

AGENDA ITEM

6. Report on the 2015-16 Management Flexibility Reduction..... Andrea Poole

Situation: A report on the implementation of the 2015-16 management flexibility reduction was provided to Fiscal Research and the Office of State Budget and Management on April 1, 2016 as required by law.

Background: The 2015 Appropriations Act required a reduction of \$18,033,112 to be allocated by the Board of Governors and a report on the implementation of this reduction to be provided no later than April 1, 2016 to the Fiscal Research Division and the Office of State Budget and Management [S.L. 2015-241, Section 11.4(c)]

The Board of Governors approved the allocation of the management flexibility reductions on October 29, 2015.

Assessment: The reduction resulted in the elimination of 91.04 FTE and 1 program.

Action: This item is for information only.

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
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

University of
North Carolina
School of the Arts

Western Carolina
University

Winston-Salem
State University

Constituent High School

North Carolina
School of Science
and Mathematics

An Equal Opportunity/
Affirmative Action Employer

Andrea R. Poole
Associate Vice President for Finance
and University Budgets

Phone: 919-962-3136

Fax: 919-962-0008

Email: arpoole@northcarolina.edu

March 30, 2016

MEMORANDUM

TO: Andrew Heath, Director of Office of State Budget and Management
Mark Trogon, Director of Fiscal Research Division

FROM: Andrea Poole *Andrea Poole*

SUBJECT: Report on the Implementation of FY 2015-16 Reductions

Session Law 2015-241 (2015 Appropriations Act), requires the University of North Carolina to report to the Office of State Budget and Management and the Fiscal Research Division on the implementation of the management flexibility reduction required for FY 2015-16. This report summarizes the implementation of this reduction.

Enclosure

cc: Adam Brueggemann, Office of State Budget and Management
Brett Altman, Fiscal Research Division
Mark Bondo, Fiscal Research Division

University of North Carolina
Report on the Implementation of
FY 2015-16 Management Flexibility Reductions
As required by S.L. 2015-241, Section 11.4(c)



April 1, 2016

Introduction

Section 11.4(c) of S.L. 2015-241 (Appropriations Act of 2015) requires the University of North Carolina to report to the Fiscal Research Division and the Office of State Budget and Management on the implementation of the management flexibility reduction in the 2015 budget, with specific information provided on the total number of positions eliminated by type (faculty/nonfaculty) as well as the low-performing, redundant, and low-enrollment programs that were eliminated. This report is submitted to fulfill this requirement.

Allocation

The Board allocated the reductions on October 29, 2015. Following is a summary of the method of allocation of each reduction. The Board of Governors' allocations are provided in Attachment 1.

Management Flexibility Reduction

Section 11.4 of S.L. 2015-241 mandated that the management flexibility reduction could not be allocated on an across-the-board method. The Board was required to consider several factors in allocating the reductions and was prohibited from making reductions to UNC Need-Based Financial Aid, the NC Need-Based Scholarship, state funds allocated to NC State University for support to the Agriculture Education/Future Farmers of America Program and five campuses (Elizabeth City State University, Fayetteville State University, UNC Asheville, UNC School of the Arts, and NC School of Science and Mathematics).

Given these parameters, the following eight measures were factored into the management flexibility reduction allocation methodology for the remaining institutions, in order for institutions performing well or exceeding peer averages to receive a lower reduction.

- Freshman-to-Sophomore Retention – Campus performance greater than public peer average or improvement over prior year.
- Graduation Rate – Six-year graduation rate greater than public peer average or improvement over prior year.
- Degree Efficiency – Bachelor's degrees produced per 100 FTE undergraduates greater than public peer average or improvement over prior year.
- UNC Compliance Index – UNC Compliance score higher than three-year UNC System average
- E&R Spending per Degree – Education and related spending per degree, weighted for program mix, less than comparable public peer average or improvement over prior year.
- No Tuition – Entities without the ability to charge tuition
- Diseconomies of Scale – Headcount enrollment less than 6,500 students
- Pell Grant Recipients – Greater than 1/3 of North Carolina resident undergraduate students receiving a Pell Grant

Implementation

Overall, the majority of the reductions were made to personnel expenditures (44%); reductions to purchased services and supplies made up the next largest shares at 27% and 25% respectively. Attachment 2 provides a more detailed summary of the areas of reduction by institution. Section 11.4(c) requires UNC to specifically report the total number of positions eliminated by type, as well as the number of programs eliminated. The required information follows.

Positions

In identifying reductions totaling \$18 million, institutions eliminated 91.04 positions from General Fund support. Of the 91.04 FTE, 88.62 FTE (97%) were eliminated and 2.42 (3%) were shifted to non-General Fund support. Of the 88.62 eliminated FTE, 6.55 (7%) were filled positions. Campuses reported that in addition to the 6.55 FTE that lost employment, individuals who were in temporary employment, student employees, adjunct faculty, or others may have also lost employment as a result of vacant positions being eliminated.

The majority of positions eliminated were EHRA (exempt from the State Human Resources Act). EHRA positions made up 63% (57.54 FTE) of the 91.04 FTE eliminated from General Fund support – 35.09 faculty FTE and 22.45 non-faculty FTE. Positions subject to the State Human Resources Act made up the remaining 37% of the positions eliminated (33.50 FTE).

Low-Enrollment, Low-Performing, and Redundant Programs

East Carolina University reported that their ECU-TV program was eliminated as a result of this reduction.

Institution	2015-16 Base Plus Enrollment Adjustment	Exemptions	2015-16 Management Flex Calculation															Reduction as % of Adj. Base
			Weight Factors								Weight Calculation				2015-16 Weighted Base	Institution % of Total Weighted Base	Management Flex Reduction	
			Efficiency and Effectiveness Metrics					Other			Campus Score			Max Discount			(\$18,033,112)	
			Retention	Graduation Rate	Degree Efficiency	UNC Compliance Index	E&R Spending per Degree	Pell Grant Recipients	No Tuition	Diseconomies of Scale	Total Points	Available Points	% of Available Points	-50%				
ASU	132,090,402		1	1		1	1				4	8	50%	-25%	99,067,802	5.92%	(1,067,407)	-0.81%
ECU	276,164,822		1	1		1	1				4	8	50%	-25%	207,123,617	12.38%	(2,231,656)	-0.81%
ECSU	28,809,843	exempt			0.5		0.5	1		1	3	8	38%	-19%			-	0.00%
FSU	47,348,602	exempt	1	0.5	0.5		0.5	1		1	4.5	8	56%	-28%			-	0.00%
NCA&T	90,601,819		1	0.5	0.5		0.5	1			3.5	8	44%	-22%	70,782,671	4.23%	(762,649)	-0.84%
NCCU	78,618,777		1	0.5	0.5	1	0.5	1			4.5	8	56%	-28%	56,507,246	3.38%	(608,838)	-0.77%
NCSU	498,456,041		1	0.5	0.5	1	1				4	8	50%	-25%	373,842,031	22.34%	(4,027,965)	-0.81%
UNCA	37,987,989	exempt		0.5	1	1	1	1		1	5.5	8	69%	-34%			-	0.00%
UNC-CH	479,574,115		1	1	1		0.5				3.5	8	44%	-22%	374,667,277	22.39%	(4,036,857)	-0.84%
UNCC	217,407,702		1	1	1	1	1	1			6	8	75%	-38%	135,879,814	8.12%	(1,464,039)	-0.67%
UNCG	145,763,709		0.5	1		1	0.5	1			4	8	50%	-25%	109,322,782	6.53%	(1,177,900)	-0.81%
UNCP	53,370,824		0.5	0.5	0.5	1		1		1	4.5	8	56%	-28%	38,360,280	2.29%	(413,313)	-0.77%
UNCW	111,646,659			1	1	1	1				4	8	50%	-25%	83,734,994	5.00%	(902,204)	-0.81%
UNCSA	29,180,765	exempt	0.5	0.5		1				1	3	6	50%	-25%			-	0.00%
WCU	90,794,698		1	0.5	1	1	1				4.5	8	56%	-28%	65,258,689	3.90%	(703,130)	-0.77%
WSSU	64,811,348		1	1	1		1	1		1	6	8	75%	-38%	40,507,093	2.42%	(436,444)	-0.67%
NCSSM	19,897,805	exempt						1		1	2	3	67%	-33%			-	0.00%
UNCGA	37,256,706						1		1	1	3	3	100%	-50%	18,628,353	1.11%	(200,711)	-0.54%
TOTAL	2,439,782,626														\$1,673,682,647	100%	(\$18,033,112)	-0.74%

Changes to weight factor calculations:

- (1) Weight factors with a peer comparison (retention, graduation rate, degree efficiency, and E&R spending per degree) are worth one point if an institution exceeds peer average, and one-half point if an institution improves from prior year institution performance. All other factors are worth one point.
- (2) Institutions are scored compared to the total possible points for that institution.
- (3) The maximum possible discount to a base budget is 50%.
- (4) Weight factors have been updated to FY 2012-13 for comparison to peers.
- (5) Weight factors have been updated to FY 2013-14 to measure improvement in factors with a peer comparison and for UNC Compliance Index, Pell Grant recipients, no tuition, and diseconomies of scale.
- (6) Institutions only have one set of weight factor scores, regardless of the number of budget codes.

Areas of Reduction by Institution

Institution	Personnel		Purchased Services		Supplies		Equipment and Capital		Other Requirements		Appropriation
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
ASU	\$ -	-	\$ -	-	\$ (867,407)	81%	\$ (200,000)	19%	\$ -	-	\$ (1,067,407)
ECU	\$ (1,956,872)	88%	\$ (206,813)	9%	\$ (47,613)	2%	\$ (20,358)	1%	\$ -	-	\$ (2,231,656)
ECSU	<i>Campus Exempted</i>										\$ -
FSU	<i>Campus Exempted</i>										\$ -
NCA&T	\$ (613,633)	80%	\$ (69,279)	9%	\$ (37,545)	5%	\$ (42,192)	6%	\$ -	-	\$ (762,649)
NCCU	\$ (608,838)	100%	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ (608,838)
NCSU	\$ (2,962,045)	74%	\$ (461,153)	11%	\$ (604,767)	15%	\$ -	-	\$ -	-	\$ (4,027,965)
UNCA	<i>Campus Exempted</i>										\$ -
UNC-CH	\$ (59,079)	1%	\$ (2,423,205)	60%	\$ (965,567)	24%	\$ (350,027)	9%	\$ (238,979)	6%	\$ (4,036,857)
UNCC	\$ -	-	\$ (470,000)	32%	\$ (994,039)	68%	\$ -	-	\$ -	-	\$ (1,464,039)
UNCG	\$ (1,177,900)	100%	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ (1,177,900)
UNCP	\$ -	-	\$ (413,313)	100%	\$ -	-	\$ -	-	\$ -	-	\$ (413,313)
UNCW	\$ -	-	\$ -	-	\$ (902,204)	100%	\$ -	-	\$ -	-	\$ (902,204)
UNCSA	<i>Campus Exempted</i>										\$ -
WCU	\$ -	-	\$ (690,867)	98%	\$ (12,263)	2%	\$ -	-	\$ -	-	\$ (703,130)
WSSU	\$ (436,444)	100%	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ (436,444)
NCSSM	<i>Campus Exempted</i>										\$ -
UNC-GA	\$ (135,726)	68%	\$ (64,984)	32%	\$ -	-	\$ -	-	\$ -	-	\$ (200,710)
Total	\$ (7,950,537)	44%	\$ (4,799,614)	27%	\$ (4,431,405)	25%	\$ (612,577)	3%	\$ (238,979)	1%	\$ (18,033,112)

Type of Position Reductions by Institution

Position Reductions By Type				
Institution	EHRA Faculty	EHRA Non-Faculty	SHRA	Total FTE Eliminated
ASU	-	-	-	-
ECU	(16.48)	(2.50)	(9.12)	(28.10)
ECSU	<i>Campus Exempted</i>			-
FSU	<i>Campus Exempted</i>			-
NCA&T	-	(5.00)	-	(5.00)
NCCU	-	-	(10.00)	(10.00)
NCSU	(10.00)	(11.97)	(11.60)	(33.57)
UNCA	<i>Campus Exempted</i>			-
UNC-CH	-	-	-	-
UNCC	-	-	-	-
UNCG	(8.61)	(0.13)	(1.43)	(10.17)
UNCP	-	-	-	-
UNCW	-	-	-	-
UNCSA	<i>Campus Exempted</i>			-
WCU	-	-	-	-
WSSU	-	(2.00)	(0.50)	(2.50)
NCSSM	<i>Campus Exempted</i>			-
UNC-GA	-	(0.85)	(0.85)	(1.70)
Total	(35.09)	(22.45)	(33.50)	(91.04)

Filled, Vacant, and Fund Shifted Position Reductions				
Institution	Filled	Vacant	Fund Shifted	Total FTE Eliminated
ASU	-	-	-	-
ECU	-	(27.47)	(0.63)	(28.10)
ECSU	<i>Campus Exempted</i>			-
FSU	<i>Campus Exempted</i>			-
NCA&T	-	(5.00)	-	(5.00)
NCCU	-	(10.00)	-	(10.00)
NCSU	(6.55)	(27.01)	(0.01)	(33.57)
UNCA	<i>Campus Exempted</i>			-
UNC-CH	-	-	-	-
UNCC	-	-	-	-
UNCG	-	(9.74)	(0.43)	(10.17)
UNCP	-	-	-	-
UNCW	-	-	-	-
UNCSA	<i>Campus Exempted</i>			-
WCU	-	-	-	-
WSSU	-	(2.00)	(0.50)	(2.50)
NCSSM	<i>Campus Exempted</i>			-
UNC-GA	-	(0.85)	(0.85)	(1.70)
Total	(6.55)	(82.07)	(2.42)	(91.04)

Note: The elimination of vacant positions may also result in a lower level of service due to the reduction in flexibility to backfill vacant positions with adjunct or temporary staff.