state, UNC, and institutional rules, regulations and policies.
- f) We have reduced funding for reassignment of faculty from instruction and research to administrative assignments.
- g) We have reduced operating funds in many areas, ensuring that state funds are expended appropriately for essential instructional, research, and service activities.

- h) Where appropriate, we have transferred positions and operations to non-state funding sources.
- i) As we have identified academic programs that may no longer be priorities for the institution or that might be eliminated or consolidated in order to use resources more effectively, we have asked academic units to complete assessments of program viability and develop longer-range plans that will allow for an orderly transition for affected students and faculty. We believe this approach will lead to better informed decisions than actions made purely in response to financial uncertainty.
- j) We have attempted to protect the \$4 billion investment in our physical plant to make sure the campus facilities and infrastructure are maintained to provide a safe, healthy, and cost effective environment for our faculty, students, staff, and visitors.
- k) We have been cautious in reducing funds allocated to the many commodities in which Agricultural Research programs work to support the state's agricultural and agribusiness industries that have gross sales of \$70 billion and employ 700,000 workers.
- l) We have attempted to minimize the impact of the reductions on those programs most essential to our partnerships with North Carolina's 100 counties and the Cherokee Tribal Council.

Our reduction plan anticipates how we will implement future cuts if required and how we will reinvest in priority areas if additional reductions are not requested or state funds are available to fund the university at previous levels. In particular, we will be positioned to redirect funds cut from "enabling" functions to "core" activities.

NC State University
 Academic Affairs budget code 16030
 UNC-GA Mandated 10% Budget Reduction
 Priority of required reductions

7/22/2009

Final	UNC-GA	Item	Cummulative		
Priority	Category	Reduction Item	Amount	Dollars	Percent
1	X1	Continuation Budget Increases	\$4,819,823	\$4,819,823	1.13%
2	X2	Realignment of Funding Sources	1,914,692	6,734,515	1.58%
3	A	Centers and Institutes	1,818,839	8,553,354	2.01%
4	B4	Efficiencies in Business Processing	337,773	8,891,127	2.09%
5	P1	Professional development	170,993	9,062,120	2.13%
6	B1	Administrative Oversight	242,991	9,305,111	2.19%
7	B3	Business Operations and Processing	420,614	9,725,725	2.29%
8	C2	Program review and assessment	250,890	9,976,615	2.35%
9	K2	Facility Administrative Oversight	491,118	10,467,733	2.46%
10	H2	Communications	286,434	10,754,167	2.53%
11	C1	Academic organizational structure (depts, colleges)	1,407,146	12,161,313	2.86%
12	P2	Diversity Programs	139,623	12,300,936	2.89%
13	K3	Buildings and grounds maintenance	1,043,640	13,344,576	3.14%
14	G2	Pre-college programs	291,671	13,636,247	3.21%
15	P3	Assistance in use of instructional technology	291,552	13,927,799	3.28%
16	J2	IT: Infrastructure and Network Services	722,526	14,650,325	3.45%
17	J1	IT: Direct user support services	1,153,532	15,803,857	3.72%
18	E1	Distance Education Degree Programs	684,308	16,488,165	3.88%
19	J4	IT Security and Compliance	323,741	16,811,906	3.95%
20	K1	Facility Renovations and Improvements	1,835,656	18,647,562	4.39%
21	G1	Services to external clients	562,233	19,209,795	4.52%
22	J3	IT: Application Development and Support	1,015,345	20,225,140	4.76%
23	I1	Direct support to students	736,935	20,962,075	4.93%
24	B2	Compliance and Regulatory Control	266,614	21,228,689	4.99%
25	Q	Library	1,896,363	23,125,052	5.44%
26	E2	On-campus Degree Programs	827,486	23,952,538	5.63%
27	I2	Enrollment management	439,703	24,392,241	5.74%
28	K4	Utilities	1,346,544	25,738,785	6.05%
29	F1	Research infrastructure, faculty support	1,103,240	26,842,025	6.31%
30	K5	Emergency repairs	1,076,477	27,918,502	6.57%
31	H1	Fund-raising	554,929	28,473,431	6.70%
32	L3	Academic Enrichment Programs	877,013	29,350,444	6.90%
33	S	Campus Safety	630,855	29,981,299	7.05%
34	L2	Class-related support	972,698	30,953,997	7.28%
35	E3	Faculty Expertise	5,548,428	36,502,425	8.58%
36	L1	Academic advising and tutorial assistance	796,789	37,299,214	8.77%
37	R	Seats and Sections	5,224,667	42,523,881	10.00%
Academic Affairs Totals				\$42,523,881	

NC State University
 Agricultural Research Budget Code 16031
 UNC-GA Mandated 10% Budget Reduction
 Priority of required reductions

7/22/2009

Final Priority	UNC-GA Category	Reduction Item	Item Amount	Cummulative	
				Dollars	Percent
1	K1	Facilities - unfunded Continuation Budget Increase	617,420	617,420	1.00%
2	F1	Research - Ag Programs	2,169,416	2,786,836	4.50%
3	F3	Research - Life Sciences	645,745	3,432,581	5.54%
4	F4	Research - Research Stations	397,267	3,829,848	6.18%
5	F5	Research - Kannapolis	621,666	4,451,514	7.18%
6	F2	Research - Commodity Relations	40,000	4,491,514	7.25%
7	B1	Business Affairs-Human Resources	75,000	4,566,514	7.37%
8	F7	Research - Centennial Campus Leases	45,000	4,611,514	7.44%
9	F8	Research - Facility Fee Increases	100,000	4,711,514	7.60%
10	B2	Business Affairs-Business Office	80,000	4,791,514	7.73%
11	F9	Research - Reduce Support Staff	798,124	5,589,638	9.02%
12	F6	Research - Natural Resources	233,081	5,822,719	9.40%
13	A1	Center for Environmental & Resource Economic Pol	62,350	5,885,069	9.50%
14	A2	Center for Integrated Fungal Research	38,100	5,923,169	9.56%
15	A3	Center for Applied Aquatic Ecology	62,583	5,985,752	9.66%
16	A4	Center for Biology of Nematode Parasitism	64,964	6,050,716	9.76%
17	A5	Center Quantitative Sciences in Biomedicine	11,176	6,061,892	9.78%
18	A6	Center for Plant Breeding & Applied Genomics	116,071	6,177,963	9.97%
19	A7	Animal & Poultry Waste Management Center	19,357	6,197,320	10.00%
Agricultural Research Service Totals				6,197,320	

NC State University
Agriculture Cooperative Extension Budget Code 16032
UNC-GA Mandated 10% Budget Reduction
Priority of required reductions

7/22/2009

Final Priority	UNC-GA Category	Reduction Item	Item Amount	Cumulative	
				Dollars	Percent
1	K1	Facilities - Unfunded Budget Increases	869,297	869,297	1.88%
2	G1	Public Service - State Administration	373,882	1,243,179	2.69%
3	G2	Public Service - Animal Sciences	93,419	1,336,598	2.89%
4	G3	Public Service - Animal Sciences	81,031	1,417,629	3.06%
5	G4	Public Service - Animal Sciences	47,401	1,465,030	3.17%
6	G5	Public Service - Animal Sciences	35,813	1,500,843	3.24%
7	G6	Public Service - Animal Sciences	134,541	1,635,384	3.54%
8	G7	Public Service - Animal Sciences	323,334	1,958,718	4.23%
9	G8	Public Service - Environmental Sciences	13,579	1,972,297	4.26%
10	G9	Public Service - Environmental Sciences	94,109	2,066,406	4.47%
11	G10	Public Service - Environmental Sciences	43,325	2,109,731	4.56%
12	G11	Public Service - Environmental Sciences	13,702	2,123,433	4.59%
13	G12	Public Service - Environmental Sciences	103,567	2,227,000	4.81%
14	G13	Public Service - Environmental Sciences	78,748	2,305,748	4.98%
15	G14	Public Service -Human Sciences	230,102	2,535,850	5.48%
16	G15	Public Service -Human Sciences	71,390	2,607,240	5.64%
17	G16	Public Service -Human Sciences	53,265	2,660,505	5.75%
18	G17	Public Service - Animal Sciences	42,823	2,703,328	5.84%
19	G18	Public Service - Plant Sciences	216,213	2,919,541	6.31%
20	G19	Public Service - Plant Sciences	60,522	2,980,063	6.44%
21	G20	Public Service - Plant Sciences	81,997	3,062,060	6.62%
22	G21	Public Service - Plant Sciences	141,176	3,203,236	6.92%
23	G22	Public Service - Plant Sciences	70,800	3,274,036	7.08%
24	G23	Public Service - Plant Sciences	122,811	3,396,847	7.34%
25	G24	Public Service - County Administration	298,800	3,695,647	7.99%
26	G25	Public Service - County Animal Science	224,101	3,919,748	8.47%
27	G26	Public Service - County Environmental Science	109,147	4,028,895	8.71%
28	G27	Public Service - County Human Science	348,600	4,377,495	9.46%
29	G28	Public Service - County Plant Science	\$248,415	\$4,625,910	10.00%
Cooperative Extension Service Totals				\$4,625,910	