

**Policy Framework for Resource Allocation
East Carolina University
April 2011**

Virtually every state in the nation continues to experience significant budgetary shortfalls. North Carolina is no exception. Discussions are underway in Raleigh as the General Assembly works towards passage of a budget for the 2011-2012 and 2012-2013 legislative biennium. While the eventual outcome is unknown, it is likely that cuts to the UNC-system will be significant.

The budgetary challenges of the next two years cannot be viewed in isolation. For many years, state appropriations have been cut to all state agencies, higher education and ECU included. For example, in the last three years, ECU has incurred permanent and one-time reductions of over \$102 million. As a result, ECU's ability to manage future cuts will be constrained by our past actions. Not only are we unable to eliminate something already eliminated, but also activities that have been reduced in the past may not be able to be reduced further or by as large a degree.

This document sets forth the overarching criteria which will use to manage cuts to state appropriations over the next two fiscal years. We are uncertain as to the level of cuts as well as mechanisms which will ultimately be available to address the shortfall. Thus, this document purposefully sets forth broad guidelines and mechanisms rather than prescriptive details.

East Carolina University is a large, complex, inter-related, and inter-dependent organization. Our approach to virtually everything now and in the future must recognize and embrace those characteristics. Our approach to the budget for the upcoming biennium is no exception. No part of the organization can exist independently from others. No part of the organization can choose to not participate. No part of the organization is immune from the fiscal challenges that face our university. Clearly, unequivocally, and demonstrably, we are all in this together.

Budgetary Framework

Our approach to resource allocation is guided by four overarching concepts: prioritization, sacrifice, flexibility, and stewardship.

Prioritization

For many years, ECU has received additional state appropriations for enrollment increases and for new programs and initiatives (Coastal Studies Institute, Manteo, and the School of Dental Medicine being recent examples). These additional funds have enabled us to hire faculty to sustain the academic infrastructure as well as offer new degrees, expand programs, and add initiatives.

The fiscal challenges we face in the next biennium will be daunting. Of potentially greater importance is an ongoing structural shift in state funding priorities. Given the pressures on state budgets around the country, it is probable that future funding for higher education will be subject to chronic and ongoing downward pressure. Thus, the likelihood of ECU receiving material additional state funding is low, particularly on either a per-student or inflation-adjusted basis.

These forces will require us to rethink and adjust our strategic decision-making process and mindset. We must focus clearly on prioritization. No longer can we add and not subtract. If we believe it is important to add something, we must simultaneously identify an activity that we will stop. Fundamentally, prioritization not only requires an organization to identify the programs it will support, it also requires the organization to decide what not to support.

Sacrifice

In part because of the cuts ECU has absorbed in the past, it is a near-certainty that appropriations cuts over the next two years will affect all parts of the university. While individuals, programs, units, and activities may be affected to a greater or lesser extent, the entire university community will experience the negative impact of ongoing fiscal constraints.

Flexibility

We do not know the magnitude of cuts to state appropriations nor do we know the manner in which we ultimately will be able or permitted to address any eventual cut. We must maintain flexibility to adjust our approach to accommodate factors that are, as of now, unclear or unknown.

Stewardship

We have been entrusted with funds from state appropriations, private giving, payment for services, external grants, and many other sources. It is our obligation and duty to expend money from ALL these sources wisely, with care, with accountability, and to support the mission of the university.

The Next Two Years

As has been noted, we do not know the magnitude of the eventual cut. We also do not know whether mechanisms used in the past to address budget shortfalls will continue to be available in the future. Subject to these uncertainties, we expect to manage the budget cuts for the next two fiscal years by utilizing four major approaches.

Operational efficiencies and organizational restructuring

Range: 5% to 10% of the ECU-wide cut

In the past few years, ECU has made significant strides to increase our operational efficiencies and to reduce duplication and overhead. Many of these savings have been driven by and are incorporated into our statewide leadership in the PACE and UNC FIT initiatives. While we have made significant progress, we must revisit our past actions and re-evaluate our progress in an effort to identify additional savings.

In close cooperation with the Faculty Senate and its committees including, but not limited to, the Educational Policies and Planning Committee and the University Budget Committee, we must examine the structure and composition of our academic organizational units in an effort to identify and realize administrative cost savings. This process will be a long-term effort. Savings will likely be limited in the 2011-2012 fiscal year, but should be more significant in future years.

Strategic Unallocated Reserves

Range: 20%-30% of the ECU-wide cut

ECU has been proactive in strategically planning for the fiscal challenges we currently face. As part of that planning, we have appropriately utilized new and reallocated resources for short term needs, but

we have retained our ability to use these resources to address longer-term fiscal challenges. A portion of these resources will be used to meet the upcoming cuts.

Academic and non-academic units

Range: 40% to 60% of the ECU-wide cut

All academic and non-academic units will share in addressing the budgetary cuts. While it is almost painful to express, we can no longer exempt any segment of the university from sacrifice. We will recognize the effect of prior cuts as we address future cuts.

Student Tuition

Range: 20%-30% of the ECU-wide cut

Students must also be a part of how we manage cuts to state appropriations. While tuition has increased at all UNC schools, at NC state-supported universities, students pay around 25%-30% of the cost of their education. In the future, this percentage will likely rise as state appropriations falls. We will ensure that our tuition remains in the bottom quartile of our peer institutions.

Additional initiatives

In the last few months, we have begun to engage the larger university community in two broad initiatives that will help us address the longer-term challenges we face. We must provide significant emotional, administrative, operational, and intellectual support to these initiatives. Execution and implementation of the initiatives must be robust and meaningful. If so, we have an excellent opportunity to be a stronger and more focused institution.

Process improvement

The internal processes of an enterprise – how an enterprise “works” from day-to-day – represent a complex group of activities, processes, and information flows. These range from the process by which the cashier collects tuition, to the way in which people are hired, to how repairs are identified and completed, to how students register for classes, to when grades must be posted, to how bills are paid, and hundreds and hundreds of other examples.

Organizations with processes that are more efficient and effective spend less money per unit of output, and have outcomes that are more accurate and timely. We have established a comprehensive and inclusive plan of action that will identify, prioritize, evaluate, and improve our processes. This program clearly embraces the inter-connectedness of the university. We must now operationalize this effort and make it a priority.

Program reductions and eliminations

We must be prepared to reduce programs that are least important to the future of East Carolina University or that are no longer productive, needed, or beneficial. In conjunction with the faculty, we have started to establish the criteria under which degrees, concentrations, certificates, and programs will be measured and prioritized. It is likely that this effort will culminate in recommendations during AY 11-12.

In the short and medium term, significant fiscal savings cannot be expected from this effort. However, honest, concentrated, and diligent work will achieve academic offerings that are focused, effective, and efficient.