



# The University of North Carolina

GENERAL ADMINISTRATION

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Constituent Universities  
Appalachian State  
University

East Carolina  
University

Elizabeth City  
State University

Fayetteville State  
University

North Carolina  
Agricultural and  
Technical State  
University

North Carolina  
Central University

North Carolina  
State University  
at Raleigh

University of  
North Carolina  
at Asheville

University of  
North Carolina  
at Chapel Hill

University of  
North Carolina  
at Charlotte

University of  
North Carolina  
at Greensboro

University of  
North Carolina  
at Pembroke

University of  
North Carolina  
at Wilmington

University of  
North Carolina  
School of the Arts

Western Carolina  
University

Winston-Salem  
State University

Constituent High School  
North Carolina  
School of Science  
and Mathematics

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TO: Mr. Charles Perusse, State Budget Director

FROM: Robert O. Nelson *RN*

RE: 2009-11 Budget Reductions -- University of North Carolina

The members of the UNC Board of Governors, President Bowles, and I are keenly aware of the magnitude of the problems our state is facing. The loss of jobs, the downturn in state revenue collections, and the upheaval in the housing and financial markets all reinforce that this is the worst economic environment of our lives.

We also know, unequivocally, that the 6% (\$143.5-million) reversions that the Governor has, with great reluctance, ordered us to make in FY 2008-09 are damaging the quality of education we are offering our students, who represent the future of North Carolina. The President and all the Chancellors are team players, and they understand the depths of this economic crisis. They also understand that the University will have to bear its fair share of the pain (as it has been doing already), but cuts of this magnitude cannot continue permanently if we are to preserve the quality of education our students need and deserve.

As our campuses implement or make plans to:

1. increase class size;
2. reduce the number of course sections or eliminate course offerings;
3. reduce the availability of labs and libraries;
4. increase the use of part-time faculty in lieu of permanent, full-time professors;
5. eliminate valuable research centers;
6. fail to properly maintain our buildings and equipment by extending maintenance cycles;
7. reduce counseling, tutoring, and advising;
8. reduce investments in distance education and state-of-the art technology;
9. forego investments needed to ensure proper accounting, auditing, and internal controls;
10. provide less financial aid; and
11. forego the opportunity to attract and retain critical faculty;

President Bowles wants to make it as clear as possible to you, the Governor, and the legislature that imposing permanent cuts would be equivalent to sacrificing the future of North Carolina.

Again, the University is fully committed to doing "its part" in these tough economic times. And we have concluded that our campuses can absorb budget cuts of 6% in the

current 2008-09 fiscal year and up to 5% over the next biennium in order to help the state balance its budget and meet critical needs. We believe we can do this without inflicting significant damage to our academic core so long as these cuts are not permanent—but rather non-recurring cuts limited to the 2009-11 fiscal years.

Our public universities' most important role in these severe economic times is to prepare our students to compete successfully in today's knowledge-based global economy. We must protect that core mission, and it is a difficult task. Personnel costs represent 75% of UNC campuses' (General Fund) operating budget. To protect jobs and not eliminate faculty and staff positions at the 7% cut level, campuses would have to cut non-personnel costs (utilities, libraries and learning resources, physical plant operations and equipment costs) by approximately 28%, an impossible scenario. Looking at it another way, 70% of UNC campuses' General Fund operating budget is for instruction, academic support, and student services. To protect these vital services at the 7% level in order to limit the negative impact on students, campuses would have to cut non-instructional services (research, public service, operations and maintenance of facilities, and institutional support) by approximately 23%, another impossible scenario. Therefore, it is inevitable that the University would have to eliminate faculty and staff jobs. At the 7% level, our campuses would be forced to eliminate 1,679 jobs, with 660 of those being faculty.

The Chancellors have prepared detailed analyses of the anticipated impact of budget cuts at 3%, 5% and 7% levels. Those contingency plans, along with narrative descriptions, will be provided to you electronically. Here are some representative examples of what those cuts would mean to our students, our faculty, and our future at the 7% level:

- At a time when the University has a goal of doubling the number of nursing graduates, ECU would be forced to reduce faculty and labs that would cause the production 15% fewer nurses.
- At NCSU, necessary reductions in course offerings and course sections would likely result in its six-year graduation rate dropping from 70% to 65%. That would place NCSU's rate the lowest among its academic peers and well below NCSU's goal of 76%.
- At UNC-CH, if they were to keep the current student/faculty ratio so as to maintain quality, the loss of 232 teaching faculty jobs would warrant an enrollment reduction of 3,426 students, which is approximately the size of an incoming freshman class.
- At NCCU, the loss of full time faculty jobs would affect virtually every student on campus through the reduction of 340 course sections.
- At UNCG, 20% of its freshman seminar classes would be cancelled.
- On many campuses, including ECU, UNC-CH, UNCG and UNCW, ensuring the availability of basic introductory and mid-level courses with fewer teachers (the result of unavoidable reductions in faculty) would reduce course offerings in high-demand disciplines, such as nursing, public health, science, technology, and mathematics.
- NCSU estimates it would have to reduce counseling services to students by as much as 25%.

- While the UNC Tomorrow Commission recommended that the University take steps needed to produce more graduates who can compete in the global economy, some campuses would reduce global readiness and leadership programs by 25%.
- Unavoidable reductions in faculty would change faculty/student ratios and could cause accreditation problems for some UNC programs.
- Campuses would eliminate important support services for high risk students and students transferring from North Carolina Community Colleges.
- UNCW would reduce its library operating hours, affecting faculty and student access to library services.
- WCU would eliminate three important programs that serve its region: Institute for the Economy and the Future; the Summer Ventures Program; and the School for Youth Leadership Development.
- Here at UNC General Administration, we also are assessing the potential impact of cuts at this level, including vertical cuts to system-wide programs such as the UNC Washington Program, the Center for International Understanding, and the Center for School Leadership Development.

The University has proved during 2008-09 that the President and the Chancellors can effectively manage the scarce resources entrusted to us without permanently sacrificing the quality of our core academic mission – educating our students. We ask for continued management flexibility to do the same in 2009-11. For your review, attached are the guidelines we use to reduce budgets. You will find that we are committed to efficiency and effectiveness, including taking vertical cuts to reduce and eliminate programs, institutes, and centers. The Chancellors continue to plan for specific measures and reductions they would have to take to stay within the state funds allotted to them.

We believe it is critically important to the future of our University and our State that we work as partners to manage the current crisis while preserving long-term future access to a quality education for all North Carolinians. At a time when we are experiencing increases in applications to, and enrollment at our campuses, we believe it would be counterproductive to cut permanently into a major source of North Carolina's economic viability and competitiveness. We know the Governor and legislature share our concerns about the impact of budget reductions. The use of non-recurring cuts would help lessen the impact of reduced revenues during this recession and guard against the erosion of academic quality.

Thank you for your continued support. Please contact me if we can offer any additional information.

cc Governor Beverly Eaves Perdue  
 President Erskine Bowles  
 Board of Governors' Chairman Hannah Gage  
 The Chancellors  
 Andy Willis  
 David Brown  
 Elizabeth Grovenstein

## **Guidelines for Implementing 2009-11 Budget Reductions**

In implementing the reductions, each Chancellor **will** consider the areas identified below.

### **Increased Faculty Productivity**

With declining resources, the University should establish a goal for its faculty to be as productive as their peers.

### **Academic Administration**

In the past, this area has sometimes been isolated from budget reductions when instructions were to "not harm the classroom." However, there are some areas that could be reduced without harming student classroom experiences. For example, as campuses have "decentralized," or created new programs and majors, there were increases in department heads, middle management, staff support, etc. There may be people in a central campus structure working on enrollment management and recruitment, and departments/colleges may also create positions to do this same work. Likewise, some departments have positions to work on budgets and the same campuses also have centralized budget staff. Academic Administration should be evaluated for efficiencies and for consideration for absorbing budget reductions.

### **Public Relations and Advancement Offices**

Each campus should review functional areas currently funded from appropriations that could be funded from a different source. What is the availability of other (non-state) funding sources to support the advancement area? What are staffing ratios and could they be reduced? Are there decentralized staff in units and departments doing this work that could be consolidated?

*Example:* If an arts center, museum, etc. has personnel working on fundraising and publicity – could this work be subsumed by the central advancement and other public information staffs? Are those entities charging appropriate "user fees" to support the operations and not requiring subsidies from state funds?

### **State-Funded Activities that are not directly related to student enrollment and course delivery**

Programs and activities budgeted in Purpose codes 110 and 142 tend to be somewhat amorphous budgetary lines, often including loosely affiliated programs which lack a central campus focus. Chancellors are asked to review all programs under these categories for opportunities to discontinue ineffective programs or combine programs with similar functions. This category also contains programs that were created for a purpose that may no longer be a priority. Campuses should examine their public service and research programs for consistency with UNC Tomorrow recommendations.

### **Low Productivity/Low Enrollment programs**

Campuses should review programs that have low enrollments or low productivity, and determine whether the program needs to be continued or if it can be combined with another existing program. The Board of Governor's Committee on Educational Planning, Policies, and Programs has previously developed productivity criteria and guidelines for identifying programs for productivity review. These criteria are:

- Bachelor's degree programs: the number of degrees awarded in the last two years is 19 or fewer—unless upper division enrollment in the most recent year exceeds 25, or degrees awarded in the most recent year exceed 10.
- Terminal master's degrees: the number of degrees awarded in the last two years is 15 or fewer—unless enrollment in the most recent year exceeds 22, or degrees awarded exceed 9. Ed.S. and CAS programs: the number of certificates awarded in the last two years is 15 or fewer—unless enrollment in the most recent year exceeds 9.
- Doctoral degree programs: the number of degrees awarded in the last two years is 5 or fewer—unless enrollment in the most recent year exceeds 18, or the number of degrees awarded in the most recent year exceeds 2.
- First professional degree programs (medicine, dentistry, veterinary medicine, pharmacy and law): The number of degrees awarded in the last two years is 30 or fewer—unless enrollment in the most recent year exceeds 30, or the number of degrees awarded in the most recent year exceeds 15.

### **Appropriate Alignment of Funding Sources**

Review if there are programs or operations funded from state funds which could more appropriately be funded from receipts or non-state sources. Are there programs that should be funded from revenues that they generate? Are continuing education, summer school, advancement, museums, intramurals, etc. functioning as self-supporting operations?

### **Personnel/Faculty Development and Human Resources**

Are staffing sizes appropriate? Is the size of the program appropriate for the services needed and for the services that are being provided? Is there a standard "case load" expectation in terms of staffing ratios to number of employees?

### **Vacant Positions**

Review any positions vacant for a significant period of time; if needed, permanently reduce or permanently reallocate.

### **Middle Management**

Recently, UNC-GA and campus representatives defined and identified middle management. Campuses should review that list of middle management for any positions that are duplicative and any that can be combined, reduced, or eliminated. Are other resources available for funding these positions?

### **Telecommunications**

Campuses should conduct a thorough review of both land lines and mobile phones/lines (including Personal Digital Assistants). Are there any "ghost lines" - phone lines without phones connected for which the university is paying? Are all phone lines in use necessary? Are all cell phones/PDAs required for the individual's work accessibility? Are the best plans for service being chosen? Service plans should be reviewed for savings opportunities.

### **Program Consolidation**

Are there programs or functions that can be consolidated and still provide equivalent or even better services?

*Example:* Does the campus have multiple Information Technology/ Support Centers for various departments, distance ed, and on-campus programs that if combined could hire more professional staff and serve a larger number of programs on a more efficient basis?

Likewise, are there budget or accounting staff in multiple programs or departments that could be consolidated? Is there still a separate Distance Education entity or Continuing Education program that now could be maintained within existing Academic structures? These may have been needed when distance education was new, but perhaps now the functions could be subsumed into existing organizational structures.

*Example:* Some campuses have facilities personnel - housekeeping, grounds and maintenance. spread amongst units – Academic and Health Affairs, for instance. Are there any opportunities to consolidate operations and funding?

### **Interinstitutional Centers, Intrainstitutional Centers, Institutes, Affiliated Entities & Campus Centers**

Which centers have budgets that flow through your campus budget? Some may have been a top priority for prior administrations, but no longer have the same function or importance. Some are designed to conduct and coordinate research, so perhaps they could be run from facilities and administrative receipts. Are there other funding sources that could be used to support the program – i.e. federal grants? In the past, budget reduction instructions to campuses have required that these entities not be reduced at a greater proportion than the overall percentage budget reduction. However, perhaps some could be abolished entirely and the remaining ones would not be reduced by a greater proportion