

General Faculty Meeting  
Tuesday, October 8, 2013

Kamphoefner Hall (G20)  
3:00 p.m.  
Call to Order

**1. Call to Order**

Chair David Zonderman called the meeting to order at 3 p.m.

**2. Remarks, David Zonderman, Chair of the NCSU Faculty**

Chair Zonderman thanked everyone for attending.

Chair Zonderman commented that at the beginning of this academic year, the Senate reviewed a number of potential major issues. A ballot was taken among the senators on the top four issues and out of that emerged a fairly clear list. The top issue will be discussed today, which is the budget and strategic planning. The other three issues were enrollment planning, distance education, and student academic success.

**3. Approval of the Minutes, David Zonderman, Chair of the Faculty**

The minutes of the April 2, 2013 General Faculty meeting were approved as submitted.

**4. Remarks and Discussion, Chancellor Woodson**

Chancellor Woodson reported on the reality of where the university is with the current budget.

Chancellor Woodson stated that there is a great benefit and a great curse at NC State. The benefit is the university is tremendously well funded by the state relative to most of its peers, but that means when the state cuts our budget it hurts. The state cut about \$90 million out of the overall university system budget and NC State's cut was \$21 million. The two largest cuts were at NC State and Chapel Hill and that represents about a 4.5% cut to the overall, recurring budget. Everyone across the units was asked to prepare for a 5% cut anticipating this, so to protect the academic core, we shifted about 1% across two areas. We shifted about \$2 million from the academic to the non-academic side to try to protect the credit producing units as much as possible.

Chancellor Woodson stated that it is important to remember that over the last ten years NC State has seen the appropriated budget reduced by more than \$275 million. Approximately \$163 million have been recurring, and we consistently look for ways to improve what we do and how we do it to save money. When you look at the cuts this year they are particularly painful.

Chancellor Woodson stated that some amazing things have been done at this institution. When you look at the progress that has been made as an institution whether its strategic faculty hires, a number of enhancements, or the creation of the new College of Sciences, this has come at one of our most difficult budget environments ever, so we have been able to keep the university moving forward in some difficult times.

Chancellor Woodson stated that student success is one example of that. In fact, the graduation rate this year increased almost 4 percent. The six-year graduation rate is at 75%, so we are moving rapidly toward the mean of our peers, which is a good thing and it is partly because we are admitting some amazing students at NC State. The freshmen class for this fall is at a historic high with an average SAT of 1244

and an average GPA of 4.48 and that is partly because of competition. Approximately 23,000 applications were received for this freshmen class and that is partly because the institution is not growing the freshmen class at the same rate as before, which is going to play out in terms of the enrollment management plan.

Chancellor Woodson stated that he and Vice Chancellor Mullen have done a great job consolidating DUAP and Student Affairs into one organizational structure. They have launched a number of new living and learning villages and that have had a huge impact on student retention. This year *US News and World Report* considered NC State among the top ten institutions in terms of institutionalizing innovative change.

Chancellor Woodson reported that in the Fall of 2010 they instituted a new tuition and fee model based on student classification rather than course classification. This has allowed on-campus students to use flexible access without a penalty, so student credit hours have increased. He stated that the number of students taking distance education for credit increased by 33 percent and there are more full time students on campus, which has had some positive impacts.

Chancellor Woodson stated that a number of the gateway courses have also been redesigned. These are critical path courses for students' success. The DFW rate has dropped, but more importantly their success in subsequent courses, those courses that the gateway course is critical for, has gone up tremendously.

Chancellor Woodson reported that on the negative side \$20 million have been lost from the budget. As a result of this latest budget 194 FTEs across the entire university have been cut. Almost 145 of those FTE's were vacant positions. A lot of the units are operating on fumes and those fumes are frequently holding vacant positions vacant for a period of time to generate cash to run the organization. He noted that almost fifty of those positions lost were not vacant.

Chancellor Woodson stated that one thing they have worked hard on here at NC State is that every time there is a tuition increase a fair amount of that is directed to two primary buckets that don't allow us to offset state appropriation losses. One is financial aid, where there is a growing number of students that have very large financial needs and we do a terrific job with trying to support our students with their financial need. It's one of the reasons we are consistently voted on by Washington Monthly, US News and World Report, Princeton Review, and Kiplinger as one of the best buys in America because we support students. So, that often takes 25 to 35 percent of the tuition increase. The other thing that we are trying to do is to beef up the graduate student support plan. This university's future based on our current enrollment plan is largely built around growth in graduate programs. If we don't keep hitting our graduate enrollment targets, we are not going to have enrollment growth funding at NC State. The bottom line is that there wasn't a lot of flexibility from new resources to take care of the loss in state appropriations.

## **5. The University Budget and Strategic Plan**

### *"Budget 101"*

Vice Chancellor Leffler reported that the 2013-2014 budget projection for the university is \$1.35 billion dollars (all sources of funds).

*Where has our budget gone over the last six years?*

Vice Chancellor Leffler stated that our budget does keep increasing because we have growth in a lot of different categories and if you look across those categories each of them has grown with the exception of

federal appropriations and the state appropriated section, so we do have a budget that is going up in total but it is not increasing just because of tuition.

*How do we expect to spend that \$1.35 billion this year?*

Vice Chancellor Leffler stated that the largest amount is spent on salaries and benefits for faculty and staff. Utilities will take up a large amount, scholarships and fellowships will take up a large amount, along with services, supplies and materials.

Vice Chancellor Leffler stated that when you break it down to the program expenditure, the biggest piece of the pie is instructional cost and then organized research. There is a substantial piece of the budget in the auxiliary enterprises area, which include athletics, bookstore, housing, dining, etc. Things like the library would show up in the academic student support area.

In terms of how do we receive money, there are three appropriated mechanisms and they are all, to some extent two edged swords. Enrollment growth is driven by a formula (12 cell matrix).

The second category of funding methods comes through tuition and one is the CITI, campus initiated tuition increase. That is where the campuses propose a change in tuition to the Board of Governors, which we have frequently done over the years. It changes both our tuition receipts and the amount of funds we have to spend.

The legislative tuition increases often work quite differently. You saw an example of that last session impacting all campuses with the exception of NC State and UNC Charlotte where there was an increase passed for undergraduate out of state students. That money was directly intended to offset a takeaway in appropriations, so it was not that new money to the campuses that did have to impose those increases starting next year. We are almost never in favor of legislative tuition adjustments, because they generally work against us in terms of the net dollars available to spend. The more control the university system; i.e., the campuses have over the tuition the better off we are going to be in terms of controlling that revenue destiny.

The third category is line item appropriations and this is one where the legislature can give or the legislature can take away. They have in the past given to us in categories of the expansion budget. We have seen this in the College of Engineering on at least three occasions over the last ten years where there has been additional money allocated for expansion of the College of Engineering. We also see them take it away. Approximately five years ago we saw them take away specific centers and institutes funding. Expansion would typically mean that we are going to get more money, but it doesn't always mean that.

Leffler explained that continuation is a category where things are supposed to happen by a normal and really non-negotiated process, but that is not always the case.

#### *Budget Reductions*

Vice Chancellor Leffler explained how they got to the \$21.1 million that the Chancellor referred to.

He stated that the legislation of this year included three cuts, which were management flexibility, operational efficiency, and instructional efficiency, and these were three different cuts that were given to the university system and they were allocated differently. The management flexibility was allocated on a series of measurements as to how well we did and how missing one of those rates by one tenth of a point caused us to lose 10 percent on that particular one. Out of that \$65 million we received \$15.8 million was in the end as our share of the cut. The other two efficiency cuts were proportioned across the shares of the budget that each one of us had.

Vice Chancellor Leffler noted that there is an additional cut already identified for the next fiscal year and this is one that we need to watch because even though it has not been allocated we do expect to get some of that.

#### *UNC Strategic Plan Recommendation*

Vice Chancellor Leffler reported that the Board of Governors approved a strategic plan for the university system and in that they proposed a number of new investments for the system and they also proposed two efficiency cuts. The Board of Governors approved of reallocating only \$3 million, so we get a share of that \$3 million reallocation as well, which is .6 million dollars, so that now totals for us \$21.2 million this year and possibly \$4.9 million next year. So, that is where the cuts come from, and they are all recurring cuts.

In terms of the new funding side of that equation there was some money that was allocated in some of the categories mentioned. Enrollment in which we were positioned very well because we had in large part gotten approval to change our DE billing process on the basis that we would get to calculate it into the enrollment plan and therefore have some of that funding restored by the state and that did partially occur this year. So, out of the \$29.1 million that the system got for enrollment our share was \$7.5 million.

We received \$12.2 million in repair and renovation funds, but when you think about the fact that we really need to be spending \$80 million this year on repairs, it is not a lot of money.

Building operations (\$1.2 million) is a small amount of money to take care of some new items that we purchased. Those are our new monies compared to the cuts so as you can see new monies never make up the cut.

#### *Budget Reduction Trends*

Vice Chancellor Leffler reported that we are losing funds that are directly a part of the academic programs' budget, but it has a real impact. The decision was that we would take a 5% cut this year which prepared us to deal with the \$21 million cut and set the stage for going forward.

Vice Chancellor Leffler stated that questions that are frequently asked are:

*What are Facilities and Administrative (F&A) costs and how are they used?*

Vice Chancellor Leffler reported that NC State's revenues in the F&A category this last year were \$43.6 million and this year it is expected to be around \$40 million and that is what they are basing their plan on. He stated that F&A is the indirect cost associated with contracts and grants and it is intended to cover those administrative costs that are indirect. They are not related directly to research activities.

*What is management flexibility?*

The management flexibility reduction is an important term. That is a term that was created almost twenty five years ago as part of negotiations to give the university system more flexibility in its budget. Management flexibility is a critical terminology and we are going to have to continue to fight to keep that because local control is so important to what we do.

*How do endowments impact the budget?*

We are getting ready to go into an important campaign that will last for eight years with a \$1.5 billion target of which about one third of will be endowment targeted. Even that kind of increase takes a while to

mature and have a spending power. We are going to continue to push the endowment forward because it has the long term benefit.

## **6. Strategic Resource Planning**

*UNC and the Board of Governors.*

Chancellor Woodson stated that the key issue that he and Chancellor Folt are pushing hard on is the idea of management flexibility, which includes two key areas. We desperately need authority over personnel and compensation of our personnel. We desperately need to take care of salary discrepancies that have resulted over five years of very draconian raise policies from the state. We are pushing the Board of Governors to pay attention to the salary issues we all face on our campuses.

The second item is that we have to continue to fight for flexibility over our budget and that means being able to use the dollars that come in from tuition and from appropriations for the highest and best use of the university. The out of state tuition that our students pay, offsets state appropriations, so we have no financial incentives to grow out of state students, but we certainly have a reputation incentive. We also have the incentive of enhancing the educational environment for students from Bertie County to studying in the classroom with students from around the world. We are pushing to get to that 18 percent cap because it is the right thing academically. We are presenting some stories to the Board of Governors trying to incent them to advocate to the legislature.

Chancellor Woodson stated that he was asked had there been any review of the 12-cell matrix. The answer is no and frankly it has benefitted us tremendously because it leans toward STEM disciplines and certainly toward graduate education, but there should be some discussion. He stated that the ideal situation would be that the legislature gives us control over our tuition. It's not going to happen, but that would be ideal. Just understand that there are some restrictions now to the way that we do business and it impacts us budgetarily so we are advocating hard to the Board of Governors to get control over our personnel, to be able to get back to the business of looking at where we are with salary and benefits relative to our peers and doing everything we can to address that.

Chancellor Woodson stated that right now we have some perverse incentives. We have incentives to grow distance education because of revenue model. We don't have incentives to grow student credit hours delivered through classroom instruction. We do allocate resources to take care of those seats and sections and that happens every year, but it is not a direct result

Chancellor Woodson stated that there is something called resource centered management and it is an approach a number of universities use. Every organization unit operates on its own bottom and it pays for its space and it is paid for the revenue it generates, so every unit is a budget into itself and it is all formulated. It often gets people to do things for the wrong reason. We operate here on a based historic budget and when adjustments are made to that, up or down, it is based on that base historic budget, but we do need to have some more clarity and incentives and in particular, we need to incent appropriate behavior for graduate enrollment. We need to figure out how we can support graduate education at this university in a way where the faculty are incentivized to have graduate students and to be successful with those graduate students. There is a lot of conversation that needs to occur in the next few months, led by the Provost Office, working with the Faculty Senate and others, to think about what have we created in distance education and is that good or is it a challenge. We have colleges that have reduced their own campus instruction for distance education instruction because they are incented to do that financially. We need to think about distance education. We need to work on the graduate student support plan. These are difficult conversations but they are big budget items.

Chancellor Woodson encouraged the faculty to go back to their colleagues and dispel the myth of 3x5. He stated that it has been dispelled with the deans, but that doesn't mean that we don't have to think careful and critically about how our budget is structured and how we use it to keep this university moving forward in an interesting time.

## **Questions and Comments**

*Is differential tuition still on the table?*

Chancellor Woodson responded that everything is still on the table and we need to think about revenues as much as we do about budget cutting. Differential tuition is something used by many public universities, particularly in fields like engineering. We have been told historically by the BOG that they are not supportive of differential tuition at the undergraduate level. We do have it for graduate level in many cases. My hope is that they will change that attitude. The rationale from the BOG is we don't want students selecting majors based on the cost of the major and philosophically that is great. They recognize that not all disciplines are created equally in terms of cost, but they expect us to bear the cost of differential allocations based on the cost of educational delivery, not the student.

*Currently we have some majors subsidizing other students. Is there a way to separate the tuition?*

Chancellor Woodson responded yes, but we can only do what we are allowed to do. We intend to make as strong of a case as possible for differential tuition or fees, because we have to grow the revenue here and the fact is we are way under market in every category of tuition compared to our peers. The politics here have not aligned with that notion of differential tuition and fees.

*What are the implications of moving to more transfer students and getting out of the business of remedial courses?*

Chancellor Woodson stated that he doesn't think there is any question that we are going to grow transfer students and a large part of that is because the competition to get in here as a freshman is so keen. The UNC System is going to be signing a new articulation agreement with community colleges because the entire system is pushing toward more transfers and it's not like others don't do this. We haven't had a history here of a community college preparing students for the last two years of education and that is changing. As that change we are going to have more opportunities to admit students to our university after starting somewhere else. Long term that has a real potential to change the way we allocate resources away from the delivery of remedial education, the delivery of large freshmen and sophomore classes to a system that is supporting faculty that are teaching at a higher level. We have the ability to grow enrollment here if we are successful graduating students faster and most of the growth will likely be in transfer students.

*What is your take on the notion that there are too many luxuries for students that maybe won't come here and we become more restrictive in our student body that we have?*

Chancellor Woodson stated that he thinks as people continue to come to NC State, it will change the way we think about the services we provide.

Vice Chancellor Mullen stated that as the student quality increases, the types of services that we would put into play certainly would change. You would see less tutoring, you would see less need for some kinds of advising on campus. The kinds of students that we are bringing in are going to have more access to undergraduate research activities, more access to honors programs, to living and learning villages and other ways to express their curiosity through their degree program. You will see fluidity in terms of the

kinds of things that we offer. We would have to look at different ways of finding money to make those services happen for students as well, so yes it is something that we are actively looking at. How do we provide appropriate kinds of services that students want as we move forward in this budgetary climate?

Chancellor Woodson said that is actually happening. If you look at the reallocation of resources that support the growth of our students there is a lot of new investments in high end living and learning villages.

Chair Zonderman added that many of these new developments that are particularly aimed at the increasing caliber of our undergraduate students are also more opportunities for faculty to engage in those opportunities as well.

*We talk about online education and we talk about other ways to mediate our relationships with students but in the end if you look at the QEP its faculty working closely with students, so how do we think about affording that if the budget is shrinking?*

Chancellor Woodson stated that he thinks that is the challenge. How do we structure a budget process that allows us to make those critical investments in the things that we all collectively have identified as being high priorities? Critical and creative thinking through our QEP and the things that come out of that is something we want to support going forward, so the challenge for us is how in an environment where we are treading water financially do we continue to make some of those key investments where you have already seen some impact from those kinds of decisions. If you line up our budget against any public university we compare ourselves to when you add tuition and appropriations together and divide it by our students we are among the best funded universities in our peer group, so how do we make sense out of that in a way that allows us to invest our resources, in a way that keeps strengthening NC State.

*If we are one of the best funded among our peers where does the money go?*

Chancellor Woodson stated that the recurring budgets for most of our colleges are at or above many of our peers, so how did you reconcile that and that is what we really have to think through. Our utility budget is in many ways less than some universities because we have done incredible work to put in systems that allow us to be affordable. Our benefit package is at or slightly below the mean, so the distribution of resources around here relative to peers is pretty strong.

*I'm new to the university and I am an entrepreneur and I'm here because I want to help the administration to help the faculty. I would like to create my own destiny here, so I think it's becoming clear to all of us that things are going to get worse before they get better, so what are our ideas for shaping this university? I think there may be new opportunities for folks to leverage their research that will generate revenues for them and the university and I see that as a way out.*

Chancellor Woodson stated that the reason he is pushing so hard on entrepreneurship in the context of what faculty do is the more entrepreneurial our faculty are the more resources we are going to bring to the university from the private sector that seek to support our research. The handwriting is not that positive for federal investments and research and innovation and we are going to increasingly look to the private sector for those.

*One of the other allocation issues that the strategic plan brings up is its emphasis on cluster hires. How are you going to allocate a bucket that you want to put money into for new faculty hires, so that a percentage of that will go to cluster hires and a percentage would go to core hires and different disciplines are going to have different needs with respect to that, so how is that going to end up being allocated?*

Chancellor Woodson stated that the Provost has said consistently that cluster hires cannot come at the sole expense of disciplinary based hires that are critical for departments and colleges. There is no doubt in my mind and the mind of a lot of people that hiring a select group of faculty in creative clusters that elevate the university's stature and thinking in critical fields is a great way to add innovation to what we do. We want to continue to invest in cluster of faculty but we are not sure how we are going to be able to do this in the immediate term.

Some are advocating for cluster 2.0 and we will continue to do some cluster hiring but colleges are going to have to have the flexibility to fill their critical discipline base.

Vice Provost Larick stated that in the process of this year we have hired twenty three people of a target of 40 in the cluster hire program. The Provost also allocated 30 new tenure track positions into the strategic plan for the colleges for disciplinary, so both processes are going to continue simultaneously.

Chancellor Woodson stated that he and the Provost don't want to go to a model where all vacant positions revert centrally because those decisions are best made locally.

*It seems that interdisciplinary programs take an extra hit whenever there are budget cuts and I was wondering with the cluster hires, what is the philosophy to protect the interdisciplinary gains when it gets harder and harder to have students that are advised across departments? Who gets credit?*

Chancellor Woodson stated that is one of the ironies about our system. There is a lot of myths about who gets credit. At the end of the day that is not the way our budget is structured. He stated that it is going to take a lot of attention from the deans and the Provost's office to pay attention to some of the interdisciplinary clusters that have been created and frankly, that have been here for some time. It takes more work because department heads and deans have to deal with the reality of their budgets.

Vice Provost Larick added that in the setup of the cluster hiring we indicated very clearly that the position is for the cluster, so if that person were to leave the cluster then the position would revert to the Provost office for discussion with the cluster reinvestment of that position back into the cluster in an appropriate way, so the faculty member is tenured in the department but that isn't a permanent allocation for the department for that cluster.

*The first thought that came to mind when talking about these clusters is they are great and they are high profile, but my first thought was how many cluster equivalents have we lost, when there are people who are already here and worked together to form a cluster and there is no institutional glue holding it together?*

Chancellor Woodson stated that is a historical problem with centers, clusters, anything that doesn't reside within a budgetary silo of the university is kind of vulnerable. We have to figure this out and pay attention to it because there is no doubt that to move any institution forward you have got to be working in the boundaries of discipline. You have to have people that do that seamlessly and are supported.

Chair Zonderman added that at the November 19<sup>th</sup> Faculty Senate meeting, Vice Provost Betsy Brown and Provost Arden will talk about faculty retention issues.

*Is there any flexibility between the academic and non-academic side of the house?*



Vice Chancellor Leffler responded that the utilities budget is one that is set aside from everything else, but within those three buckets, other than utilities we can move anything around and that is the flexibility that we need to maintain and that's the kind of review for reallocations that we have to keep doing.

Chair Zonderman stated that the more we can learn for ourselves the way this strange budget works the more we can educate each other in the public as well.

*What would tuition have to be in order for there to be no state appropriation?*

Chancellor Woodson stated that it would be around twenty one thousand dollars. We are one of the few large public institutions that generate more money from state appropriations and tuitions. There is this magical crossover graph that every public institution compares the point at which they crossed over and that is the percentage of their recurring revenues that comes from tuition versus appropriation. Most institutions are the reverse of us. The portion of our budget that is recurring, that hires everyone and keeps the university going is state appropriation and tuition and fees. Of that almost 70% of the recurring budget is state appropriations and 18% are tuition and fees.

## **7. Adjourn**

A motion passed to adjourn the meeting at 4:45 p.m.