

Minutes of Faculty Assembly Meeting Held on 1/21/2011

I. Welcome and Introductions (STE-000 0:00:00)

The third session of the Faculty Assembly 2010-2011 was called to order by Chair S. Gravett.

Chair Gravett introduced the assembly to the new website
<http://www.northcarolina.edu/facultyassembly/index.htm>

Chair Gravett has met with President Ross. She presented him with the Academic Freedom Resolution, and indicated that he plans to take it under consideration.

Numerous changes in personnel at UNC General Administration:

- William Fleming—Vice President for Human Relations, beginning February 1.
- Charlie Perusse—Vice President for Finance, beginning March 1.
- Leslie Cates—Director of State Government Relations.

Special thanks to retiring Laurie Charest for service as VP for Human Relations and to retiring Jim Sadler for service as Assoc. VP for Academic Affairs.

The search for the Senior VP for Academic Affairs is ongoing, and Chair Gravett indicated that there are good candidates.

Delegates are asked to consider changes to the Faculty Assembly By-Laws to improve continuity in leadership. This will be considered at the next Faculty Assembly meeting.

Issues ahead:

Short-term, “nothing off the table” for budget considerations.

Long-term, restructuring task force will be led by Chancellor Jim Woodward.

March Faculty Assembly focus will be Online Education.

April Faculty Assembly will focus on relation with K-12 and Community Colleges.

Questions (STE-000 0.21:35)

E McNelis (WCU) Asked for a repository for information about what is happening on other campuses.

K. Cook (UNCW) Wondered whether requirement for SACS and other accreditation bodies can be used to leverage funding to support core requirements.

P. Williams (NCSU) Concerned that the issue of access to higher ed. is getting lost in budget issues.

Bruce Mallette Noted that the BOG is asking for an additional \$71 million for financial aid.
Chair Gravett indicated that access is a critical issue for President Ross.

II. President Tom Ross (STE-000 0:29:30)

Provided some personal history with respect to his academic experience, highlighting the roll of a specific professor who changed his personal and professional work. He understands that the work of the University is about the difference faculty make in students' lives.

President Ross came to UNC because of his commitment to make higher education accessible to the people of North Carolina. Public universities are a critical piece of the state and the country's future.

He noted that we must keep focus on the long term. We have already taken \$620 million in cuts. In the past these have largely been on the administrative side, and there is not a lot of room left there. Now we will have to make cuts that will have greater impact on the academic side.

We have a responsibility to maintain access while keeping the focus on academic excellence. We have a strong system, and it is our responsibility to keep it that way.

If we are asked to do more with cuts, then we also need the flexibility to manage them. We have an obligation to be more efficient. This may mean addressing duplication. But what is necessary duplication for a healthy institution? And what is not? President Ross has asked Chancellor Woodward to lead a task force to explore duplications across the system.

Questions (STE-000 0:45:40)

K. Cook (UNCW) Noted that education results in students' becoming good tax payers. Encouraged an emphasis on the impact of education on the long-term vitality of the whole state economy.

Ross This is the message he is taking to legislators and all the population of NC. State that will be the winners coming out of the recession will be those that invest in their universities. Our job is to work with the Legislature to help identify where to invest. This is also what he did during the restructuring of the court system.

J. Martin (NCSU) The University is excellent at creating silos. And one of these is the disconnect between administrations and faculties with on-the-ground experience. Martin asked for a commitment to bring persons with faculty experience onto the leadership staff at General Administration.

Ross No clear commitment about hiring. However, believes strongly in inclusivity, transparency, and cooperation in decision-making. It is a mistake not to engage with people who are doing the work. Can commit to listening and involving faculty in decision-making process. Particularly given the economy will make no commitments to additional staff.

J. D'Arruda UNCP Asked about commitment to smaller campuses across system.

Ross I am always being asked about the possibility of closing campuses. However, each campus plays an important roll in its community. North Carolina is only in the middle of the states in terms of producing degrees, thus there is a need to increase capacity. We don't need to reduce seats and the number of faculty to teach them. There is no reason to consider closing a campus. There are, however, likely ways we can collaborate across campuses to improve efficiency.

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P. Bonner (NCAT) Asked about the commitment to universities who are struggling to meet core obligations, particularly with students who have weaker backgrounds. Providing effective core courses is critical for improving student success.

Ross Noted the need to increase performance and retention. Need to work with community colleges and high schools to ensure that students are ready to come to universities. Also need to look at our admission to ensure we are starting with students that can succeed. Students clearly also need support beyond the classroom, such as counselors. Recognizes that in the current economy, quality will be compromised, but have to do the best we can to cope.

S. Bachenheimer (UNC-CH) Asked about the N&O Op-Ed suggesting to “cut Chapel Hill loose” to become private. Some imply that the system may be better off without Chapel Hill

Ross No interest in Chapel Hill’s leaving. We have strong private universities in North Carolina, and we desperately need strong schools in our public system. “The public needs access to excellence.”

Bachenheimer Also noted that there is some misinformation regarding funding. While only 21% of UNC’s total budget comes from the state, the portion of the College of Arts and Sciences is heavily dependent on the state.

Ross Added that the state gets educated students, many trained public workers, extension services, research dollars and products that create jobs, etc., all of which come back as a return on its investment.

D. Ribar (UNCG) Noted that the budget situation is being exacerbated by letting temporary taxes expires. One of those is on households earning >\$100K, yet these are the most likely persons to use the university system. Need to make the case that those who benefit need to contribute to the revenue side to mitigate cuts.

Ross Had been on two commissions looking at tax reform. This is one of the most important issues facing the state. We tend to cut taxes in good times, and pay the penalty in bad times. Need to figure out a tax structure for which revenue must track demands. Would encourage that a more reasonable tax system should consider rebates instead of permanent tax cuts. “We will never get out of this mess unless we are willing to tackle tax reform.”

III. Senator *Peter Brunstetter*, R-Forsyth County (STE-001 0:00:00)

Co-chair of the Appropriations subcommittee.

Noted major change to the general assembly, all against the backdrop of a horrible budget year. Governments generally go into a recession earlier and come out later than the general economy.

Most agree that there is a need to bring down expenditures because expenditures do not match revenue—expecting \$3.8 billion or 18% reduction. Tax revenue is not significantly growing and there is no expectation that it will recover for 2-3 years. There is an expatriation of temporary taxes. Federal stimulus funding is going away.

There is not 18% of “junk and fluff” to cut. Can’t touch debt service. Medicaid and Department of Health and Human Services, about 20% is largely untouchable. Education (K-12, community

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colleges and the university system) is about 60% of budget. Education will be impacted, and there is no way to address cuts of this magnitude without impacting personnel. General strategy will be a "retreat to core functions." Good programs will be cut...since most government programs do good for somebody somewhere.

Expect the House and the Senate to work more closely together than has historically been the case. It is an unknown dynamic as to how the Governor will interact (be willing to veto) with the Legislature. Right now everyone is working together. There is work right now trying to bring down the remainder of the 2010 budget to mitigate the impact to the 2011 budget.

Anticipated effects to the university system? This is a time to be smart. This is a time to ensure flexibility, since this is the philosophy of the current Legislature. There will be cuts, but in return the Legislature will give those running the institutions flexibility in managing the institutions. Does expect there will be higher tuition. Also wants to hear from campuses what does and does not make sense.

Other issues before the Legislature will include redistricting, tort reform, and election law. The budget will take up the majority of the intellectual capacity of the Legislature.

Questions

L. Kremer (UNC-CH) Why let the temporary sales tax expire when that would generate \$1 billion of revenue. The burden of this tax is small compared to the burden of layoffs.

Brunstetter All leadership is committed to address through cuts and not by increasing revenue. Legislature is concerned with a credibility issue that temporary is in fact temporary. Noted there is disagreement as to whether extending the sales tax will extend or solve the recession. Also concerned that NC's tax structure disadvantages us with respect to neighboring states.

Kremer If tuition rises, will the campuses be able to keep the revenues?

Brunstetter Yes, predisposition is that tuition increases stay on campus.

D. Bollinger (UNCW) Asked how realistic is the June 30 budget deadline?

Brunstetter Expects a reasonably fast turn around after the Governor submits her budget. Biggest issue will be with disagreements between the Legislature and the Governor. Senate if veto proof, the House is 2 votes short of veto-proof.

Bollinger How long do you expect the "honeymoon" period to last?

Brunstetter Believes that Berger and Tillis will work to keep rhetoric from getting out of hand.

Bollinger When revenues get better, will we keep things down? Or be willing to reinvest?

Brunstetter Current leadership will only allow measured growth.

M. Green (UNCC) In the fall semester we were told to expect 5-10%. Just before Christmas this was up to 15%. Will this be going up?

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Brunstetter Best guess is that we have an 18% deficit so would guess an 18% cut.

Z. Madjd-Sadjadi (WSSU) Is there a chance that there will be more competition to the State Health Plan? Or an opening of the insurance market to out-of-state competition?

Brunstetter The leadership team is not wedded to the current health plan. A standing committee on insurance is being created, and the State Health Plan is the first issue on the agenda.

C. Dilday (FSU) *The New York Times* had an article suggesting that some may want to allow states to declare bankruptcy, with the result that states would no longer have an obligation to honor their pension plans.

Brunstetter Have heard no discussion about North Carolina even considering declaring bankruptcy.

K. Cook (UNCW) There continues to appear to me a misperception as to who the faculty are. Even a resentment of "privileged" seems to possibly fuel a desire for cuts. What advice would you have to help change the perception of faculty.

Brunstetter Had never heard a predisposition against faculty in the Legislature. Instead, the UNC system is considered something that we do right and well. If concerned about perception, then stay in touch with legislators. Put a face and thoughtful mind forward to help with the problem.

D. Ribar (UNCG) North Carolina has an admirable fiscal record funding pensions. However, last year, NC slipped in support. If it continues to be underfunded we will be in trouble.

Brunstetter There is a commitment to meet obligations, and then face troubled areas. Dipping into pension funds is not a long-term solution.

D. Claxton (WCU) Had heard of some desire to increase control over how the University runs, such as an idea to require faculty to a four-course/semester load.

Brunstetter Management of the Legislature has changed, and he has heard no such issues there. The leadership is inclined to rely on local leadership.

E. Rosenberg (UNCSA) Faculty are not in a position to reclaim 10 hrs associated with the furlough. There was no option not to give or grade finals. We are not 12-month contract personnel. So if there is a furlough, will there be some provision for faculty-type responsibility?

Brunstetter Taught at Elon School of Law last year and was surprised to learn how much work it takes to prepare courses, exams, etc. It is his understanding that furloughs are not the way to proceed. Furloughs largely created more problems than they solved.

IV. Barry Bordman Fiscal Research Division at UNC General Assembly (STE-001 0:38:30)

(See associated PowerPoint presentation

http://www.northcarolina.edu/facultyassembly/meetings/General_Fund_Revenue_Outlook_2011.pdf)

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Provided data provided as to sources of revenue. Noted that sales tax and withholding stabilize revenue. By contrast, corporate and non-withholding income are quite variable.

Good news that key sources have started to improve. However, in spite of improvements, revenues are about 13% below what we had in 2007, and closer to 2005 revenues.

Employment/wages are the major drivers of the state's economy, and unemployment has not yet abated. The housing recession is also not over.

Questions (STE-001 1:05:20)

R. Burt UNCW If there is a reduction in state employees by 7% what impact will this have on economic indicators?

Bordman This will result in an increase in unemployment, which would require at least 2-5 years to backfill with private employment. This would require a recalculation of revenues.

Z. Madjid-Sadjadi (WSSU) Noted that layoffs also impact the expenditure side due to pay-outs, unemployment, etc. Thus institutions do not save all the \$ previously paid to employees.

Bordman Cost of layoffs is included in estimates.

K. Cook (UNCW) How real is the \$3.7 billion dollar figure?

Bordman Forecasting often overestimates expenditure and underestimates revenue. Generally modest assumptions are made. On scale of 1-10 (cautious to optimistic), Bordman suggested that state budget estimates are probably at a level of 3.

S. Gravett (ASU) The Triad region just took a major loss with American Express employment. These are jobs that will not come back.

Bordman Noted that statewide projections are an aggregate, not the same as regional employment. He sees technical/service/engineering/information employment opportunities increasing. The issue such as the American Express call center is part of the natural churning of the economy.

_____ [?] Are we tracking savings?

Bordman Yes. Savings have increased up to about 5%. This is good in the long run, but does diminish sales tax revenue.

Bruce McKinney (UNCW) There are not as many people losing jobs, but there are many people who have given up looking. How does North Carolina compare with the national average?

Bordman North Carolina is average with the rest of the country.

L. Kramer (UNC-CH) Noted the decline in sales tax. This implies that we are not taking advantage of taxable sales. Is there an option of reducing sales tax rate but consider taxing other services to expand the revenue base?

Draft for Approval at 3/25/2011 Meeting

Bordman There has been considerable effort to address the declining sales tax base. It is well known that consumption is one of the most stable sources of revenue. There is no expectation that such will be considered by the current Legislature. In part because of its being a new Legislature and it will take time for them to develop an understanding of the budget before any such consideration of the tax structure will likely come up for consideration. Redistricting is anticipated to take most of the energy this year. There is a chance to look at the tax structure next year during the short session.

L. Kramer What services could be taxed that are not?

Bordman General services such as haircuts, plumber services, auto services...parts are taxed and services are not. Discourage taxing professional services because they are often cross border, and also largely business-to-business, which generally are transferred to customers.

J. D'Arruda (UNCP) How about sales on Internet purchases?

Bordman Would need Congress to address that issue.

D. Bollinger (UNCW) How is North Carolina's credit rating?

Bordman Still AAA. One of 8-10 states with this rating. The state has resisted running up debt and has worked hard to maintain rating. However, Bordman also noted that no state would like to have its rating reevaluated today.

M. Green (UNCC) How much information that we have been given is known on our campuses?

Anita Watkins Noted that this information is provided to Chancellors. Budget details are sent to CAOs and legislative liaisons as soon as General Administration has the information.

Break for Lunch and Break-out Discussions

V. Program Elimination and Major Curtailment - *Laura Luger*, Vice President and General Counsel, UNC General Administration (STE-002 0:00:00)

Conditions are dire and policy structure is complex. For this reason an administrative committee gathered to gain clarity as to the policy for program elimination. Marilyn Scherer, ECU Provost is chair of this committee, which was set up by Alan Mabe, Senior Vice President for Academic Affairs.

Program elimination may be necessary, even if there is no decision to declare financial exigency.

Most of the \$620 million in cuts over the last few years has been cuts on the administrative side. So now we are going to have to look at the academic side. We know this will affect personnel, which is 80% of our budget. We know this will not just impact SPA personnel, but it will also impact the academic core, including tenured faculty.

Draft for Approval at 3/25/2011 Meeting

Our policies appropriately protect tenured faculty. And there are only restricted reasons for which tenured faculty can be laid off. These are not policies that are implemented frequently, so their application is not well known. This committee is reviewing issues to get ahead of the decisions that are likely to come. It is important to recognize that program elimination is not a short-term process; it generally takes 18-24 months to evaluate and make any decisions.

Suggested we need to “reinvent University for the future.” This may involve removing unnecessary duplication, which currently is allowed in policy. Some duplication is necessary, but this needs to be evaluated and thus the task force chaired by Jim Woodward. There is also the presumption that it is better to address such matters internally rather than externally by the General Assembly.

Adjunct faculty have the least protections. T/TT faculty have the most extensive set of rights. The existing committee has worked to clarify these rights and further plans to develop a checklist for campuses as to rights and policies to ensure that policies and terms in the policies are defined. E.g. what does “major” mean for major curtailment. A second committee will be convened to focus on future restructuring. This will likely be led by Chancellor Woodward, and is anticipated to include faculty.

The Committee on Educational Planning, Policies, and Programs of the Board of Governors has been briefed on program elimination and major curtailments requirements. Fiscal research in Raleigh has also been briefed so that they understand what is possible.

Questions (STE-002 0:18:00)

E. McNelis (WCU) At what stage is the development of this checklist?

Luger It has not yet been vetted by the committee. It largely reflects policy, and is focused on a campus-driven process. Although the BOG can also initiate eliminations.

McNelis Is there an effort to create prioritization across the system to help campuses already working on prioritization to integrate ideas instead of working in different directions?

This will be part of Jim Woodward’s work. It is to be based from a healthy campus-based process.

S. Gravett (ASU) Asked for clarification as to the relationship between the Board and campus-initiated processes?

Luger University policy provides two routes for curtailment. (1) The Chancellor, with other leadership and the faculty, can make decisions that then must be approved by the Board of Governors. (2) The BOG can review and recommend elimination. If that happens, the Board is to communicate to the Chancellor, who then must again follow processes outlined in policy.

V. Goldman (NCCU) Will the committee seek input from the Faculty Assembly regarding this checklist?

Luger Not at this time.

Draft for Approval at 3/25/2011 Meeting

Z. Madjd-Sadjadi (WSSU) If the top-down BOG program elimination process is activated, this might seem to be a type of merger. Does this affect reappointment rights? If a program is eliminated, but faculty are still needed to teach service courses for other programs, do the faculty lose tenure? A further question is what is a program?

Luger Noted that there is a nuance between curtailment (possibly more like a merger) vs. elimination. Ultimately the University will observe basic rights; decisions will likely be specific to situations; it is difficult to generalize. Sometimes faculty will have to leave. But if they stay and require retooling, then with respect to tenure, faculty are tenured by the institution. No one has begun to address the complexity of tenure if there is a shifting between departments.

As to what is a program? Degree, certificate, and teacher licensure programs.

E. Rosengerg (UNCSA) Has anyone looked at the differential cost of massive layoffs/program eliminations?

Luger No.

Rosengerg Who will be looking into this?

Luger It will be evaluated at the campus level.

Rosengerg What is the cost of reeducating, retooling, COBRA, unemployment insurance, and other invisible costs?

Luger This will be looked at. Even an SPA rif [*reduction in force*] is costed for one-time costs. Chancellors are responsible to be clear as to what the cost of a rif is to an institution, which must be considered with respect to any possible savings.

A. McCulloch(?) (FSU) What is the time frame for any curtailment and elimination?

Luger Didn't know what was going on at the campuses. This could be beginning already but it hasn't yet come up to the General Administration. Historically curtailment has not impacted tenure track faculty. We are facing a new world that may impact tenured faculty. We are looking at both current economic conditions and changes to education and how students learn.

B. McKinney (UNCW) What would trigger top-down elimination vs. chancellor elimination.

Luger Would have to follow policy of the BOG, which would have to consider the same kind of issues that a campus would. The only difference is whether the Board or the Chancellor would take the first step. May have a better idea depending on the work of J. Woodward's committee. Unnecessary duplication would be an example of a possible Board-initiated elimination.

R. Burt (UNCW) It is difficult internally for a campus and system to make these choices. Under economic pressure, administrators are looking at programs they may eliminate for economic reasons. If the Chancellor knew that another program was being looked at by the BOG, it would likely impact the campus programs a Chancellor would consider cutting. This requires extensive

communication early. Further, the decision to eliminate programs shapes the nature of the university. Such decisions that determine the identity of each campus are normally matters decided at the campus level. How do we consider dealing with such identity decisions being made potentially outside of a campus?

Luger Nothing is happening at the BOG level with regard to program assessment that is outside the normal program review that occurs on a continuing basis. This kind of program review is part of the UNC Tomorrow recommendations.

It is a major goal for the BOG not to surprise Chancellors, and vice versa. We really need all parties, BOG, Chancellors, campus leadership, and faculty all to be working on reshaping the University.

M. Walker (ECU) What is the level of faculty involvement on the new committee? And what options will there be for faculty input and how will the faculty be chosen?

Luger Don't know. Nothing designed yet. GA understands how critical it is to have faculty involvement, and Chair Gravett will continue to be kept abreast of what transpires.

S. Andersen (ASU) Asked to address the concept of financial exigency.

Luger Financial exigency is not likely on the table. Implementation of such is huge, impacting the state's financial rating, which would also hurt the ability to borrow money and operate. From policy language, exigency sounds similar to what we are experiencing. But as financial exigency has been interpreted, it is a much more dire situation. Exigency is closer to locking the door and leaving the key. It is generally an institutional, not a system decision.

J. Martin (NCSU) What is the "flexibility" that we keep hearing about? Flexibility is great if I have the flexibility, but not so great if the flexibility is done to me? We are primarily hearing this language from the administrative side. Is this something that from the faculty, staff, and employees sides we should be more concerned about?

Luger GA is looking directly to Chancellors for bureaucratic and regulatory processes that they would like to be relieved of. Then GA will evaluate. Luger suggested that comments be passed to Chancellors.

Martin Recommended that the Chancellors should not be the only ones consulted on this matter.

Luger Send comments to GA.

S. Bachenheimer (UNC-CH) How will program elimination interface with the immediacy of the budget crunch? The immediacy will tend to impact primarily the most vulnerable employees. Will the immediacy result in an across-the-board salary cut?

Luger Program elimination will not address budget cuts, particularly in the short term. We all need to be as "creative as we possibly can be."

Short-term possible actions include: The University has furlough authority through June 30 of this year. There will be rifs and layoffs. It is true that persons with shorter-term

contracts will be impacted most. And the answer is we don't know where the money will come from.

VI. Non-Budgetary Legislative Policy Agenda - Anita Watkins, Vice President for Government Relations (STE-002 0:52:10)

The Board of Governors budget was approved on Friday. Each campus was asked to submit its highest three priorities. For most campuses only one of the priorities was added. Other requests are for continuing support for projects already in the pipe-line. This budget request is for the smallest expansion budget ever submitted, and is mostly focused on funding for student retention and success. In this regard there is a request to make the one-time financial aid dollars permanent. Financial aid is largely funded from the escheats fund, for which we are already tapping into the principal. It is not clear where the additional financial aid will come from.

There is a request for \$45million (25% reduced from campus request) for enrollment funding, specifically focused on high-need areas including graduation/retention as per the new enrollment policy, looking at community college transfers, and holding off on growth of graduate programs. This allows a more realistic request.

J. Ehnenn (ASU) Clarification on shift of enrollment model...from growth to retention rates. What is the status of the new model?

Watkins The enrollment request by the BOG was built on the model developed to allow only enrollment growth for campuses who met graduation/retention goals. This policy has not yet been voted on and approved, but it was used as the basis for this year's request.

Watkins Where have we been? Over the last 4 years \$620 million has been cut in permanent and one-time cuts. 32% of budget for the system comes from general appropriations. 75% of that is personnel costs. The remainder comes from federal, student fees, and other sources.

\$162 million is the largest non-offset cut, taken in 2009. Watkins stated that 96% of that was taken in administration. Said that this is based on the BOG's statement to keep academics off limits. Last year 10/11 had a \$103 million cut. Said academics was protected with tuition increase, of which \$83 million was offset by the tuition increase. Only NCSU and UNC-CH were not able to off set all their portion of the \$103 million cut from the tuition increases.

Looking forward, what do the cutting scenarios look like? A 5% reduction, \$135 million, is equal to the total general fund budgets of the NC School of Science and Math, UNCA, NCSU Extension, and ECSU. A 10% reduction, \$270 million...all four of the above programs, plus add ASU. A 5% budget cut would result in the elimination of 900 positions; 10% would result in a loss of 2,000 positions.

D. Domermuth (ASU) A question on the math using the percentages and the numbers. \$3.8 billion shortfall, 0.6 to education, 0.6 of that to the University, would imply a \$1.4 billion cut to the university system.

Watkins 14% of the total state budget goes to the University. [14% of \$3.8 billion is \$532 million.] The University and the Community College System's budgets are essentially equivalent to the budget deficit. There is some concern that many media questions and questions from the Legislature seem to come from the Pope Center.

Draft for Approval at 3/25/2011 Meeting

S. Gravett (ASU) We have tuition authority. Will we do this tuition increase again?

Watkins Campuses have submitted their tuition requests. They are all eligible to ask for up to 6.5%, as most campuses did to anticipate budget reductions. We don't know if the Legislature will authorize additional increases beyond the 6.5%. Last year increases were up to 23%. That was the first time tuition was authorized to offset budget cuts. In some ways this kind of tuition cut hurts us because other agencies do not have a similar source of revenue to offset cuts.

Z. Madjd-Sadjadi (WSSU) Should we increase out-of-state tuition to help offset in state costs?

Watkins Total out-of-state tuition brings in only \$60 million. This is really not large enough a pool to significantly address budget problems. And if campuses cannot grow out-of-state enrollment to the allowed 18% limit with current tuition rates, increasing the rates will only make the situation more difficult.

K. Cook (UNCW) What happens to budget requests from GA to the BOG and then to the Legislature?

Watkins The budget is submitted to the Governor and the Legislature. We then prioritize. We know we will not get all of expansion. We hope we will get all financial aid. Once priorities are communicated to the Legislature, we do not know what will happen this year. Historically the University has been a bit of a budget football between House and Senate. This year we are told that there will be more of a collaborative effort. This should help.

Faculty can benefit by meeting with legislators. Faculty should work with campus liaisons to make contacts. It is a goal to have every new member visit a campus by March 1. We recognize that many of the legislators working on the budget this year have never worked with university budgets in the past. This requires a lot of education; e.g., what is F&A (facilities and administrative costs) and how is its funding used?

E. Souffrant (UNCC) Senator Brunstetter talked of retreating to core functions. What does this mean?

Watkins The University is viewed as a core function. Heard that the Legislature will look closely at new programs funded in the last decade. Also heard that the University is viewed as one of the best things that the state does.

D. Bollinger (UNCW) Has the legislative committee structure been set yet?

Watkins We know the Senate Chairs. Education: Gene Preston, Tom Apodaca, and Jerry Tillman. The House has not named sub committee chairs yet.

H. McKinnon (ECU) On our campuses many are being told to develop new programs. But based on budget discussions, should we as faculty be spending more effort generating credit hours rather than new program development?

Watkins BOG is heavily scrutinizing all new programs, particularly any that are likely to require new appropriated dollars. If we push such programs, it demonstrates the appearance that we are out of touch with what is going on.

S. Bachenheimer (UNC-CH) Was F&A mentioned only as an example of kinds of education of legislators that is necessary? Or is there a renewed interest by some to claim F&A for general budget operations?

Watkins All the campuses with significant F&A receipts have been convened to discuss strategy as to how to educate the legislators about this issue. We are developing tools for educating legislators as to the importance of research, and also materials to demonstrate what F&A is actually used for, and how accounts with a balance do not represent excess funds; rather they are necessary for multi-year planning.

VII. Policy Agenda - Anita Watkins (STE-002 1:23:30)

Priorities on the “non-budget” agenda.

GA has asked campuses to indicate what tools are needed to better manage campuses in the challenging budget. Many of these focus on efficiencies. Campus Safety, for example, has articulated that it is cheaper to buy vehicles directly rather than through the motor fleet. There are also requests for increased regulatory flexibility.

The types of flexibility are largely budget flexibility. Specifically, the Legislature should not dictate where and how the cuts are being made. We have asked that any cuts come with flexibility for local leadership to decide specifically how the cuts are distributed.

E. McNelis (WCU) Where can we find information about why funds cannot be shifted between accounts for different purposes?

Watkins It really depends on the source of funds. For example, receipts must be used only for things the receipts were generated from. E.g., housing receipts cannot be used to teach English. We do have authority to carry over 2-2.5% of our budget. This does give us flexibility beyond that of many state agencies.

J. Martin (NCSU) Noted a curiosity with respect to the comments about keeping flexibility closest to where the money is spent. This is the faculty. This is why we need to get faculty into some administrative positions. E.g., the Jim Sadler position...so that as decisions are being made, people with real faculty experience are at the table to provide insight and perspective as to the on-the-ground impact.

Watkins Recognized the importance of this. But that is an issue outside of the General Assembly. Here we are trying to say we want university decisions to be made by the university, and not on Jones Street.

K. Cook (UNCW) Even President Bowles recognized that we overcut when trying to increase efficiencies. Some of this was a mistake.

Watkins Yes, President Ross understands this, and recognizes that there are some areas in which we are cut too thin.

VIII. HR Legislative Issues – *Laurie Charest* Interim Vice President of Human Resources (STE-002 1:31:30)

Human Resources on the legislative agenda include

- Permanently extend phased retirement program. Currently it is slated to run out in 2012. Without statutory authority, this would require a break in service, which would preclude participation by anyone on the State Retirement System.
- Seek to shorten the break in service requirement. This only applies to employees on the State Retirement Plan for which there is a requirement of a 6-month break in service. The request is to shorten this to one-month break in service, but keep the compensation limit to ½ of prior income.
- Asking for vesting reciprocity between the ORP and TEASRS programs.
- Asking to enable UNC Health Care to offer the ORP (currently only available to faculty) to a select group of employees, at the vice president level and above.
- Asking to extend furlough authority. HR does not want to enact furloughs. However, there is concern among Chancellors that they need furlough authority.
- Asking for the ability for the University to run its own employment system for SPA employees. This is not to change due process rights, but instead to, for example, provide our own compensation system that is more competitive with peer universities rather than trying to compare university employment to other state agencies

Questions (STE-002 1:36:27)

M. Green (UNCC) Noted a case where UNC Charlotte hired a distinguished Prof from Minnesota, but that person never formally quit his job in Minnesota. The media and BOG found out about this “double-dipping.” Because of this, we now have the annual conflict-of-interest forms that we must complete. This has caught no other person. For this one aberrant case, we have created a whole infrastructure, information from which, *Green* noted, is not saved from year to year, thus requiring faculty to re-key the information year after year. Do we need this?

Charest HR directors would like to change this. We do not need the Legislature to change the conflict-of-interest reporting. This is something done at and by the university system. “This is an example of one of the bad things we do to ourselves.”

Z. Madjd Sadjadi (WSSU) Why is the phased retirement program not permanent?

Charest That is what we are asking for rather than a series of extensions.

K. Cook (UNCW) Phased retirement has been a successful experiment...let’s go with it.

S. Gravett (ASU) Can you comment on incentives for retirement?

Charest Had read in the news that the Legislature is thinking about this, but there have been no formal proposals. Historically there have been some bills introduced, but none has ever gained traction.

Draft for Approval at 3/25/2011 Meeting

L. Kremer (UNC-CH) Concerned with the issue that teaching assistants cannot get residency status. Is it possible to have everyone paid from state funds considered a state resident?

Charest Was not up-to-date on this policy. This is not generally handled through HR. It is more likely handled through student affairs. *L. Charest* will try to get some information on that matter.

_____? (*NCSSM*) What is meant by “broadening” the request for furlough authority?

Charest Was not sure what the broadening means. GA will be talking with Chancellors to understand what they want to include in the request. Possibly maximum number of days, minimum salary....

_____? Question about effort reports. 100% of salary comes from teaching; however, we must also declare a percent effort for external funding. It is not clear how and why one should fill this out.

Charest Was not familiar with the situation described because understood that grant funds would be used to “buy out” a portion of your salary.

R. Burt (UNCW) Chancellors are talking about furloughs and pay cuts. Where does the authority reside to enact such?

Charest Had heard no request for authority for pay cuts. It is not clear that anyone has the authority for pay cuts. On the SPA side, can reduce pay only if reduce hours worked. It is not clear where such authority would reside for EPA employees, but it likely would reside with the Legislature.

The entire Faculty Assembly would like to thank Laurie Charest for her service and would like to wish her a fruitful retirement.

IX. AAUP Budget Resources –Purification (Puri) Martinez, North Carolina, AAUP President and Associate Professor of Hispanic Studies, ECU (STE-002 1:45:30)

(See PowerPoint provided

http://www.northcarolina.edu/facultyassembly/meetings/AAUP_Budget_Resources.pdf)

AAUP has a variety of best practice documents and budget resources. Best practices clearly call for early, careful, and meaningful faculty involvement in financial decisions of institutions. In the UNC system this is of concern because as noted in presentations today, we still have no indication as to how faculty will be involved in important decisions.

It is important for faculty to learn about the budget. However, it is better to look at audited financial statements, and consider them for multiple years. Such records of how funds were spent, as opposed to budgeted, are important and often found in accreditation documents.

AAUP strongly recommends that every university should have a faculty-based budget committee. The CAO should be XO to this committee, but it must have strong faculty leadership. This committee needs to have independent access to budget information; i.e., not just provided from one administrative source. This committee must be instrumental for long-term budgetary planning.

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When looking at cuts, it is important to know the percentage of each source of revenue and ensure that any cuts are scaled to the percentage of revenues.

Valuable references

- The Delta Cost Project
<http://www.deltacostproject.org/resources/pdf/trends-in-college-spending-98-08.pdf>
- AAUP Policies and best practice
<http://www.aaup.org/aaup/financial/policy>
- Consult UNC Code section 605
<http://www.northcarolina.edu/policy/index.php>

In general, faculty should:

- Ask for the why's of all decisions.
- Ask for documents that justify all "we need to..." statements.
- Insist that decisions are based on sound educational considerations.

Questions (STE-002 2:11:34)

Z. Madjd-Sadjadi (WSSU) It seemed you almost suggested a potential of censure against the University because of engagement in less than good practices with things such as program elimination.

Martinez There is no talk of sanctions. Sanctions and censure are only something addressed at the National level. What AAUP tries to represent and communicate is best practice. It is our responsibility as faculty to speak-up for best practice.

K. Cook (UNCW) Can you provide an example of a case of program elimination or termination that satisfies the standard set out by AAUP?

Martinez There is a link to cases where financial exigency has been determined to actually exist. By contrast, you can learn from things not done well, such as the program elimination at Albany (NY), which is currently under investigation by the AAUP.

Cook The survival of the system as a whole is a high standard to meet to for declaring exigency, and thus the need to eliminate programs.

Martinez Exigency is effectively only invoked when declaring bankruptcy. Program elimination is a targeted initiative. What seemed to be missing from today's discussion is any consideration of the mission and well-being of the institution. Faculty must be critically involved in making such mission decisions.

M. Overton (NCSU) Appreciated that Puri looked beyond the newspapers for discussion about program elimination, and actually read the NCSU Chancellor's statement. But also highlighted the need for faculty to be engaged and take advantage of opportunities for engagement.

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R. Schwartzman (UNCG) An important take-away is that Knowledge is Power. We can only be involved if we have access to detailed, accurate information. If we are to be active in decision-making, we must acquire and circulate accurate information, not just be put on committees.

Martinez Also called on faculty to exercise critical thinking to evaluate information provided.

X. Business/Wrap-up (STE-002 2:21:30)

Chair Gravett (ASU) Noted that there are major changes to the academic side of the house. Who will be the next Senior Vice President for academic affairs? And many other leadership positions are vacant. President Ross has stated that he wants faculty to be involved. It remains a question as to how this will be manifest. We need faculty with expertise willing to step up and participate.

E. McNelis (WCU) Noted that faculty morale is low. Should we consider a Faculty Assembly resolution to address concerns on the effect of budget on the quality of academics and our mission. This is important so persons on individual campuses know they are not isolated concerns, but that the concern is general across many campuses.

Chair Gravett Requested a sense of the body for such a resolution. The body agreed that such a resolution is important.

M. Overton (NCSU) We need an effective website to effectively get information out. Can we post the budget and other links to information?

Chair Gravett Yes.

M. Green (UNCC) Wanted to endorse the idea of taking positions regarding budget matters, though recognized that the real challenge is coming to agreement on specifics (e.g., # of majors, fac/student ratios). However, we must discuss these issues. To not publically discuss the issues only aggravates the problems.

Chair Gravett Again encouraged faculty to come to BOG meetings, particularly the Educational Planning Committee meetings. These discussions are important to understand.

_____? (*ECU*) Asked whether the Faculty Assembly meetings can be available to all faculty.

Chair Gravett Noted that President Ross asked if we should video any of these sessions and post them on the web.

Secretary Martin Noted that complete minutes are posted to the Faculty Assembly's website, and audios of meetings are available.

There was a request to have Jim Woodward meet with the Faculty Assembly regarding the duplication task force.

K. Cook (UNCW) Noted that we have not discussed NTT issues, which are critical to many aspects of our institutions. Also recommended a book by Ellen Schrecker, *The Lost Soul of Higher Education: Corporatization, the Assault on Academic Freedom, and the End of the American University*.

Draft for Approval at 3/25/2011 Meeting

H. McKimmon (ECU) Appreciated that he did not feel we were “sheltered” from information today.

Chair Gravett Agreed, but also recognized that there are still many things that we are not in the loop on. That said, she had a positive vibe from President Ross and pledged to work with him.

Z. Madjd-Sadjadi (WSSU) Cautioned that as we post more information on the web, we may become self censoring, and also be provided less information in the first place.

S. Bachenheimer (UNC-CH) Noted that we do not fall under open-meetings laws as we are just advisory. It is likely important to keep it that way.

Bachenheimer Further noted that we did hear information...albeit through different lenses. It was disturbing to hear someone from the Legislature blow off a suggestion to close 1/3 of the budget gap by retaining the \$0.01 sales tax. If such suggestions are blown off, what does that suggest to us regarding the ability to address other substantive issues?

R. Schwartzman (UNCG) Noted that “University Presidents have a faculty for thinking.” We need to figure out a way to provide more to the President and to General Administration than just an audience. We need to start an ongoing collection of best practices and bring smart ideas to GA. An example was the surprise that GA did not know of the ability to drop classes 8 weeks into the semester. This is a reason we need a mechanism to get faculty input to GA.

Chair Gravett We need to make sure communication is a two-way street.

Appreciation was expressed to Chair Gravett for her leadership.

It is also noted that at future meetings, we need to here directly about President Ross’ positions.

The Faculty Assembly Meeting was adjourned.

Report from the HMI Committee

The Historical Minority Institutions Committee is working on a resolution that asks UNC General Administration to consider the socioeconomic characteristics of the populations that are served by each institution when allocating budget cuts and determining which programs will be eliminated or curtailed.