

## ● Faculty Assembly meeting of Jan 21<sup>st</sup>, 2011

Report by Hunt McKinnon

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Chair Sandie Gravett started by reporting that there is an official website for the Faculty Assembly This website can be found via the main [www.northcarolina.edu](http://www.northcarolina.edu) website by clicking on the "Leadership" tab and then choosing "Faculty Assembly" from the drop down menu.

### **Comments from Sandie Gravett**

Sandie has met with the new President Dr. Ross and gave him the resolution on academic freedom.

Sandie shared that Jeff Davies, who is Chief of Staff , was one of the few of Erskine Bowles staff that is remaining for Dr. Ross' administration. Jim Sadler will be retiring at the end of the month been here is 1997. Among the new leaders in Dr. Ross' administration will be a new Vice President of Human Relations. William A. Fleming He is moving from the administrative staff at UNC -W graduate of NCSU. Charles E. Perusse will be the new Budget Director. He is a graduate of NCSU with advanced degree from UNC-Ch Lesley Cates, Director of State Government Relations, UNC GA will be working , with Anita Watkins , on the lobbying efforts with the legislature.

Sandie indicated that this would be a difficult time for the university system, and that this meeting should be an informational session that allows the representatives of the Faculty Assembly to take information back to our universities and allows feedback to the new leadership at UNC General Administration. This is also a difficult time for President Ross to come into the leadership role . As an example his first action was writing at joint memorandum with former President Bowles at the end of December directing

Universities to make short term budget solutions and to begin long term planning for budget reduction.

Sandie stated that no consideration for saving funds is "off the table" for discussion. Furlough authority, a short term solution, will expire in June 2011 and many of the Chancellors would like this authority to be extended. The Governor has not stated support for the furlough since the previous furlough had some unintended consequences. Currently 15% cuts in all university budgets are expected as a short term solution. In the longer term restructuring, would be required to arrive at the "new normal" in university funding. The committee just named by former Chancellor Woodward will look at program duplication and collaboration between departments, schools, colleges, and even the different universities in the system as a way of saving money.

She stated that the Faculty Assembly must figure out some proactive solutions that use the wisdom of the faculty. We have seen bad budget times before; higher education was in transition anyway, now budget constraints, and new leadership there is an opportunity to be influential. There is a potential for faculty to assert what we can "bring to the table": ideas for quality to be maintained in the classroom and at the departmental level to educate our students despite cutbacks in funding. The faculty knows where the inefficiencies are. We need to be talking to each other to determine and express our perspective. President Ross has said he will listen to what we have to say.

Sandie said she will be asking for a lot of information about what is being done in the various campuses. Different information comes from different campuses are coping with the same budget reality. The **March** topic for Faculty Assembly will be **on line education** and distance learning. The faculty need to be involved in UNC on

line and need to have a way of expressing how online education of our students should be developed and utilized. No one is proposing that we are going to be an on line university system – we are not Phoenix University. However, we must comply with SACs changes in requirements including continuing education and development. In **April** the Faculty Assembly will take up the topic of how the higher education system can work with teachers at the K-12 level and community colleges These are the institutions that send us students and their value to the state will be assessed by the legislature comparatively this year

**Questions** from the Faculty Assembly delegates included: Notice that a recent article in newspaper about privatizing the UNC Chapel Hill.?

There was also a comment that more money had been approved by the Board of Governors for student financial aid. Another statement regarded the tremendous range of financial aid used by students at different universities in the system; for example 71% of the students at Elizabeth City are using Pell Grants while only 18% of the students at UNC-Ch rely on Pell Grants.

Another suggestion was made that the faculty should try to “leverage funding” for the teaching by making the accreditation standards well known. This representative stated that clear mandates require funding academic core to meet SACs and these facts need to be communicated to the legislature.

Introduced Atul Bhula, president of the UNC Association of Student Governments - student representative. This student said he was looking forward to working with the assembly delegates to encourage student /faculty collaboration

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### **Comments from President Thomas Ross.**

President Ross began his remarks by telling a story that expresses his view of the value of the faculty. When he got out of high school no one expected Mr. Ross to do well at the college level.

He struggled at Davidson to make "C"s after being told that he was an at risk student. However he went on a study abroad trip with seven other students and one professor to Greece and Italy. Mr. Ross stated that this professor became a "second father" to him and he never worked harder in his life that he did on this study abroad trip. That relationship between professor and student resulted in a new start for his academic career. Because of this experience he knows the difference that faculty can make.

Mr. Ross indicated that he had been questioned about why he should leave Davidson College especially in economic times like this. He stated that Davidson is a model that is only available to 2% of college students. This is not due to the cost of tuition since due to financial aid is available to students who cannot pay tuition costs. The difference is the scale of education the ratio of students to faculty is 10 to 1 at Davidson and the average class size of 13 students. For those reasons Mr. Ross indicated that public universities are the means of educating most of our students. He stated that if you just look at unemployment numbers that college graduates have a much better chance of finding a job than students who only obtain a high school degree North Carolina is 4% behind the national average in jobs currently and if you "layer on top on that" how fast the world is changing it is easy to see that the gap between college educated members of the work force and those without college degrees will only grow. What the faculty teaches about change and adaption and the global community in which we now live do is the key to tomorrow. Mr. Ross indicated that he had come to the position of President to facilitate education. Teaching is

about North Carolina's future and training our students to live in a diverse world in a global economy. He concluded his remarks by saying: "Thank you for what you do – thank your colleagues for me when you return home".

Mr. Ross said that he was concerned about the economy and that we must keep the focus on the short term as well as longterm changes that would impact the mission of the university; he reminded the delegates that \$620 million in cuts have been taken . Further, he said, most of the administrative cuts are already been made so now the budget negotiations are going to be moving to the academic level. This creates a dilemma since the UNC system has a responsibility for maintaining access to students qualified for higher education and making education affordable at the same time we must concentrate on academic excellence. All this also had to occur in time when there are budget shortfalls. Mr. Ross stated that prior presidents had built and nurtured one of the finest university systems in the country and it is his job to preserve it. He also stated that if faculty and administrators are going to be asked to do more then we need more flexibility. Some regulations need to be reduced or eliminate and flexibility encouraged so we can manage our institutions. Mr. Ross stated that "we must break down barriers to efficiency while preserving the academic core". Unemployment is going to remain high; the recovery is going to be slow, and the university will have to adjust to the changing world around us.

Mr. Ross stated that he will look at duplication but it may be critical to offer duplicate programs so they are available to our students. He said that former Chancellor Woodward was coming out of retirement, to examine program duplication. Currently it is not believed that elimination of programs will produce short term savings; it is expected that the work of the study committee will take the entire fiscal year, but Mr. Ross stated, we are better off doing

ourselves rather than having someone who does not know the system attempt to eliminate inefficiencies for us.

**Questions** posed by the Faculty Assembly delegates included: One of the delegates asked where would your tax paying philosophy be if you had not had a life changing experience that you described in your study abroad. As our chief advocate, how do you explain the economic advantages of education our citizens? How do you cultivate the legislature and the taxpayers as well. Mr. Ross responded that the long term vitality of our state is linked to higher education. He said that the University does so much for so many people Almost every person in the room can remember a person who challenged them to be where they are today. Our effort is to tell those stories because higher education matters to the state and its economy.

The states that will be the winners in the next few years will be the states that continue to invest in preserving their universities. I need to get this word out. With the court system that is exactly what Mr. Ross indicated that he did. He focused on better use the prison resources and to incarcerate only the most hardened criminals, and he indicated that this effort to spread the information needed to explain what the university system contributes must be done it one person at a time. Mr. Ross concluded that we must talk to the legislators about the needed support for this endeavor. The University is so important.

Another Faculty Assembly delegate indicated that "we are masters of creating silence". We do not work across lines. If the GA staff is mixed with people with classroom experience they their sense of perspective of the classroom scale could be provided.

Mr. Ross responded that he will not commit to adding staff or the complexion of those who will be added to the GA staff or committees after only three weeks on the job. He stated that he believes in being inclusive, in collaboration, and transparency; he stated that he does not have the answers but if he listens well he may be able to find the answers. All I can commit to is to listen. Due to the current economic conditions no commitment can be made about staffing at this time.

Another representative asked about the President's commitment to smaller campus. Mr. Ross said that this has been one of the most frequently asked questions since he has been in office. Many reporters from the media and others have asked if any campuses will be closed. He has responded that since access to education is so important each campus has a role to play. North Carolina is in the middle of state rankings in terms of the production of college graduates ; only 35% of our citizens have 4 year degrees. This is not enough. What we anticipate is that the UNC system will do a better job at retention. Currently the state population is growing if and want to increase the number of graduates you need more seats in the classroom. That does not mean that we may combine programs. Interdisciplinary thinking will be required to educate more students. In order to create more classroom production the university system may be forced to centralize centralize payroll or other staff functions.

Another delegate stated that classrooms are already overloaded and asked how can we survive? Mr. Ross indicated that collaboration between UNC-G and A&T is a model of what we need to think about . Retention rates and collaboration with community colleges is also very important. We also need to admit students who can succeed. Rigor matters, and rigorous teaching will aid

retention because students will realize the dedication required prior to admission. Students also need support from counselors. Mr. Ross stated that the system needs to do the best we can do to preserve the support for our students. He stated that he had no easy solution, but that he was committed to higher education for everyone who wants to go to college.

A delegate asked about the recent report in the newspaper that UNC-Ch should be "cut" from the system and making it independent university that was not dependent on legislative funding. Mr. Ross stated that he was on visit to UNC-Ch. yesterday and that there was no interest from Chancellor for leaving the system. He stated that North Carolina is very blessed with strong private universities. UNC-Ch is a public institution and always has been. Only 20% of operating budget comes from state appropriation is a misleading generalization made it look like UNC Ch is heavily dependent on state money.

Mr. Ross stated that the real effort is to demonstrate how the citizens of the state are getting a return from the funding. He said that his first job was at UNC Institute of Government. He trained sanitarians about septic tanks. This kind of community service is going on all over the state and the state is getting benefit from the university system daily. Research dollars for UNC nanotechnology center that he saw yesterday can change lives.

Another delegate indicated that he was an economist and questioned what we can learn from past. This delegate stated that the tax cut being discussed would be very difficult for people who send their children to college. University system facing decimation. Mr. Ross indicated that he had led an effort in tax reform and that every time a tax cut was made the money was never returned. He stated that the tax structure needs to be responsive. No permanent tax cut. Rebates would be a different policy. You need to broaden the base; tax structure reform is a difficult political issue. President



Ross ended his remarks by saying that the Faculty Assembly Chair, Sandie Gravett, and he had a good first meeting and he look forward to working on issues, with the faculty assembly. He said he was surprised that some of the issues she brought to his attention even existed.

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**Comments from Senator Peter S. Brunstetter, -** Began his remarks by staying that the legislature starts its session next Wednesday. This will be the first time since 1870 that Republicans have been in control of both houses. As a result, he said, lots of new people are coming in and there is much moving around in the legislative building this week.

The Senator also remarked that the budget will dominate this session. Both Democrats and Republicans understand that spending must come down; the current gap of \$3.8 million requires expenses must be reduced since due to an 18% reduction in tax base. He indicated that sales tax income may not recover until 2013 due to the amount of goods being purchased and the expirations of some sales taxes. He also pointed out that stimulus money is going away. In terms of expenditures the legislature cannot touch debt service, cannot expect rapid changes in Medicaid funding which is 20% of the budget. Funding for all educational levels is about 60% of budget and that leaves only 20% for all other agencies of government. He concluded that your "hands are tied" by budget commitments to debt service and other expenses and the reduction must be 18% then it is going to affect personnel. RIFS (reduction in force) and pay cuts will be considered. He said he expected that agencies of state government, including the university system will need to retreat more toward their core functions Programs that do some good for somebody

somewhere will be cut; good programs will suffer in this restructuring.

In terms of process the Senator stated that in the past the budget had be sent from the Governor to the legislature where it died. Senate sent a budget to the House where it died and then everyone got together to work on a budget. He forecast that having a Democratic Governor , with a veto pen , and a Republican legislature will be interesting times. He said that so much attention is being given to 2010 budget shortfall now in an effort to reduce shock for 2011. The Senator advised the delegates, and UNC-GA administration , that they need to really be smart; if you want more flexibility this is a good time to get that. You will see reductions at every level. Restructuring needs to include more flexibility for the people who are managing agencies. University system is blessed in that tuitions can be increased.

The Senator concluded his remarks by saying that redistricting will be the other thing that comes up every ten years. Tort reform will also be discussed but most of the deliberations will be on keeping the state on a firm financial footing. State after state is having to go through the same issues.

**Questions** posed by the Faculty Assembly delegates included

The first delegate to respond asked two questions. He asked why repeal the 1% sales tax when the money was needed in the general fund and if campus based tuition increases would remain on campus or be taken to balance the budget.

The Senator responded that there is an honest disagreement exists about whether repeal of the 1% tax might extend the recession. He

stated that the tax structure of NC puts us at a competitive disadvantage relative to other neighboring states in sales of taxable goods.

He also stated that his predisposition is to leave campus based tuition increases stay on campuses.

Another representative asked how realistic the June budget deadline was in the Senator's opinion.

The Senator responded that streamlining the negotiations will knock a month out of the process. The key question was whether there were votes to override any disagreement with the governor.

He reported that the Senate is veto proof, and the House could be able to pass whatever it liked if managed properly. New House and Senate leadership are measured even tempered people so Senator stated his expectation is that the process will be well controlled and not rhetorical.

Another question asked the Senator's opinion of the total shortfall asking if, in his opinion, a 15% cut was a good target.

The Senator responded that he did not know and said his best guess is that there was an 18% problem. If the state gets some programmatic changes, in programs like Medicaid, then the contribution required from the university system will be less.

A delegate asked about the State Health Plan and the Senator stated that we are not wedded to the current State Health Plan and we put band aides on it every year. He stated that this year there will be a standing committee on insurance in the Senate for the first time. The purpose of this committee will be health care plan alternatives and introducing competition among insurance carriers.

There was a question about full funding of the retirement system. The Senator responded that pensions have been a success story in North Carolina. He said that the value of the retirement account has slipped a little bit since contributions are down, but that there is a commitment to fully fund pensions and not allow them to be underfunding.

A delegate asked about the option for states to declare bankruptcy that had recently been in the newspaper. The Senator responded that he had not heard anything about this or any decline in retirement funds set aside by the state.

A delegate stated that there might be a misunderstanding about who we are as faculty. She asked what the Senators' advice to change the foster understanding and mutual support with the legislature. The Senator responded that there is no predisposition against faculty in the legislature. In fact, the UNC system is generally considered to be one of the things that NC does well. He continued by saying that the budget issues are not about perception of faculty but about lack of tax revenue. The Senator suggested that the faculty assembly delegates could do some good with old-fashioned lobbying the new members of the legislature. For example, 15 out of 50 Senators have yet to meet their first session and do not have a full understanding of the university system. He concluded that the delegates should reach out and get someone to put a face with a thoughtful mind at the General Assembly and help us with a big problem in a way that allows you to do your job.

A delegate asked the Senator about the 4 – 3 teaching load. The Senator responded that it is expected for these issues to be worked out on campus. Expertise from the field will be valued.

The final question was about furloughs. The previous furlough did not allow all faculty to reclaim the ten hours of lost pay because of the timing relative to final exams. Senator taught at Elon School of Law and learned how hard it is to grade exams. He reported that the Governor feels that furloughs created more problems than it solved. As co-chair of the budget committee he can say that furloughs are not on the list of items being considered at this time.

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**Comments from Barry Boardman**, Fiscal Research Division,  
General Assembly fiscal research

See link to presentation

<http://www.northcarolina.edu/facultyassembly/meetings/index.php>

Mr. Boardman began his presentation by saying he was a non-partisan member of the General Assembly staff. His job was to deal with appropriation and to work on the revenue forecast. Therefore his presentation would be through the "lens of revenue".

### **The Current revenue situation**

The current tax structure relies on 53% of funding coming from personal income taxes, 27% of funding coming from sales tax corporate income 6%. Changes in tax structure are needed to be less reliant on excise tax and estate tax. Funding from personal income tax has been increased from 30-53% since 1970 Corporate tax has been dwindling.

Withholdings from payroll tax and sales tax revenue are relatively stable tax sources Corporate income swings wildly with business cycles. While the taxes being collected are currently meeting projections the most volatile part of tax receipts resides in April. Mr. Boardman stated that the income tax holdings are up 1% this year and that sales tax up 8%. Both of these were down last year.

He said that he hopes that the April surprise, from corporate earnings and other taxes, is positive

Mr. Boardman also stated that some of the economic fundamentals are not solid. Revenue income is still 13% below where we were in 2007 the revenues and generally where state revenue was in 2005. The previous recession was in 2001 this recession 10% deeper in terms of loss of income. In terms of the national economy the 19 month recession technically ended in June 2009 but for most of NC it has not ended. Growth in the economy has been flat since the technical end of the recession. Unemployment is not expected to get out of 9% zone in 2011 this figure will be dampened when discouraged workers come back again, and get counted again, when it looks like it is possible to find for a job. Initial jobless claims peaked in 2009 to a level not seen in not in pre recession data. Employment is still at recession bottom levels. Wages and hours work are increasing so hiring may be slowly increase

Housing sales and construction is still in a recession as well. Demand for new housing was high in 2005-until 2008 and structural problem, such as mortgage defaults, are expected to make the housing issues difficult to solve. There are still more houses that buyers in the marketplace and currently there is a 10 month inventory of houses for sale when the normal listing period was expected to be 90 days. Construction is in a slump since housing starts are low and manufacturing was still shedding jobs.

Consumer spending has declined 30% since 2007 National GDP 3-3.5% May be the second half of 2011 until any robust economy starts to be noticed in North Carolina. Thus, cautious approach is advisable relative to the information beginning given to the legislature about revenue projections.

Fiscal year 2011-2012 the anticipated budget is expected to be \$21.9 billion and the projection for revenue is \$18.2 billion this leaves a \$3.7 billion shortfall in the state budget. Universities are currently account for about 14% of the state budget and community colleges are allocated about 5% of overall budget. The deductions from these categories maybe required due to portions of the budget, like debt service, that cannot change.

**Questions** posed by the Faculty Assembly delegates included

If a reduction of 7% of workforce will increase unemployment rate more unemployment benefits will be needed for these newly unemployed workers. At that point state expenditures will be head in the wrong direction and loss of income and sales tax.

Another delegate contributed this remark on this topic indicating that unemployment is a driver. When the private sector sheds a job they may show a \$80k improvement in the public sector that may be only a \$50k

Mr. Boardman's response was that estimates are more art than science

Another delegate asked how conservative in the revenue projection figures were.

Mr. Boardman said that no population growth figured, and that one could argue that the expenditures could be even higher if population growth were included. His office tried to operate in the 3-4% accuracy rate. Last year, he reported, that they were in a 2% accuracy rate at the end of the end of the fiscal year.

Another delegate asked about continued job loss mentioning the loss of jobs just announced at the American Express call center

Mr. Boardman responded that some of these job losses were just natural churning of the economy and not a trend. The trend he say was that there was still a 1% loss in manufacturing loss jobs and the new work force has to be able to fill in and take the new service and tech jobs.

A question was asked about whether savings were being tracked Mr. Boardman noted a shift towards more savings He stated that we lived in debt for 10 years and saving rates are now moving up close to 5% of income. However house balance sheets are still out of whack so the family home is not as good an investment as it was thought to be.

A delegate asked how many people who have given up looking for jobs.

Mr. Boardman's response was that the state unemployment rate is a little higher 15% range.

The final question from a delegate was about reform of the tax structure

Mr. Boardman indicated that considerable effort had been made to look at the eroding sales tax base. He forecast that in this fiscal year there are going to be a number of new legislators who will need to be oriented to how tax revenue is collected. For example, if your disposal is repaired at your house the parts are taxed both the plumbers installation cost is not covered since it is income.

Similarly, the cost of a car repair only taxes the parts used. The labor is not taxed as sales since it is income. Most of the dollars on the internet sales are taxed as service rather than sales income when they are detected at all.



Mr. Boardman concluded his remarks by saying that North Carolina is one of 8-10 states in the nation with a AAA credit rating. Unfortunately, he said if we were re-evaluated by Moody's Investment now we would probably have this drop in our rating. If you lose the rating it cost more to borrow. Balancing the budget is very important.

In a response from a delegate, Mr. Boardman stated that the Chancellors have been told everything that the delegates have heard in his presentation.

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**Comments from Laura Luger-** Vice President and General Counsel, UNC General Administration Ms. Luger reported that Alan Mabe had set up the committee on under performing programs prior to leaving his job. The purpose of the committee was to examine program elimination and major curtailment ;it was really seen as administrative committee which is why there was no faculty representation at this time.

Committee has only met twice and the first meeting it became clear that the process of determining if a program is eliminated could well be a 18-24 month process of elimination. She said she hoped that establishing clarity about the process might help the legislature to understand that program elimination will not save money in the short term.

The recently named committee is to focus on reinventing the university for the future. Restructuring and unnecessary duplication is part of the charge of former Chancellor Woodward's committee. She said the hope that the program elimination and major curtailment committee would conclude its business relatively quickly and that a second committee will be convened to start

designing the "university of the future". Woodward's committee will continue the work of the first committee in its broadened charge; Ms. Luger stated that that faculty involvement is important to the work of this committee.

In regard to budget cuts, Ms. Luger reported that that most of the cuts up to this point were on the administrative side. She said the next round of cuts will effect SPA and non-tenured faculty. Currently there are different employment rights for semester fixed term, multiyear fixed term, pre tenured and tenured faculty. Tenured faculty are protected from layoffs by a prescribed set of regulations. Ms. Luger said that one of her major efforts had to be to explain to legislators what the rules are regarding faculty employment rights of various faculty ranks in view of academic program changes. She concluded by saying that many other university systems are dealing with this issues and that tenure is important to the campuses and she does not want to see it impaired.

**Questions** posed by the Faculty Assembly delegates included

The first question from a delegate was whether there was a checklist for underperforming programs that had been distributed to campuses.

Ms. Luger reported that no checklist has been vetted by the current program elimination and major curtailment committee.

She said that it is intended to be a campus based effort and that she did not know if the Board of Governors might make a policy or establish a procedure in the future. That is the basis of what former Chancellor Woodward's committee should resolve over the next fiscal year. Ms. Luger reminded the delegates that a Board of Governors decision would override campus based policies

A delegate ask if there were any systems priorities?

Ms. Luger said that programs could be eliminated if a Chancellor decides that a program needs to be eliminated. The second route is that the Board of Governors decides that a program needs to be eliminated. The Board of Governors has the policy right to do this. Hopefully whatever comes down from the Board of Governors and up from the campus will be resolved by the committee that former Chancellor Woodward will be leading

A delegate asked Ms. Luger if curtailment leads to absorption or reallocation of faculty where will the tenure reside? She responded that it could lead to termination or "retooling" time for another position. She stated that faculty are tenured within a university and there needs to be flexibility within the institution . A program is defined as a degree program, teacher training programs and continuing education training. Cost of retooling a tenured faculty member has a number of short term costs that must b considered as well.

Ms. Luger was asked what the time frame was for the program curtailment committee process. She stated that she did not know

One of the delegates remarked that chancellors may be making decisions on curtailing programs and they need to know if there are going to be policies that would effect this judgment. Program curtailment could ultimately effect the identity of the university.

Ms. Luger stated that nothing is currently happening with the Board of Governors at this time. She noted that programs and program delivery should be measured all the time; it is part of how we do business. If a Chancellor decides to eliminate a program the Board

of Governors generally agree that the due diligence has already been done at the campus.

A delegate asked about the extent of faculty input on these committees and how will the faculty be chosen to be part of the committees

Ms. Luger responded that representation is needed from as many constituencies as possible.

A delegate wanted clarification on Financial Exigency

A declaration of Financial Exigency might mean the reduction in bond rating for the state and is not being considered at this time. Chancellor could declare exigency , but would probably would want guidance from GA. Before doing this.

Another delegate asked what administrative flexibility meant?

Ms. Luger responded that it was looking to the Chancellors to tell GA what was in the best interest of their university.

An final question from a delegate stated that he was struct by two different dynamics protracted timeline contrasting 15-20% budget cutback this summer. Elimination of the employees who do not have job security and then salary cuts. Program elimination will be too slow to help with budget cuts.

Ms. Luger responded that furlough authority still exists for GA until June of this year. It is also reasonable to believe that there will be RIFs and layoffs in the coming year.

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**Comments from Anita Watkins**, Vice President for Government Relations, UNC GA began her comments by reviewing what the University system was asking for as approved by the Board of Governors on Friday. For next year's budget. The top three priorities were submitted by each campus. This added up to \$1.5

million for total extension budget mostly regarding student success and retention as well as Nano technology at UNC Ch and ECU Dental School. \$71 million requested in financial aid ; \$200 million requested last year and was one time money. Financial aid allocations had been taken from the escheats fund in the past, but this is limited since the principal cannot be touched. \$620 in permanent and one time reversion so far. For the university system in general 72% of the budget is personnel cost. Largest cut was \$109, so far, and 90% of this cut was taken in administrative cuts. The Academic Core was protected by \$700 tuition increase that protected them last year. If there is a 10% reversion this year that would be \$217 million the potential loss of 2,000 positions and 16,000 course sections in the system. A 20% cut would endanger the jobs of 4,000 current employees over the UNC system. Since the University system accounts for around 14% of the total state budget the UNC system will be required to make major financial sacrifices in view of the anticipated \$3.8 funding shortfall.

Formal process GA submits a budget knowing that there will not be everything – these are our needs and these are our priorities. So much is unknown there are 42 brand new members with no legislative experience. There is no policy agenda other than the budget policy agenda There is a definite need to focused on asking the campuses to better manage the money they are allocated for improved efficiency, regulatory flexibility and relief from unnecessary approvals. It is hoped that we can request a “flex cut” and then be given authority to determine where the cuts can be made most effectively at the campus level.

**Questions** posed by the Faculty Assembly delegates included  
What is the funding model?

The first question from a delegate was about the funding formula. The response was that the Board of Governors wanted more information prior to adopting a funding equation.

A delegate asked why not increase tuition for out of state tuition? The response was that raising out of state tuition does not yield that much money

Another delegate asked about efforts within their college to develop new programs and the reply was that this was not the time to develop new programs. The Board of Governors was more interested in curtailment of not productive programs than in new initiatives given the current budget situation.

The final comment from a delegate repeated the need faculty involvement in making those decisions at the campus level.

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**Comments from Laurie Charest**, Interim Vice President of Human Resources, UNC GA

Ms. Charest mentioned several human resources initiatives the first was permanently extend the phased retirement program before the statutory authority expires.

Another effort was shortening the break in service requirements in the retirement program. Vesting reciprocity between the two retirement programs currently requires 4 years in state government service and then an employee can come into the optional retirement plan. The attempt is to prevent an employee from having to become vesting over again.

Another request is to broadening furlough authority. It was reported that the Chancellors feel that it is a tool for which we need to have the authority in place. Currently the authorization expires this in June of 2011.

There are also discussions on incentivizing early retirement. However, it was reported that early retirement bills have not gone very far in the past.

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**Comments from Dr. Purification Martinez**

Report on the Faculty Assembly on tenure and Academic Freedom and involving the faculty in budget decisions was given by Dr. Martinez This PowerPoint is available on

<http://www.northcarolina.edu/facultyassembly/meetings/index.php>

Dr. Martinez also provided a handout on resources for best budget practices available at

( <http://www.aaup.org/aaup/financial/mainpage.htm> )