

NORTH CAROLINA STATE UNIVERSITY
Minutes of the Faculty Senate
February 6, 2018
3:00 p.m.

Regular Meeting No. 10 of the 64th Session: Faculty Senate Chambers February 6, 2018

Present: Chair Bird, Associate Chair Ange-van Heugten, Immediate Past Chair Moore, Parliamentarian Kellner, Senators Ash, Banks, Berry-James, Boyer, Bullock, Bykova, Carver, Eseryel, Fath, Havner, Huffman, Kotek, Lim, Orcutt, Parker, Pearce, Sannes, Sederoff, Thakur

Excused: Senator Auerbach, Barrie, Feducia, Kuzma, Perros, Rever, Smith

Absent: Senators Argyropoulos, Gunter, Hayes, Hergeth, Kathariou, Lafitte, Nam, Young

Guests: Roy Baroff, Faculty and Staff Ombuds Office; Katharine Stewart, Office of Faculty Affairs; James Withrow, Student Senate Representative; Brian Sischo, Vice Chancellor, Advancement; Kushal Dasgupta, Associate Vice Chancellor, Advancement; Erin Delehanty, Controller, Foundations Accounting & Investment; Marc Hoit, Vice Chancellor, Office of Information Technology

1. Call to Order - Carolyn Bird, Chair of the Faculty

Chair Bird called the second meeting of the sixty-third session of the NC State Faculty Senate to order at 3:00 p.m.

2. Introductory remarks

Chair Bird asked the guests and invited speakers to introduce themselves.

3. Announcements

Announcements and Committee activity appear on the back of the agenda

- 1. UNC Engagement survey has been deployed.** Survey period is January 29th through February 12, 2018. If you didn't see an email from ModernThink, check your spam folder.

(It was mentioned during this section that the survey email was re-sent from Human Resources to make sure everyone received it.)

- 2. Jackson Rigney International Service Award** recognizes an employee who has made significant contributions in international service to NC State or the community over the course of their career. Nominations due to the Office of Global Engagement on February 22nd.

3. **Data Privacy Month** is January 28th to February 28th. The Office of Information Technology will host several Lunch and Learn events focused on IOS mobile device security, using social media securely and other topics.

4. **NCSU Ombuds Program Recognition.** Roy Baroff participated in a research project with 10 other universities to examine Ombudsman/Ombudsperson programs at universities. The NCSU program is profiled in this article:

IOA: https://www.ombudsassociation.org/IOA_Main/media/SiteFiles/jioa-ce/JIOA-2018-1_Ombuds-and-Conflict-Resolution-Specialists_Katz-Sosa-Kovack_PDF.pdf

5. **NCSU Ombuds Roy Baroff** – Kudos – nominated to serve on the International Ombudsman Association Board of Directors. Our best wishes for election outcomes.

4. **Approval of the Minutes: Regular Meeting No. 8 of the 64th Session on January 9, 2018 and Regular Meeting No. 9 of the 64th Session on January 23, 2018**

Associate Chair Ange-van Heugten called for a motion to approve the minutes for the 8th meeting of the 64th session of the NC State Faculty Senate. A motion and second were made and the minutes were unanimously approved, with noted corrections.

Associate Chair Ange-van Heugten called for a motion to approve the minutes for the 9th meeting of the 64th session of the NC State Faculty Senate. A motion and second were made and the minutes were unanimously approved, with noted corrections.

5. **Provost's Remarks and Q/A** – *Warrick Arden, Executive Vice Chancellor and Provost*
Provost Arden brought greetings to the Faculty Senate.

He stated that he did not have formal remarks today, but would field questions from the Senators.

Senator Hawkins: Can you please explain the policy change regarding Non-tenure track faculty who are currently on 2-3 year contracts to a 1-year contract in the College of Sciences?

Provost Arden responded that there has been no change in the policy and added that this is an unsubstantiated rumor. He added that he had a specific discussion with Dean McGahan recently and she commented that during a discussion with a department head, they were overhead speaking about an assessment relevant to this topic. From there, he explained, "It got out that 2 and 3 year contracts were being changed to 1 year contracts. And that is not the case." Provost Arden asked for confirmation from Senator Huffman, who is the Physics department head in the College of Sciences. Provost Arden added that it does not mean this will not be put on the table to discuss as a long-term strategy,

but there has been absolutely no decision to change 2 to 3 year NNT contracts to 1-year contracts.

Senator Hawkins: What about changing three year to two-year contracts?

Provost Arden responded that no, there have been no decisions made about that – no across the board decisions for the College of Sciences.

Senator Sederoff: What is your reading on the results of the BOG meeting? The Chancellor was worried about presenting the University position and expenditures on diversity.

Provost Arden responded that he was at the meeting and the Chancellor was asked to make some comments, along with the Chancellor from NC A&T, and they both had a good discussion. He added that it is difficult for him to know how it is going to go, but the Board voted to accept the report. Provost Arden stated that you have to remember that this was a legislative request that we developed such a report on diversity and equity expenditures and we have done so. He added, “That report will now be sent down to the legislature and they will look at that report. We do not know what they will do from here.” Provost Arden stated that it is incumbent upon all of us to continue to make a forceful argument as to why diversity expenditures and diversity programming is important to our institutions and why it is a worthy investment on behalf of the taxpayers to do so. “It comes to the heart of what we do; it comes to faculty and student recruitment and retention; it comes to graduating students who are capable of entering and working and being successful in a global knowledge economy. “There are very practical and pragmatic reasons why you do these things. And if you just want an exercise in what can happen when you don’t do them right, look at the University of Missouri, where their freshman enrollment has dropped 35% in the two years since 2015.”

Provost Arden added that there are some pretty high stakes here that he hopes our legislators recognize. He stated that it is not just spending money to make us feel good about ourselves; it has to really move the institution forward and continue to produce graduates who are capable of working as part of large, complex, diverse teams.

Senator Berry James: I have loved my time in Faculty Senate, and we have had some really important conversations about the campus, the climate, and expectations about the nature of the relationships. NC State has an excellent reputation. Many people say things to me that I just ignore and keep it moving. Yesterday I got a text message from someone that mentioned that there were significant changes in OIED and today someone sent me an email that went out about significant changes in OIED. So I am asking if there have been significant changes in the leadership of OIED.

Provost Arden responded, yes and the emails went out from his office the day before. He announced, “Dr. McCabe-Smith has decided to step down from the leadership after

18 months. We are absolutely committed to the success of that unit over a protracted period of time. Effective March 1st, Sherri Schwab, who is currently the Director of the North Carolina Extension, will be stepping into that position.” He stated that Sherri has been on campus for 20 years and has a background in equity, a law degree, and an extensive history in Human Resources. Sherri is currently responsible for managing all 100 extension offices around the state, so she is very experienced.

Provost Arden added, “In the three weeks between then and now, Marie Williams, Associate Vice Chancellor for Human Resources, will be overseeing the day-to-day actions. I will be working very closely with both Marie and Sherri during the transition.” Provost Arden stated that changes occur sometimes and transitions occur, but this will give us an opportunity to step back and re-confirm our commitment to both equity and diversity and make sure that we continue to be strong. He added that more than ever, because the spotlight is on both of these issues, as an institution we have to be very strong and manage both of those issues very well.

Senator Berry-James: “Even in light of the fact that it is being reported that Traci Ray is leaving, Marcia Gumpertz has gone back to Faculty, Gary Morgan has left and joined another institution, Lisa Pearson as well.”

Provost Arden responded that yes, there has been lots of turnover, which is concerning and is one of the reasons why he wants to be very involved in looking at the long-term staffing and structure and making sure we have the appropriate staffing where it is necessary. He added, “Yes, it is a critical issue for us.” Provost Arden pointed out that our data shows that NC State has more diversity and inclusion expenditures than any other University in the system. He added that Chapel Hill has more personnel in their central units and less out in the colleges, and we have a lot more people out in the colleges and units and less people centrally. He added that we will need to rethink the balance and how we will move forward.

Provost Arden added that the University is hesitant until we know where the Legislature and the Board of Governors are going with long-term funding and what that will look like. “This is an extremely high priority. The Chancellor and I talk about it almost every week. I am hopeful that we can move forward and be stronger.”

Senator Berry-James: Are there ways that you can tap into the African American community, especially into faculty who might be thinking about questioning NC State’s commitment to diversity in very meaningful and practical way?

Provost Arden responded absolutely, through the University Diversity Advisory Committee to the African American Coordinating Committee, through the Chancellor’s African American Community Advisory Committee, there are multiple realms where faculty can be involved and give us input. He added that he is absolutely open to that input.

Senator Lim: The impression is that the Legislature is going to roll back the diversity gains in the University system.

Provost Arden responded that he would not peg that onto them. "Once again, I don't know. I don't know that their objective is to roll back on gains in diversity, and we have made significant gains in diversity across the University." He added that he thinks their prism is always state-appropriated expenditures, in particular, taxpayer expenditures. He stated that he thinks they Legislature is asking the question "are we getting the bang for the buck out of this, or are there other means and ways of funding this and doing this. He added that he would give them the benefit of the doubt that this is their objective. "I think our goal is to convince them that indeed these are valid and justified expenditures for the taxpayer." He stated that as a taxpayer, if he sends his children to a University and they do not graduate with a decent understanding of diversity, inclusion and working in a multicultural environment, they are being hampered regarding job security and evolution for the remainder of their careers. He added that as a taxpayer, he wants his children to have those skills, and they should have those skills. "These are critical skill sets for the people that are being hired in most any organization." It is our job, he added, to absolutely convince the Legislature that these are good expenditures for taxpayer resources.

Senator Lim: I am concerned about why this should even come up in the Legislature. I am worried.

Provost Arden responded that unfortunately, diversity expenditures at Universities have a reputation among the right of being kind of a little bit peripheral to the core of what we do, a little bit of fluff. He added that our job is to convince them that no, on the contrary, it is exactly the core of what we do in preparing our students for their future. We all have to work hard in doing this. He added, "This is not something that is peripheral and soft to the University, this is something that is core to the institution." He stated that this is something for which we have to make significant progress.

Senator Sederoff: Our subcommittee received requests from student groups because they felt they did not have enough minority faculty, and we have met with them and discussed their proposal. He added that it appears that students are not aware of anything that the University is doing, particularly your office, on this issue. He added that communication must not be sufficient or they would be more aware of what is being done. Increased communication between students and faculty and administration is much needed.

Provost Arden responded that students, in general, change over every four years and so every four years they parachute into the middle of an issue and think they have discovered it, when actually we have been working on the same issue for 20 years. He added, "Anyone will tell you that the issues surrounding diversity and inclusion, which

are critical issues, are issues you don't shift the needle on massively overnight; you shift them over a period of time." He added that he agrees with the fundamental statement that we need a more diverse faculty body on campus; he agrees with the statement that we need more diversity in administration on campus. "The question is, you're right; I think a lot of the students, which they've only been here for three years, many of these students, or two years or one year, don't see what we did four or five or six or seven years ago." He added that he convened a task force on African American faculty because he was concerned that we were not making enough progress six years ago. In addition, he added, we are still following the recommendations of that faculty, which showed that our issues were more related to retention than recruitment. We have been working on these issues and have made good progress over time – but he would love to see faster progress. Provost Arden stated, "I think ramping up communications is one way, but you're going to have to repeat that on a regular basis over a protracted period of time because you have new faces re-discovering the wheel every two years. He added that with new students coming in and asking probing questions that leads to a great discussion and is what they need to be doing.

Senator Berry-James: I am begging the question that we consider making diversity a strategic imperative as we go in the next iteration of the strategic plan. "I could write the story that the Legislature looks into how much money we spend on diversity and then all of a sudden, it appears as though, from the outside, that OIED has been dismantled and that is an indication or a sign that we are scaling back our commitment to diversity." Then when you look at our external documents, to the world, the things that really attract fine faculty to NC State, essentially you do not see the commitment to diversity in the strategic plan, which identifies with the resources that are going to be allocated and the strategies that are going to be addressed.

Provost Arden responded that we had a very long discussion about this back in 2010. "When we were putting the strategic plan together, the question was do we make diversity, inclusion, equity as a stand-alone goal of the strategic plan or do we try to weave it into the other goals?" He added that the decision, right or wrong, was that it was so important to the University it would be woven in among everything we are doing; student success, faculty success, interdisciplinary, etc. He stated that this is the opportunity coming up in 2019 – we have to write the new strategic plan. He added that he was just in a meeting that was talking about this and they will try to have a process that is similar to the last process, which was very inclusive.

Provost Arden stated that we are trying to have a very inclusive process and he cannot tell you the way it is going to evolve, it would not be a surprise, in fact it would be very positive, if it's not a stand-alone item in the strategic plan, then it is way more visible in the strategic plan." He stated that we talk about where we are now and the potential impacts of the state cutting back. "Where we are now is we have more FTEs and more expenditures in diversity and inclusion than any other University in the system, including Chapel Hill." He added that going forward, he does not know what will happen, but he

stated that if there are cuts in state-appropriated funding, then we are going to have to work hard to figure out how we get the resources together to make sure that we continue the momentum because it is too important to the institution.

Senator Parker: We had some HR visitors earlier in the semester. I was wondering where they are with their reconstructive process.

Provost Arden responded that he does not really know since that does not fall under his office. He added that he could find out. He gave kudos to Marie Williams, who brought in consultants and asked them to find out “how can we do better?” Provost Arden continued, “There are some major attitudinal changes that I see, quite frankly, and she is really committed, I believe, to having an HR that sees us as their customers, first and foremost.” He added that we have a while to get there.

Parliamentarian Kellner: What are the metrics of success for diversity spending beyond personnel and dollars spent?

Provost Arden responded that this is a discussion that he has been having with two of the last three Vice Provosts for Equity and Diversity. He pointed out that one thing that the report revealed is that we need better assessment. “Sometimes we have a tendency, and this isn’t because we want to take money from diversity programs and do something else with them, it’s a matter of asking the question ‘are we getting the bang for the buck’ out of the program that we’ve implemented?” He added that sometimes people get really emotionally involved in program that they started 10 years ago and they can always cite one or two antidotes of success. He stated that the question in his mind is, is that program really effective or could we be getting more ‘bang for the buck’ in a different program – still within diversity and inclusion. “I think this study did spotlight exactly that – we need better assessment, and that will hopefully allow us to tell our stories.”

Parliamentarian Kellner: Defining outcomes is very important.

Provost Arden responded that he could not agree more, but there is often a lot of non-numerical “stuff” there that we’ve got to figure out how to do a decent quality assessment of. “How do you really assess campus culture? You’ve heard me talk about this before. Campus culture, to a large degree, is a very local thing; it is not one big homogenous University thing. It builds up to that, but it’s often to a large degree what happens in your department, in your individual program.” He added that being able to assess those things are a little more difficult than simply measuring the number of people we have that fit into different categories. This is where we need to be headed with assessment.

6. University Development / Advancement - Brian Sischo, Vice Chancellor, University Advancement; Jill Tasaico, Sr. Director, Foundations Accounting and Investments

Background: Foundations play a key role in supporting the University’s mission. Of interest are university foundations, what are their functions, how do they work on

campus, and how can faculty connect with NCSU's development functions to advance their work. In light of recent tax reform, how might it affect advancement at NCSU?

Vice Chancellor Sischo provided introductory information about the University Development team and the different areas in which they work. He then guided the Faculty Senate through the presentation by first giving the Senators a sense of "where we are" in the campaign in a nutshell. "Some of you weren't present to join us on October 28, 2016, which was the time that we announced the public phase of the campaign." He explained that there is a period leading up to the public launch, that he calls "The nucleus phase," during which money is raised at leadership level support - typically, the largest gifts come in during this phase. He added that leading up to the public phase of the campaign, 97% of the dollars raised came from 3% of the constituents, which is not atypical in today's marketplace.

VC Sischo stated that the team pressed hard during this phase, with a lot of help from the Deans and from other unit heads across campus to get to the billion dollar mark by the launch of the campaign and we were able to do that, raising \$1.4 billion. "The good news is the momentum hasn't stopped, and your work on an everyday basis provides the enthusiasm and the connection back to so many alumni that love NC State. We do not have an issue of passion or love for this institution, we have a relationship issue." He stated that because we were so well-funded by the state for so long, NC State didn't have to worry about philanthropy and advancement; it has only been in the last 15 years that NC State has gotten serious about this and is now playing 'catch-up.' He added that there isn't a day that goes by that we do not uncover someone else who is an alumnus of NC State, but no one has ever reached out to them.

VC Sischo reported that we are \$1.2 billion toward the \$1.6 billion goal with four years remaining in the campaign, which will run through December 31, 2021. He added that it was only eight years ago when the Chancellor and the Provost took over and collectively were raising about \$80 million per year. "We have averaged now the last four years \$200 million. I dare say that we are just scratching the surface. I think our future is very bright."

Senator Huffman: What does it mean by "reach back total"?

VC Sischo responded that most Universities, as part of the leadership phase of the campaign, reach back and pull in certain significant gifts that may have occurred during the planning phase. "What we did is we only reached back three years and pulled in only gifts and commitments of \$100,000-plus." This picked up things like the commitment to Poole College of Management and some other gifts of that nature.

Senator Pearce: Speaking of Poole, what I recall is the pledge was something like \$37 million. I'm in the College of Management and I've never known how much of that has been accomplished. When I ask, they won't tell me.

VC Sischo responded that you hear a lot about the mega gifts, most often those are the combination of both current cash combined with deferred commitments. So the reality is the deferred piece doesn't happen until the individual has passed away. The real answer here is that the commitment from the Poole's was a combination gift of cash and life income gift that rolls up to that \$37 million. "Some of that money has been received and

is spinning off income for the benefit of the college and some of it will be received in the future.”

He added that so far in the campaign, the number of faculty support endowments total 168, 49 of which have been booked in this campaign. “These 49 represent almost \$94 million of new funds in endowment since the start of this campaign.” He added that we have had seven faculty support endowments that are generic in terms of their allocation, and we have had 49 new professorships booked in this campaign so far as well, bringing that total amount of 216. “We have been able to grow the number of professorships pretty significantly during this time, and I think this is an area that we will continue to focus on.” He added that in this campaign, a total endowment market value increase of about \$200 million just for faculty support. “In a broader sense, if you look at overall endowment, we now have over 2,800 endowment funds.” He added that some universities will throw everything into one bucket, which presents the challenge of not being able to steward those individual accounts by donor. “We find it very important, and we sent out 2,807 endowment reports to every donor who has created an endowment fund. In that is not only a breakdown of how their fund has performed, but in the case of a scholarship we not only list the students, but we ask the students for a thank you letter and include that in there.” Additionally, he added. “We ask faculty for a report about what you’re up to and then report that back to donors who have endowed professorships. So it’s an important stewardship piece of the puzzle.”

VC Sischo reported that there are \$682 overall campaign endowments in this campaign, so we have basically increased the total by about 25%, and in student support, there are 359 new funds out of a total of 1,778 for almost \$260 million that goes directly to support students. He added that today, our total endowment is \$1.123 billion.

Senator Orcutt: I was just curious, what is the basic math you use in terms of the amount of endowment related to amount of income that we generally appropriate?

VC Sischo responded that the University has an endowment spending rate of 4%, based on a 20-quarter rolling average of the market value of the endowment as of June 30th. He added that what that means is we are taking five years of the value of the endowment, as of June 30th, averaging that and then taking 4% on that. “So in some sense you would think, okay if it’s a million dollars today then that’s going to pay off \$40,000, but it may have been 850 three years ago when it was established.” So generally it doesn’t roll up to the full 4% but in some sense it’s a conservative approach to ensuring long-term protection of the endowment to not spend at that level.”

Senator Sederoff: When you selected the target number of \$1.6, why did you select that number and what is the money, the increase in funds, going to be used for?

VC Sischo responded that the establishment of a goal is the combination of some analytics, working with every Dean and every college and every unit to arrive at what would be a representative goal for that unit, in addition to what we thought we would have as a target for the central functions, and we roll that up. He added that they also tested this figure with some of their donor base as part of a fundraising feasibility study. “While there is no magic in that number, I think we arrived at that in consultation with our campaign committee, to determine whether that was both a reasonable and stretch goal for NC State.” He stated that they will continue to evaluate that as they go ahead. “There is some reason to believe that an increase in that goal might be warranted. I think there

are a lot of factors to be considered, the least of which is the potential for a market correction and the impact that would have on the donors.” He added that the change in tax reform could have a significant impact, as well as other factors. VC Sischo continued by stating that what it’s for is a roll-up of all things that are important to the University, which is the easiest way to put this. “At the high level, it’s about faculty, it’s about students, it’s about important building projects like the plant sciences initiative, like the Engineering Oval project, it’s about research and relationships with corporations, it’s about centers and programs, and it’s also about unrestricted support and operational support.” The bottom line, he added, is that this is a comprehensive campaign, so every gift counts in total.

Senator Sederoff: Is it easier to have one specific target?

VC Sischo responded “No”. “What this is about is being donor-centric.”

Senator Parker: You said it was a fairly conservative strategy, but you said you used a 20-month rolling average and it’s 4% of the month’s value, right?

VC Sischo responded 20 quarters.

Senator Parker: My question is why are you using of the total fund’s value as opposed to, say, 25% of the growth of the fund. Because it’s the same way as me looking at myself and saying, “I’m going to increase my spending, but I’m going to use my net worth as my metric instead of what my pay raise was.” That doesn’t seem as conservative as it might have been. You are using the whole value of the fund instead of the growth of the fund.

VC Sischo responded that the growth is the endowment’s combination of new gifts and investment performance, so last year we had a 12% investment performance increase, but we also added an additional \$50 million of new funds to the endowment. He added that it is that kind of combination that helps it grow over time. “Part of it comes down to this balance of having funds available to spend for the purpose intended versus managing for the ultimate long term.”

Senator Parker: What was your logic in setting up ...

VC Sischo responded that he had nothing to do with it. “Ultimately, the Board of Trustees approves the spending rate, but I would say it’s pretty consistent with most Universities.” He added that maybe the only thing that is different is that where we have a 20-quarter rolling average, there’s a number of universities that would have as little as a 3-year versus a 5-year, which maybe allows you to take better advantage of the highs. He stated that the other thing to keep in mind is if you have an endowment fund that goes under water, which is one of the risks that we take. If the fund goes underwater as the market declines and if underwater, no spending is allowed from that fund so you have students who are being funded by those scholarships and faculty being funded – and now there’s not a source of funds. That creates big headaches.

Senator Pearce: I thought that the way things were was suppose that somebody donates \$1 million, giving \$200k each year for five years. I thought that the recipient did not get any return until the endowment was completed and that the returns received during the 5 years was used to offset other losses.

VC Sischo responded that the thing to understand is when an endowment is made, there typically is a gap of time during which we hope to have earnings of reserves that can then spend out. "The only time that it would be delayed for that period of time is if it is below the minimum that is required." He added that if you're giving \$1 million a year, that will begin earning reserves and would pay out in the subsequent fiscal year. "There should be no situation where it's waited five years to pay out."

Senator Pearce: In my experience ... (several speaking at once)

Erin Delehanty responded that with Professorships, you do have to wait to spend until you receive the match.

Unidentified speaker: That is not true at other universities.

Kushal Dasgupta responded that we are working on that. "That is more of a state statute interpretation of spending, but the money is accumulated in spending reserves so really once the match arrives, then the accumulation is available for spending." In that five year period, he added, the accumulation is plugged in a spending reserve, but we are not allowed to spend it, based on state regulations.

Senator Pearce: So that means that at the end of the five years, you have more than \$1 million.

Kushal Dasgupta responded yes, if the market stays high all five years, overall.

Senator Bykova: So you told us that there are targets who are "donor dreams." So basically, a donor wants to spend money for something special. With this endowment money, who decides on how you decide where it goes? I am from CHASS, and we don't have endowment professorships. It seems like the majority of the endowments goes to one, two or three colleges and that's it. How are we doing that? Who decides?

VC Sischo responded that the donor dictates where that ultimate professorship gets established, and it is through a conversation with development staff. "We have development officers in every college, in every unit, and that's the kind of thing we want to encourage today – is to work through those folks." Their job is to work with donors to raise money for the college. He added that we also have centrally-based staff who work in concert with those folks. However, he stated, it ultimately comes down to the donor who says I would like to make a gift to this entity.

Senator Bykova: Recently the Department of Philosophy got a gift of \$7 million, which is unbelievable. What you are saying is that basically it goes to specific colleges, right?

VC Sischo responded yes, or to Athletics or the Library. The donors tell us. "That is our job is to find out what are you most passionate about. The mistake that is often made is to assume that just because you graduated from College X, that's where your passion lies. He added that his job is to really find out what you're most connected to at NC State and then to leverage that. "I know that if I connect you to what you're most passionate about, you're going to give more money."

Senator Huffman: So outside the normal things like scholarships or athletics, suppose I had an astrophysics group that wants to buy into a telescope for \$1 million a year, how would they get the information to you guys to be able to market that to donors?

VC Sischo responded that Brock Matthews would be the person to speak with and if I were Brock I would say that I don't need a 35-page dissertation; give me a 2-page executive summary of what this is, how it's going to change the world, some sense of what it's going to cost, and then who are the entities who might be interested in supporting that. Part of it would be who are the entities interested and then let's go talk to them. He added that the challenge is that the 95/5 rule – who are the five or ten people that would care enough to provide 95% of those funds. If you can identify those people, you can at least have an initial conversation to determine whether it's something they would be willing to receive a proposal on or not.

Senator Bullock: I have a question and a comment about the statement that donors dictate where the contributions can go. In my experience, I have found that that is only accurate when it is aligned with a pre-determined possibility. For example, if I decided and noticed that there is an under-representation of African American students at NC State, I cannot establish a scholarship for an African American student.

Kushal Dasgupta responded that race is a protected class under Federal Law, but there are ways in accomplishing that goal with specific scholarship clause around minority participation. "That is how we are bringing to donors the prospect of supporting African American students or minority students." So, he added, part of this is – although we do not mention race – we mention interests that align with the donor interests in supporting that minority.

Senator Bullock: But you couldn't guarantee me that my money would go to an African American student.

Kushal Dasgupta responded that by law, you cannot.

Senator Bullock: That's my point. You cannot.

Kushal Dasgupta responded that you can accomplish that goal.

Senator Bullock: You may accomplish it, depending. But again, I cannot establish a scholarship here for an African American student. I cannot designate in terms of your comment about determining – I do not get to determine that. I can say that this is where I would like my money to go but you can say here are the possibilities that might help you to achieve your goal, but you cannot guarantee me that the scholarship would go to an African American.

Kushal Dasgupta responded, "What we try to do is first understand what is your motivation to give back to the institution."

Senator Bullock: And I just said it's to help an African American student because they are under-represented, and giving a student a scholarship increases the likelihood that they will accept your admissions offer and intent.

Kushal Dasgupta responded, “The way we would do that is we have standard language around under-represented groups on campus and make that the first preference that the scholarship would look at in terms of awarding those scholarships. The other part of this is there’s a tax law that we have to be careful about because once the donor makes the scholarship gift to the institution and they get a tax deduction, the asset belongs to the institution. We want to try to follow the donor’s intent as closely as possible, and in this case what we do is we have very specific language and we look at the outcomes. Part of this is we report back the outcomes to the donors to show who got the scholarship awards. So while they may not be able to pick a student, we try to align it with the under-represented minorities language that the donor has established. That is the closest we can come.

Senator Bullock: It really isn’t whatever the preference may be, and you haven’t confirmed directly that my statement is accurate – that I cannot establish a scholarship. I am not saying that’s good, bad, etc. It’s not value-laden; I am just making a statement that is a fact. I cannot come to your office and say I want to give the money to an African-American student. It’s sort of like the flagpole – you can say you want a flagpole and can say you want your money to only go to the flagpole, but you cannot guarantee a donor that you will select an African American student.

Kushal Dasgupta responded that similarly, we cannot select a female student by law.

Senator Bullock: I get that.

Kushal Dasgupta responded that is part of the state laws that we have to follow.

Provost Arden responded that the fundamental answer here is that they do their very best to follow the intent of the donor, within the limits of the law.

Senator Bullock: But I think there’s a lot of misunderstanding out in the universe about being able to give scholarships to underrepresented students or being able to establish them.

Provost Arden responded that there is more flexibility behind the scenes that you realize, but they have to follow the law.

Senator Sederoff: There is a two-edged sword. You have to be very careful because this opens the possibility for someone to exclude African American students.

Senator Bullock: I am not advocating for doing it but I do know there’s a lot of misconception about it and then we often hear “well, at Chapel Hill they have scholarships designated for African American students,” and on this campus people get really confused and say “why can’t we do that here at NC State?” I am not advocating for it or saying that it should be the case, I’m simply saying that people misunderstand when they hear statements like “the donors drive ...” Yes, the donors can drive it if it is aligned with a predetermined set of possibilities and oftentimes, maybe other faculty don’t hear this but for faculty members who look like me, students will ask them why aren’t there scholarships for African American students. So there isn’t information out there letting donors and students know that you cannot designate, based on these protected variables, factors, etc. There’s not really clear information out there saying this is not a possibility at NC State or UNC or any of the colleges and that we are not alone having to

follow the rules that you cannot do this for protected classes. We should at least let people know that you actually can't do that because of legislation.

Senator Sederoff: "There is a way to do it. And that is to develop a category for (inaudible) where you define the award for low socio-economic status for families with no one who has been to college before, which automatically will give preference to..." (several speaking at once)

Unidentified: It's not exclusive.

Senator Bullock: "So you're saying, Ron, I want to make sure I'm understanding this, if you had a scholarship designated for a low income, first generation and (Inaudible) that would guarantee that my money would go to African American?"

Senator Sederoff: "It wouldn't guarantee it but it would disproportionately favor some populations that are under-represented (inaudible)"

Kushal Dasgupta responded that there is standard language that we work with legal affairs to accomplish more minority representation across the board. And to Ron's point, I think we can advertise that more globally and in our constituent base to make it clear how that works so that there is clear alignment of the donor's intent and how NC State is able to follow the donor's intent - to your point, communicating within our constituencies how that alignment can happen with the donor's intent and the outcome that is more scholarships for African American students at NC State."

Senator Berry-James: Along the same lines, I think it is important for us to talk about the way we establish giving circles for certain groups of people. "For example, I am an alum of Rutgers University and we established a diversity fund. We send money routinely to that diversity fund that benefits doctoral students who are diverse by gender or race/ethnicity, underrepresented students. Then in December, I established a scholarship fund and it is really specific – it is for doctoral students who are interested in performance measurement. So I send my checks there and other people who are a part of my unofficial giving circle. Maybe the University doesn't like that I created a giving circle, but they also send their checks there too so there's already been an amount of money amassed for people who are interested in public administration, specifically for performance measurement." She added that there are ways to create unofficial giving circles that really highlight the great work around diversity that we do at the institution, but also provide support for students whether they be a diverse student or students who are interested in performance measures.

VC Sischo responded absolutely. He added that this is where the power of social media, and crowdfunding, where technology has brought people closer around common interests. "We are seeing that all the time."

Senator Parker: Two things: "I don't agree with Ron." And are you allowed to use geographic location; specifically congressional voting districts as a criteria?

Kushal Dasgupta responded yes, we have that. (Several talking at once)

VC Sischo responded that yes, we have donors who support scholarships for kids from a five-county region in North Carolina in hopes that the extra money will entice some of

those folks to come to NC State. We see that all the time. He added, "The challenge we run into is that if you pick Bertie County as the geographic region, we may have a year or more where we don't have a student coming from Bertie County who meets your other preferences."

Senator Fath: I also disagree with Ron. I think we need to be careful about how we describe who is first generation and low socio-economic class, because where I grew up, people would look like me, not Karen. I don't think there was any ill-intent but I think we all need to think about how we're saying things sometimes.

Senator Sederoff: "I agree."

Erin Delehanty continued the presentation by reviewing information about associated fundraising entities. All of these entities, she stated, has separate governing boards, their own development office, partner with Central Development, and the University Treasurer serves as Treasurer for each Foundation. Additionally, these are all separately incorporated non-profit legal entities, IRS 501(c)3 classification, each with separate bylaws. She listed the following: North Carolina State University Foundation, Inc.; The Endowment Fund of NC State University; NC State Alumni Association; The North Carolina Agricultural Foundation Inc.; NC State Engineering Foundation, Inc.; North Carolina State University College of Sciences Foundation, Inc.; NC State Natural Resources Foundation, Inc.; North Carolina Tobacco Foundation, Inc.; North Carolina Textile Foundation, Inc.; NCSU Student Aid Association, Inc.; North Carolina Veterinary Medical Foundation, Inc.; NC State Investment Fund, Inc.

VC Sischo continued by stating that we have 12 entities and while this is complex, it could be even more complex. Ms. Delehanty added that when we are reporting things like our total endowment, total gift raising, etc., we roll all of these entities into one number. "So when you see that \$1.2 billion endowment, it is all of these entities combined." Kushal Dasgupta continued the presentation by providing information regarding the process of interacting with a donor and how the process works from start to finish.

Regarding the tax bill impact on NC State, Mr. Dasgupta made the following points:

- Retains 7 tax brackets but lowers top individual rate, doubling Standard Deduction

Possible Impact: If the tax deduction is an incentive to make the gift, then the standard deduction may work against us. But there may be more cash available on hand to give. So we are not sure where we will end up with this one, but that is the implication.

- Increase in AGI Limitations for Cash Gifts - Allows taxpayers to deduct cash contributed to public charities like colleges, universities and independent schools up to 60 % of his or her Adjusted Gross Income per tax year, up from 50 % under current law.

Possible Impact: There should be more available in the AGI limitations for folks who want to give cash gifts.

- Repeal of the Pease Limitation - Repeals the overall limitation on itemized deductions (Pease limitation).

Possible Impact: There was a limitation on the number of itemized deductions you can take – this is now gone and it makes it a little easier for folks who are doing itemized deductions to give

- Repeal of College Athletic Seating Deduction - Repeals the special rule that allows taxpayers to deduct 80 percent of a charitable gift made for the right to purchase tickets for college and university athletic events.

Possible Impact: This is the item that we have seen the most activity on. No longer gifts made to purchase tickets will be deducted at 80% as they used to be. We saw a lot of activity in December in folks giving us ten years' worth of seating rights. This has been the one we've seen the most activity on. A lot of colleges and universities are looking at this closely and there is some restructuring going on in how we try to market these. They were not 100% deductible initially. With this most recent change, there is no deductibility allowed anymore.

- Estate Tax: Preserves, but Doubles Exemption Level - Exemption level doubled to \$10 million, indexed for inflation.

Possible Impact: The exemption is now \$10 million. The prediction is that it will allow more high-end gifts.

Senator Bullock: I am in the department of social work and historically we haven't gotten a lot of donations and contributions and scholarships, but of late there has been an update. We had a donor who wanted to specifically give to Asian students, so as you said, the office worked with them around "you can't give to an Asian student but here are some ways you can increase the likelihood that the students will be Asian." Language is not protected, so this can be used. But once your office has helped the individual to dictate what they want, they really still think they can get an Asian student. It is just interesting because this is vague but since we are seeing an uptick since November, we have gotten two additional scholarships where the donor intended them for Asian students. As much as the University can make this clear, it should do so. There is a lot of confusion about the protected classes that isn't just listed anywhere out there.

Senator Huffman: On your total giving, what fraction of that is Athletic vs. Academic? Is there a trend?

VC Sischo responded that only about 10% of what is booked each year in gifts and commitments is to Wolfpack Club/Athletics. People think it's a lot more than that. I don't have a complete list. So about \$20 million is coming through the Wolfpack Club and most of that is for student-athlete scholarships.

Kushal Dasgupta clarified that we work very closely with the Office of General Counsel. He will contact Senator Bullock regarding those discussions where there was specific language that was written in the gift agreement. It will be helpful to understand how the other side of that works.

Senator Pearce: When the Chancellor talked a little about this, he was worried that NC State gets a fair number of contributions that are not from the 95%, and this deduction just increases the cost of giving. Do we suggest to people that they give every three years and take advantage and then itemize every two or three years?

Kushal Dasgupta responded that in University Advancement and in other non-profits, we have begun to look at donor advised funds, which would accomplish the structure of giving in chunks that can then be spread out. We are trying to expand our offerings to include donor advised funds – maybe one that is NC State-branded, which is a conversation that is ongoing. He added that at the high level, 75% of our donors never take the deduction that they get from their gifts, so that is the other staggering number. “At the very high level, where 3% of our donors are making 97% of the gifts, the tax deduction is not necessarily the motivation.”

Senator Pearce: I know it may not be the motivation, but they’re just tossing that money away. (Several speaking at once)

Kushal Dasgupta responded that he was surprised. He added that at different giving levels, the tax changes may have a different impact at the \$1 million plus level than at the donor levels where they’re giving between \$1000 and \$5000.

VC Sischo added that his concern is that the raising of the standard deduction will impact that low level donor – the \$500-\$1000 donor – because there is now no incentive from a tax perspective. We have seen University-wide and nationwide, a 39% decrease in the number of annual donors over the last 15 years – fewer donors because of competition. The pie is just getting saturated. “I worry that trend will become even more steep in a downward way. The issue is not today, it’s down the way.”

Senator Parker: Those people who still donate that \$500-\$1000 and they don’t get tax benefits, that really separates the people who are donating for tax purposes and those who are donating for other reasons. I would view that as a fair price to pay for that distinction.

VC Sischo agreed and said this is the other side of the argument. “We know that the tax deduction tends to be about number five or six or lower on the reasons why people give, so I think if we can continue to make a strong case for giving to NC State, the tax deduction isn’t going to deter those people who want to make an impact.” He added that it is just too early to tell how this will pay out.

Senator Bykova: What fraction of money goes into the construction of new buildings?

VC Sischo responded that the goal that was established at the beginning in the pitch made to the Legislature and one big reason why we got two projects in the bond referendum was the idea that we would raise half the money. “What we are finding is that it is a challenge because we do not have a history here of raising gifts for bricks and mortar at that kind of scale.” Part of what we hear when we talk to some donors is “Hey, that’s not my responsibility – the state pays for those.” Well they are in part – 50%. In the case of the Engineering Oval, the fundraising goal for that ended up being \$60 million and we are working hard everyday with the College of Engineering to try and accomplish that. We have some time and we are honestly making some very pleasantly surprising progress.

Senator Ash: So you said the donors drive where the money goes, but what if we want a telescope? What formal processes, if at all, exists for Development to know what faculty and departments want?

VC Sischo responded that the Development staff needs to be proactive at reaching out to faculty to understand what are those projects out there and at the same time, he encouraged the Faculty Senate to push their College Development staff to bring those ideas forward. There isn't really a formal process, it's more figuring out what's out there.

7. Old and New Business

Old

a. Spring Elections for Senate Seats and Committees Jeannette Moore, Immediate Past Chair of the Faculty

Past Chair Moore passed out a sample ballot that shows open Faculty Senate seats and encouraged the Senators to assist in finding colleagues who may be interested in serving on the Senate and also for the individual committees. (Faculty Grievance and Non-Reappointment Review Committee and Hearing Committee)

b. Chair-Elect of the Faculty, Call for nominations Carolyn Bird, Chair of the Faculty

Chair Bird encouraged the Senators to consider this role and reviewed the criteria. Please have the nominees' names to Chair Bird and Past Chair Moore by Wednesday, February 14th.

8. Issues of concern

Faculty Issues of Concern can be submitted at any time to a senator or to Faculty_Senate@ncsu.edu.

Minutes from each Faculty Senate committee (Academic Policy; Governance and Personnel Policy; Resources and Environment) are posted so progress on issues/discussions can be monitored by all.

9. Adjourn

The Faculty Senate meeting was adjourned at 4:43 pm.