

## POLICY FRAMEWORK FOR RESOURCE ALLOCATION

East Carolina University

March 2009

### Context and Criteria

We are in the toughest economic times our nation has faced since the Great Depression. Because of these economic conditions, the information shared by the General Administration recently, the information we have on the governor's budget, and current estimates of the state's future budget situation, this message begins the process of reviewing and adjusting the business model for revenue generation, cost reduction and resource allocation at ECU. The business model:

- Protects the academic core to the maximum extent possible (but never with the expectation that it can be fully protected);
- Demands that strategic priorities be protected from cuts and that selected priorities receive new funding;
- Maximizes flexibility because we cannot predict economic conditions even in the near term;
- Demands strong stewardship of existing resources (that is, we will not spend money on activities that can possibly be delayed or eliminated);
- Protects essential services to students. Safety and financial aid are foremost.

These criteria are those required by President Bowles and/or the ECU Board of Trustees (BOT). Consistent with BOT directives during the February meeting, I expect these criteria to be applied on an all funds basis to all revenues and expenditures, not just state funds.

We are preparing for a loss of approximately \$ 25 million of state revenues each year of the next biennium, and quite possibly more. Given the difficulties with endowments and other revenue sources, the total economic loss to ECU could be substantially worse than \$ 25 million. Nevertheless, we will manage this fiscal crisis appropriately with the goal of emerging as a stronger university.

### Leadership and Communication

Our approach moving forward in no way compromises or reduces the importance of the Budget Task Force or the budget scenarios developed in early January. Those plans address the specific options that we will use to develop a new business model for ECU.

Every option coming forward from the Budget Task Force should be evaluated based on how well it allows us to reduce expenditures and increase revenues over 2 years while protecting core strengths and strategic priorities. "Strategic priorities" refer to the commitments made in *ECU Tomorrow* and *UNC Tomorrow*. "Core strengths" cut across instruction, research, service and economic development and most importantly are those programs that provide transformational experiences for our students and address our mission of being a national model of regional transformation.

Every member of Executive Council must lead by example, with the strongest leadership coming from those members who control the majority of our funding. Exceptionally strong leadership will be required to minimize the total cost of education to our students.

We must all be more involved in communicating with all constituencies about how we are approaching this crisis and what the impact will be on the student experience.

We must continue to ensure that all reasonable data and assessments are made so that no institutional biases prevent us from exploring big picture items and more radical options. We will continue to consider the option of bringing independent expertise to campus to review our plans and to ensure we have been comprehensive in our review.

### The Budget Framework

The following priorities are intended to:

- Guide every action we take to address the fiscal crisis; and
- Provide a framework for the kind of university we will be over the long term.

These 9 priorities are listed in order of importance and immediacy. For example, we will ensure that we have reduced all appropriate administrative expenditures before we consider reductions to core strengths. We will make administrative vertical cuts before we make academic vertical cuts, and so on. We will be prepared for the worst, and work hard in the hope that the fiscal environment will improve quickly.

#### 1. Administrative Reductions

In spite of the many efficiencies realized over the past three years, we must do much more. Every office, division, department, and College is expected to become leaner, more efficient, more collaborative, and performance-based. The goal is to reduce administrative expenditures more than any other category or area. Primary targets for administrative reductions are:

- Vacant positions
- Middle management positions
- Consolidations and centralizations that reduce costs
- Outsourcing services where appropriate (federal relations)
- Salary reserves
- Stipends
- Operating funds

#### 2. Non-Academic or Non-Core Functions

We must re-double our efforts to find efficiencies and to eliminate services and programs in non-academic areas.

- Outdated, unproductive, and non-essential centers and institutes must be weeded or eliminated.
- Functions not central to the academic mission or our strategic priorities will receive the most scrutiny. We will rely on the Budget Task Force to identify where these savings can be realized.
- Services with poor performance
- Consolidate/centralize functions and end unit-by-unit duplication.

#### 3. Cost savings

Continue our current cost savings guidelines and make them more stringent. We will develop an independent review team to ensure that exceptions are kept to a minimum or eliminated.

The goal is to cut non-essential expenditures in most categories by 50% to 75% for the duration of the crisis. This includes receptions, printing of brochures and annual reports, purchases, most categories of travel, etc.

#### 4. Total Cost of Education

Given our mission of regional transformation, we must keep the total cost of education (tuition and student fees) paid by our students to a minimum. We cannot implement significant increases in tuition and student fees on an annual basis. We will commit to reducing or freezing student fees and focusing our attention on tuition. The stronger commitment to tuition allows us to increase funds for financial aid, retention of faculty and enhancement of the student's academic experience.

We will immediately begin a zero based budget approach to evaluate all categories of student fees (health services, educational and technology, transit, etc.). Every auxiliary operation which is supported by student fee revenue will be asked to develop a multi-year business plan. The business plans will be reviewed by a financial review team and must be approved by the Provost and the Chancellor. Our goal is to reduce the need for student fee increases and, wherever possible, reduce student fees.

We must implement our approach with a sense of urgency because of the expectation that hard waiver insurance will be mandatory and because more ECU students than any other university have demonstrated financial needs.

Tuition increases must be made considering factors such as such as affordability, predictability, competitiveness, revenue goals/needs, etc. Our decisions regarding tuition increases will be justified by data driven analysis. Our primary use of the revenue from tuition increases will be for need based financial aid.

#### 5. New Revenues

All new revenues coming to ECU must be distributed based on explicit performance criteria. Enrollment demand will be the first criterion and strategic priorities and institutional mandates will follow. We will continue to upgrade essential areas of infrastructure, based on approved business plans.

Wherever feasible, all units are encouraged to pursue and realize new non-state revenues such as sponsored program grants and contracts, private gifts, partnerships that share costs, funding from business and industry, etc.

## 6. Vacant Positions

Because such a high percentage of our expenditures go to instructional positions, all vacant positions (e.g. retirements) in the Academic/Student Affairs and Health Sciences Divisions will revert automatically to the Provost or VC for Health Sciences. This does not preclude that a given position will go back to the department or college of origin, but it gives the academic vice chancellors control over that process for the duration of the crisis. This will create a pool of resources to be used for core strengths and strategic priorities.

## 7. Work Load Policy

Each College will have a faculty workload policy, approved by their academic vice chancellor. Each workload policy will be consistent with UNC and ECU policies and must encompass all elements of workload: teaching and advising, research and creative activity, clinical practice, and public service. Deans and chairs will be accountable for strict adherence to this policy and for balancing workloads within the unit such that all missions are addressed in the most efficient way.

Each college will also examine the workload of all academic staff support positions to identify essential support needs, reduce redundancies and create maximum efficiency.

## 8. Academic Efficiencies

Each Division and College will prepare a plan for review with Provost Sheerer, VC Horns, or the Chancellor that will increase academic efficiencies in that area. Some efficiencies, such as increased class size, can be reversed when the financial times allow, upon the approval of the VC. Other efficiencies should include reduced stipends, reduced overtime hours and/or a clear process for approving overtime payments, etc.

## 9. Academic Program Reductions or Eliminations

ECU will do all it can to protect core academic activities. However, under worst case scenarios, we understand that vertical cuts become a necessity. Therefore, we will be prepared to reduce programs that are least important to the future of East Carolina University or that are no longer productive. This can include

undergraduate degree programs, concentrations, graduate degree programs, and departments.

Each College reporting to Provost Sheerer and Vice Chancellor Horns will prepare a prioritized list of vertical program cuts to be implemented under the worst fiscal conditions. The programs should be rank ordered and the plan for vertical cuts must be approved by the academic vice chancellor and reviewed by the HR Task Force, chaired by Donna Payne. The minimum number of programs identified for possible elimination must be equivalent to at least 5% of the College's current (2008-09) budget. Criteria for elimination include programs no longer central to our mission or strategic priorities, performance, and cost-effectiveness.

Based on program reviews, best practices, or the best possible data we have available, we understand that vertical cuts will not necessarily be distributed evenly across all colleges.