

UNIVERSITY BUDGET TASK FORCE

Preliminary Report

April 20, 2009

Background:

The University Budget Task Force was formed in February, 2009 in response to the general economic downturn and its effect on the budget of the State of North Carolina, the UNC System, and constituent institutions.

The purposes of the task force are to: (1) communicate across all campus constituencies to solicit suggestions regarding the evolving fiscal picture and the response mechanisms already in place or being considered; and (2) advise the administration and the Board of Trustees regarding some possible mechanisms to reduce costs, raise revenues, and protect our core functions and strategic priorities.

The Task Force deliberations were made in the context of priorities established by the Chancellor. These priorities are:

1. Retention and graduation of students
2. Managing our growth
3. Maintenance of the development function to increase scholarships and non-state revenues.
4. Maintenance of areas mandated by the Chancellor related to research: STEM initiatives, Center for Health Disparities, and Outreach Scholars Academy.
5. Projects and activities related to the strategic priorities of ECU.

The University Budget Task force conducted its work against the backdrop of cuts already proposed at the 3%, 5%, and 7% levels across the university.

ECU has already demonstrated success in managing the budget during the 2008-09 fiscal year. Mechanisms have included: a managed hiring freeze, reduction in administrative positions and expenses, use of lapsed salary dollars to address priorities, and reductions in operating expenditures.

The budgetary process is long, convoluted, and often played out in the public arena. The process started with a budget proposal by the Governor. The Senate is the first legislative body to act in the current biennium. A bill has passed by the Senate and has been given to the House. The House will pass its version of a budget bill. The Senate and House budgets will be reconciled, passed by both bodies, and signed by the Governor. The entire process takes months, even in the best of budgetary times, and is conducted in public and in the press.

The Governor's budget includes an approximate 5.6% reduction in state appropriations for the UNC System. The proposed reduction is about 80% permanent (recurring) and 20% temporary (non-recurring). University salary appropriations will be subject to a 2%

reduction. The remaining cuts can be made in a manner each University believes to be appropriate given the priorities of the UNC System and of the institution.

The primary job of the Task Force relates to assisting with planning for budget reductions in fiscal years 2009-2010 and 2010-2011. Cuts could be as great as \$25 million for each fiscal year. The exact number is unknown as is the proportion that will be permanent or temporary. As of this writing, the House has not yet started appreciable work on the state budget and the income tax receipts for April 15, 2009 are as yet unknown (actual tax receipts will inform revenue projections for future fiscal years).

It is critically important to recognize that we will not know, with certainty, the final ECU budget, either in composition or amount, until July 2009 or later. This report of the Task Force will inform decision makers of a range of possible response alternatives so that we will be able to conform our revenues and expenditures to the final budget outcome.

ECU is funded from various sources – state appropriations, tuition receipts, fees, grants, contracts, and private donations. State appropriations fund about 39% of overall university expenditures. While these sources cannot be entirely disentangled, committee discussions and these suggestions are, appropriately, focused on expenditures that affect state funding.

Approach:

The Task Force has prepared this report based on a process of information gathering and synthesis. This process included:

- Membership in the Task Force was appointed by the Chancellor and the co-chairs (Chair of the Faculty and the Provost) were named. Membership was drawn from across the university and included representatives of the faculty and Faculty Senate officers, staff, administration, Board of Trustees, and alumni.
- The Task Force convened and developed a process and meeting plan.
- An open email was sent to ECU Official asking for input.
- Open information gathering sessions were held at various campus locations in February.
- An online information gathering system was established.
- As input was collected, it was assembled by the Task Force.
- The Task Force discussed the input and categorized the ideas into those that are immediately executable, those that need study, and those that need not be considered further. Ideas were considered and categorized based on the previously-mentioned priorities, protection of core (teaching, research, and public service), and consistency with UNC Tomorrow and ECU Tomorrow.
- A preliminary document was sent out for comment on ECU Official and placed on the website of the Task Force.

- Based on additional input, the ideas were summarized to eliminate duplication, to categorize the ideas into recurring or non-recurring cuts, and to categorize into ideas related to state funds or to non-state funds.
- Additional Task Force meetings were held to further combine ideas and refine the document.

Concurrently with Task Force activities:

- The Division of Administration and Finance led a review of administrative expenses and cuts.
- Vacant positions were identified.
- The Division of Academic and Student Affairs and the Health Sciences Division conducted a review of workload and work assignments.

Budget Expense Reduction Ideas

The Task Force has identified the following budget reduction ideas.

Execute or in-process

Recurring savings.

- Make administrative cuts. Estimated savings of \$9-10m over 3 years.
- Reduce the number of police cars and use bicycles or foot patrols. Savings not estimated
- Do not print Pieces of Eight. \$9,000, action completed.
- Eliminate printing of ECU financial statements. \$2,000, action completed.
- Reduce printing and distribution costs by 20%. The estimated savings relative to this and similar items are difficult to determine as there are not budget line items at that level of detail. Some ideas in this area include: bundling journals for distribution to sites (rather than printing individual address labels); adopting paperless meetings; and producing electronic invitations, flyers, brochures, memos, and advertising.
- Reducing intensity of landscape maintenance. Savings not estimated.
- Reduce or eliminate subscriptions to magazines, papers and journals. Savings not estimated.
- Increase average class sizes and establish minimum class sizes consistent with appropriate pedagogical standards.
- Offer courses on appropriate course rotations rather than every semester. Savings not estimated.
- Harvest vacant positions. Savings not estimated
- Reduce middle management. Included as part of administrative cuts.
- Reduce unnecessary phones, PDAs, and pagers. Savings not estimated
- Convert all tuition and fee billing to e-bills. \$30,000.

- Re-negotiate Higher One contract. Savings not estimated.
- Discontinue publishing hard copy catalogs (with limited exceptions). Savings of \$50,000. Action in process.
- Renegotiate diploma printing and mailing with UP&G. \$17,000 savings. Action completed.

Non-recurring savings:

- Reduce use of search firms. Savings not estimated.
- Increase energy savings. There are a number of ideas including turning off lights, turning temperatures down or up based on the season, centralized space management in order to turn off utilities in some buildings or parts of buildings during part of the day. Savings not estimated.
- Re-evaluate and justify all continuing stipends. Savings not estimated.
- Reduce overtime, beeper, and callback pay. Savings not estimated.
- Continue to reduce the subsidy for the S. Rudolph Alexander Performing Arts Series, with the goal of eliminating the subsidy.
- Improve fundraising.
- Improve data collection.
- Expand One Card to partner with bank. On hold at the moment due to strains in the banking system. Savings not estimated.
- Refinance debt at lower rates. Controlled and driven by the State of North Carolina. Evaluation and process is ongoing. Savings not reasonably estimable.
- Reduce faculty recruitment. Savings not estimated.
- Reduce use of outside contractors and do more in-house. Savings not estimated.

Consider

In the second category of "Consider," only those items that would be considered for short term adoption (decision by June 30, 2009 is anticipated) are listed. "Consider" indicates that further investigation is required to determine the viability and efficacy of these actions.

Recurring savings:

- Garbage pickup from twice to once weekly. Savings not estimated.
- Make the Country Doctor Museum self supporting. \$120,000.
- Re-evaluate and justify academic and professional organization memberships. Savings not estimated.
- Consolidate mail services on Health Science campus into mail services on east campus. Savings not estimated.
- Close channel 99. Savings not estimated.
- Consolidate all tourism activity into the Center for Sustainable Tourism. Savings not estimated.
- Consolidate research management into one group. Savings not estimated.

- Reduce intensity of housekeeping services. Savings not estimated.
- Centralize marketing activities. Savings not estimated.
- Consolidate various operational areas, including IT and other areas.
- Streamline travel reimbursement process. Savings not estimated.

Non-recurring savings:

- Encourage administrators to teach a class per year. Savings not estimated.
- Encourage and support voluntary pay cuts of 5%. Savings not estimated.
- Reduce service hours in the library, Mendenhall, Student Recreation Center, and the like. Savings not estimated.
- Discontinue any university subsidy to organizations that are not self supporting. Savings not estimated.
- Eliminate desk printers and use networked printing. Savings not estimated.
- Contract garbage collection. Savings not estimated.
- Pay faculty a fixed rate for summer school teaching. Savings not estimated.
- Require minimum of 12 months employment before establishing eligibility for serious illness and disability leave. Savings not estimated.

Items not considered further with brief reasons for non-consideration

- Have only one summer session. Negative effect on graduation and retention rates.
- Enforce a salary cap. Faculty salaries are established with reference to national markets. For SPA employees, salary bands are established by the State of North Carolina.
- Eliminate or reduce student workers. Negative effect on graduation and retention rates. Will negatively affect student finances and student financial aid.
- Process payroll once a month. No savings.
- Close the University June 29-July 3 and harvest pay. Not permitted by current state law. Major events such as summer school and orientation negatively affected.
- Move freshmen from the Dickinson Parking Lot. No net savings. In fact, will likely cost money because we would need to create a parking alternative.
- Require scholarship or grant recipients to perform some campus service. Cost of oversight.
- Delay purchase of tele-fund equipment. Contrary to priority to maintain the fundraising function. Likely would not save state appropriations funds.
- Eliminate volunteer leave. Would not save money.
- Put ECU or NC seal on copier lens to prevent unauthorized use. Cost to implement.
- Charge students a fee to re-enroll if on academic probation, or to repeat a class, or if non-matriculating for a semester. Some fees are already charged (such as re-admits). Others fees require approval of Board of Governors and are likely to negatively affect graduation and retention rates.

- Reduce career progression and in-range adjustments. Somewhat limited by State Personnel Act. Can also have a negative effect on morale and employee retention.
- Develop a UNC-System library. Requires external authority and much broader discussion.
- Combine Student Accounting and Financial Aid. Considerable negative audit outcomes.
- Combine IT and Systems Coordination. Very little overlap and no net savings.
- Increase student fees and campus based tuition. Requires Board of Governors approval. Unlikely in current economic and political environment.
- Centralize Banner at state level and charge smaller universities for support. Already being implemented by GA for the nine smaller universities.
- Eliminate renovation and repair expenditures. Requires external authority.
- Provide less financial aid. Significant negative effect on retention and graduation rates.
- Examine alternative work schedules (4 day weeks, work from home, flex time). Considerable opposition with respect to efficient use of facilities.
- Remove paper supplies from computer labs and require students to sign for supplies on an as-needed basis. Computer lab costs are paid for by student fees, not state appropriations. Costs cannot be shifted.
- Be excused from purchasing items on state contract that can be purchased cheaper elsewhere. Not in accordance with State of NC policies. Would require external authority.
- Eliminate ENGL 1100. Will negatively affect retention and graduation. Would need to be replaced by some alternative.
- Suspend all administrative and faculty hires. An extremely inefficient and ineffective approach. Current managed hiring freeze is operationally superior.
- Reduce counseling, tutoring, and advising. Extreme negative effect on student graduation and retention. Student safety concerns as well.
- Reduce investments in DE and technology. Negative effect on student graduation and retention.
- Re-evaluate the number of hours needed to graduate towards a 120-hour maximum. Very long term option that needs to be addressed by the faculty. Expected savings are small.

Budget Revenue Generating Ideas

Budgets can be balanced in the short and long run not only by cutting expenditures, but also by increasing revenues. The Task Force provides the following revenue enhancing ideas.

Tuition and Fee Related

- Establish a preliminary 3-5 year plan for future tuition and fee increases. Will assist with long-range strategic planning. Increases are all subject to approval at the appropriate time by the Board of Trustees and the Board of Governors.
- Consider establishing course fees, where appropriate, for courses with unusual and significant costs. The notion is that material incremental costs should be borne by the individuals taking those courses rather than being spread across other students in the college or university. These fees are all subject to approval by the Board of Trustees and the Board of Governors.
- Support continuation of enrollment increase funding with the Legislature.
- Ensure the enrollment estimate process is robust and inclusive.

Fundraising

- Offer workshops and mentoring to help units/colleges begin or improve friendraising and fundraising efforts.
- Consistent with state law and regulation, rethink how we account for and oversee private funding accounts and spending.

Grants

- Improve the efficiency and effectiveness of the infrastructure supporting the grant submission and accounting process (pre- and post-award).
- Negotiate a new overhead (F&A) rate for federal grants.

Other Items

- Strongly encourage ECU employees to use med school / practice plan personnel for health care needs (including pharmacy).
- Expand medical contractual services with hospitals and health care facilities in the region.
- Review the operation of the student health plan. Evaluate whether family medicine or practice plan personnel help with the operation in a way beneficial to students and the practice plan.
- Re-examine operational and business processes we have, and have not, outsourced.
- Evaluate opportunities for generating advertising revenue.
- Support and encourage fee-based, non-credit, post-graduate education.
- Seek modification of state laws and regulations that will economically incentivize energy savings and space rental to external parties.
- Explore opportunities to develop or expand activities that provide a revenue stream. Tie in with students is helpful. Services to alumni, fee-based consulting in nutrition or counseling, financial literacy, etc.
- Adjust external rental rates on university facilities to cover costs.
- Work towards making all Foundations and Alumni Association financially self-sustaining. Long-term.
- Evaluate and, if appropriate, support a robust income-producing clinical trials program. Long-term.