



The University of North Carolina

GENERAL ADMINISTRATION

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July 25, 2008

TO: The Chancellors

FROM: Harold Martin, Senior Vice President-Academic Affairs *HAM*
Rob Nelson, Vice President-Finance *RN*

SUBJECT: Budget Reductions

The 2008-09 state budget requires the University to absorb a "Management Flexibility Reduction" of \$16,000,000. The conference committee report indicates "The UNC President and the UNC Board of Governors will determine the allocation of budget cuts." These cuts are fairly minimal as compared to the University's total budget.

In deciding how to absorb this reduction, Attachment 1 lists the budget reductions by campus being recommended to the Board of Governors. We strongly encourage you to approach these reductions **not** as an across-the-board cut to your campus, but rather with the management intention of finding smart, vertical reductions that will make your operations more efficient. It is imperative that we take these reductions in smart ways and look at truly managing to achieve the savings required. Attachment 2 lists guidelines for you to follow in deciding how to administer the reductions on your campus. These are suggestions - you may also identify other areas for targeted reductions.

Only two items are considered to be "off limits" for the reductions - new enrollment funds and need-based financial aid. Otherwise, we ask you to take a hard look at the various areas that we have identified as well as others you consider appropriate for reduction and report back to us by August 29, 2008 on your plan to absorb the reductions. Your report should contain a narrative description of the proposed reductions as well as a line item budgetary breakdown of the proposed cuts.

In considering the reductions, we encourage you to conduct an analysis that is **functional** in nature as opposed to solely **organizational**. For example, a review of Human Resources should take into account the central office but also the staff in departments who are also performing that work. For those of you who have not, you may, for example, consider combining EPA and SPA human resource management.

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
School of
the Arts

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

Western Carolina
University

Winston-Salem
State University

Constituent High School
North Carolina
School of Science
and Mathematics

An Equal Opportunity/
Affirmative Action
Employer

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We also ask you to think about vertical and programmatic cuts in areas that may have once served a function but are no longer needed. If you can identify programs that were created in the past but now should be discontinued entirely, we are amenable to considering those options and it would help you greatly in absorbing your reduction.

As you consider reductions for 2008-09, keep in mind the slowing economy and the likelihood that upcoming budget years will be very tight. We believe that the 2009 General Assembly will also contemplate budget reductions, possibly at a higher rate. In accumulating the list of guidelines, we revisited many of the same specifics that budget staff, the legislature, and others are likely to consider for additional reductions. By reviewing these now, you will be prepared for the next round of reductions. It will also help you gain an overall idea of how you might manage additional reductions in future years.

Reports on proposed reductions are due back to us by August 29, 2008, for review by the President. Please email your response to Jonathan Pruitt (jpruitt@northcarolina.edu) with a copy to Karen Russell (ktr@northcarolina.edu). Your report should contain a narrative description of the proposed reductions as well as a line item budgetary breakdown of the proposed cuts. In addition, for any programs that are recommended to be discontinued entirely, a description of the program along with number of filled positions plus a description of the reasons it is proposed for reduction should be submitted.

Attachments

cc: Chief Academic Officers
Chief Financial Officers

**The University of North Carolina
Management Flexibility Reductions
2008-09**

Agency/Institution	2008-09 Recurring Reduction Amount
Appalachian State University	(832,011)
East Carolina University	(1,392,701)
East Carolina University, Health	(323,241)
Elizabeth City State University	(220,252)
Fayetteville State University	(356,773)
North Carolina A & T State University	(607,107)
North Carolina Central University	(555,263)
North Carolina State University, Academic	(2,456,506)
North Carolina State University, Ag Research	(360,974)
North Carolina State University, Ag Ext.	(272,603)
University of North Carolina at Asheville	(230,532)
University of North Carolina at Chapel Hill, Academic	(1,827,800)
University of North Carolina at Chapel Hill, Health	(1,293,085)
University of North Carolina at Chapel Hill, AHEC	(308,277)
University of North Carolina at Charlotte	(1,144,114)
University of North Carolina at Greensboro	(1,024,294)
University of North Carolina at Pembroke	(352,505)
University of North Carolina School of the Arts *	(158,885)
University of North Carolina at Wilmington	(618,017)
Western Carolina University	(574,318)
Winston-Salem State University	(429,374)
NC School of Science and Mathematics	(108,186)
UNC Hospitals	(287,827)
UNC-General Administration	(265,355)
Total	(16,000,000)

Reductions were based on 2008-09 continuation amounts plus changes to the continuation budgets from the 2008 session, before the addition of expansion funds.

**The name change for North Carolina School of the Arts is effective August 1, 2008.*

Guidelines for Implementing 2008-09 Management Flexibility Budget Reductions

Two items **should not** be considered for budget reductions:

- Funds for 2008-09 enrollment growth shall not be considered for reduction.
- No funds for need-based financial aid shall be considered for reductions.

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

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 Governors'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? Comparison of spread of work into decentralized departments/colleges versus centralized functions?

Vacant Positions (report attached for reference)

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 (no greater reduction than is listed for your campus budget). However, perhaps some could be abolished entirely and the remaining ones would not be reduced by a greater proportion.

University of North Carolina
Vacant Appropriation Supported Positions

	SPA				EPA Non-Faculty				EPA Faculty				Total			
	All Positions		6 Months or Older		All Positions		6 Months or Older		All Positions		6 Months or Older		All Positions		6 Months or Older	
	FTE	Salary	FTE	Salary	FTE	Salary	FTE	Salary	FTE	Salary	FTE	Salary	FTE	Salary	FTE	Salary
30 June 2008																
16080: ASU	5.00	\$ 169,979	-	\$ -	3.44	\$ 148,426	1.75	\$ 77,930	9.67	\$ 318,123	2.00	\$ 8,250	18.11	\$ 636,528	3.75	\$ 86,180
16065: ECU AA	41.25	1,610,983	5.00	191,687	11.32	772,786	3.55	267,330	19.50	1,324,021	3.00	192,961	72.07	3,707,790	11.55	651,978
16066: ECU HA	10.94	449,412	2.00	63,366	3.00	232,004	-	-	3.57	419,128	1.57	172,068	17.51	1,100,544	3.57	235,434
16086: ECSU	11.00	454,525	3.00	121,787	3.00	232,154	1.00	58,300	-	-	-	-	14.00	686,679	4.00	180,087
16088: FSU	39.00	1,286,250	16.00	564,644	11.00	789,935	6.00	555,137	10.00	616,836	11.00	616,836	60.00	2,693,021	33.00	1,736,617
16070: NCA&T	67.00	2,403,684	28.00	1,070,433	14.08	1,036,268	10.08	669,015	20.73	1,031,487	19.73	976,449	101.81	4,471,439	57.81	2,715,897
16090: NCCU	13.00	464,570	-	-	5.00	659,293	5.00	414,303	15.30	1,439,906	15.30	1,439,906	33.30	2,563,769	20.30	1,854,209
16092: NCSA	6.00	137,487	1.00	1,210	1.00	29,348	1.00	29,348	-	-	-	-	7.00	166,835	2.00	30,558
16030: NCSU AA	77.83	3,763,589	12.85	715,421	15.96	1,202,911	3.92	241,154	2.08	290,293	0.94	179,449	95.87	5,256,793	17.71	1,136,024
16032: NCSU Coop. Ext.	0.42	15,679	-	-	1.35	56,687	-	-	4.23	260,574	-	-	6.00	332,940	-	-
16055: UNCA	1.50	46,456	-	-	1.00	71,318	-	-	0.50	40,000	-	-	3.00	157,774	-	-
16020: UNC-CH AA	22.04	822,960	1.66	49,154	15.51	1,095,223	1.49	43,042	3.62	642,964	-	-	41.17	2,561,147	3.15	92,196
16021: UNC-CH HA	4.91	177,111	0.91	25,914	2.00	176,648	1.05	116,693	1.75	272,047	1.00	228,401	8.66	625,806	2.96	371,008
16022: UNC-CH AHEC	1.00	52,952	-	-	-	-	-	-	-	-	-	-	1.00	52,952	-	-
16050: UNCC	61.17	2,550,261	11.25	489,402	17.75	1,130,445	5.75	349,530	13.78	1,131,460	13.78	1,131,460	92.70	4,812,166	30.78	1,970,392
16040: UNCG	19.60	660,138	7.60	206,421	5.88	331,755	0.63	31,846	8.38	587,441	1.15	72,000	33.86	1,579,334	9.38	310,267
16082: UNCP	5.00	165,937	2.50	67,152	6.33	336,911	2.00	127,626	41.15	2,224,158	19.00	1,039,879	52.48	2,727,006	23.50	1,234,657
16060: UNCW	19.46	676,132	-	-	3.50	194,568	-	-	-	-	-	-	22.96	870,700	-	-
16075: WCU	11.50	333,782	-	-	3.00	203,849	-	-	-	-	-	-	14.50	537,631	-	-
16084: WSSU	10.00	491,089	5.00	270,003	8.00	585,505	5.00	284,300	23.00	1,366,948	13.00	754,320	41.00	2,443,542	23.00	1,308,623
16094: NCSSM	1.00	45,000	1.00	45,000	-	-	-	-	-	-	-	-	1.00	45,000	1.00	45,000
Total	428.62	16,777,976	97.77	3,881,594	132.12	9,286,034	48.22	3,265,554	177.26	11,965,386	101.47	6,811,979	738.00	38,029,396	247.46	13,959,127