

**Notes from the
Community Meeting
UNC-Chapel Hill Employee Forum
March 2, 2009**

Chancellor Holden Thorp

We are in extraordinary circumstances as regards the budget situation. As grim as the situation is, there are reasons to be pleased about being in North Carolina, where we have had fairly conservative budget management in the past and thus have not suffered losses as heavy as some other states.

The UNC reversion has been only 7%; it was 9% for most other State agencies.

We don't know what is going to happen next because:

- The Governor's, the NC Senate's and the NC House's budgets have not yet been submitted.
- Everyone is waiting until after April 15th, to see what State revenues will be.
- Everyone is waiting to see how the federal stimulus bill will impact the University.

We do know we are going to have a reduction in our budget from the State. We already have suffered a 16% loss in calendar year 2008 in our endowment income.

We are taking steps to ensure that cuts in Administration budgets are at least as large as those faced by academic units and elsewhere on campus.

- There have already been reductions in South Building and in the offices of vice chancellors.
- Fundraising will continue, but I will take no international trips.
- We have canceled some events.

The Administration supports furloughs, but to implement them we must wait for legislative approval. If they come:

- Everyone—including top administrators—can expect to have their salaries reduced by the furlough.
- The number of days an individual is furloughed will be scaled according to salary level so that people in the lower-paid positions will be protected.

We have brought the Employee Assistance Fund up to \$445,000.

- \$250,000 through a planned estate gift that is under my discretion for how it is spent
- \$70,000 by cancelling the Tar Heel Bus Tour this year
- \$100,000 gift from the Department of Athletics
- \$25,000 gift from myself and my wife Patty

My wife and I hope that our personal donation is a sign that we are sincere in saying that vice chancellors and deans will also undergo temporary salary reductions, along with others at the University.

The Employee Assistance Fund will enhance our outplacement services and provide more opportunities for personal counseling sessions for employees who are laid off.

If furloughs are not authorized by the Legislature, we will try to set up a voluntary system whereby people in the upper salary ranges can make charitable contributions to the University to help preserve jobs.

We have set up a website with documents about the budget situation.

- The Employee Forum requested more specifics about the Budget Reduction Scenarios document, so we provided the larger document on which that summary was based. Keep in mind that these two documents reflect scenario planning, not necessarily precise actions that will be taken.
- The Employee Forum requested more information about our relationship with Bain & Company, so although we are not required to do so, we worked it out with the Foundation who has funded the study to allow the Scope of Work agreement to be released.

This year we had to return 7% of the budget funds that were given to the University by the Legislature last summer. We hope that's the end, but there's no guarantee. Critical decisions will be made over the summer this year. We will work with the Faculty Executive Committee, the Employee Forum and the students as we make these decisions.

There is good news in the stimulus package.

- More federal grants are available, which means more jobs.
- There is possibly going to be money for additional renovation and construction projects, so we are now looking for "shovel ready" projects that can take advantage of these funds.

Things we will continue to do:

- Fund raising. External sources of money are needed more than ever. This gives us an opportunity to review what we are doing in that regard and make sure the money we raise goes to those things that are our highest priorities.
- High-level job searches, such as for deans, vice chancellors, etc.

Answers to questions that were sent in ahead of time:

1. Will there be salary reductions for administrators, too? Yes.
2. Will you meet with the Employee Forum more frequently in the coming months? Yes.
3. Is there enough money in the Employee Assistance Fund? We hope so. We hope we won't need all of it, but if we do use it all and need more, we'll try to add to it.
4. Will you protect lower-paid employees from furloughs? We have strongly made the case to General Administration and the people in Raleigh about that.

5. Are you counseling deans and vice chancellors in how to carry out reductions?
Yes. Brenda Malone has been meeting with them to share some of the materials that we will see here today.
6. How will you mitigate the increased workloads caused by reductions in force? If these budget times persist, we'll have to examine our activities and see if we must reduce our expectations for what we're able to do. We wouldn't be able to work through this overnight. We are aware of the discrepancy between staffing and work load that is likely to result from reductions in force, and we'll work through them carefully. But please be patient; it will take time to work our way through this.

This is the most important time in my life and the most important thing I've ever done or ever will do—to be chancellor of this great University as we figure out where we need to go. I am optimistic about the future and about Carolina's ability to get through this tough time.

Richard Mann, Vice Chancellor for Finance and Administration

When we look at our sources of revenue for the University, we can see why we have a problem.

- 31% -- Largest source is contracts and grants (federal, state, local, and some corporate)
 - 24% -- State appropriations
 - 10% -- Tuition & fees
 - 15% -- Sales & services
 - 9% -- Patient services
 - 6% -- Investment income; much of this money is restricted to very specific purposes; not fungible (movable)
 - 5% -- Gifts (same situation)
- } The real State money

Most universities live on their endowment income; we also have State appropriations.

We can look at expenses in two ways: what things we spend it on, and what programs/goals we spend it on.

- Things
 - 58% -- salaries and benefits (the bulk of our funds are spent here)
 - 25% -- purchases from outside suppliers
 - 8% -- commodities (supplies and materials)
 - 3% -- depreciation
 - 3% -- utilities
 - 3% -- scholarships and fellowships

If we take out utilities paid for with the State portion of our budget, 80% of the Academic Affairs piece of the budget is spent on salaries and benefits (87% in Health Affairs). So if we have a problem with the State budget, it hits salaries hard.

- Programs/goals
 - 32% -- direct instructions
 - 24% -- utilities, food services, etc.
 - 17% -- research
 - 6% -- operations
 - 5% -- academic support activities
 - 5% -- public service
 - 4% -- institutional support (general administrative support activities)
 - 3% -- depreciation
 - 3% -- student financial aid

This information is on line in the Annual Report, available at
http://www.unc.edu/finance/fd/c/docs/2008_caf.pdf.

We don't know the magnitude of the cuts that are coming, yet, but each 1% of cuts this year amounted to \$5.1 to \$5.2 million. We've been cut 7% so far, so that is \$36 million cut from our budget this year. In the state appropriations part of our budget, where salaries are heavily located.

Why are we spending more of this out of the State budget? In part because benefits come with salaries and "it's much more cost efficient to have as many people as we can on our State budget."

This is a major concern that we are trying to work through. We don't know the magnitude of the problem, and we won't know until after April 15th.

We are looking at permanent budget cuts for next year. This year we took one-time 7% cuts. It's possible we'll be asked to take even bigger permanent cuts next year.

Brenda Malone, Associate Vice Chancellor for Human Resources

The most important thing we can do is keep everyone informed. HR has been trying to make sure that the University community knows what policy says about layoffs and how to implement it and that employees know what they're entitled to if they are laid off.

We recognize that being laid off is one of the most devastating things that can happen.

We're trying to make our statement of policies on our website easier to understand. We're working on a "revision to our layoff policy." It won't change in substantive terms what we hear today. What we hear today will be the meat & potatoes of layoffs.

But employees often need more than just what's in the basic policy, so we are working on two Resource Guides—one for SPA employees and one for managers.

Today's presentation will be posted after the Meeting at http://hr.unc.edu/guides/0302-communitymtg_final.pdf.

We want to say that we really appreciate the Employee Assistance Fund, which is being used to bolster "outplacement and career transition services." Being laid off can be extremely devastating, so our contract with Lee Hecht Harrison is being enhanced to allow for one-on-one counseling and a host of other services. Money from the Fund is also being used to enhance the psychological services available to RIF'd employees.

Vicki Bradley, Sr. Director of Employment, Classification & Compensation – speaking on layoffs of SPA employees

The rules for SPA employees are set by the State of NC. The State does allow layoffs of SPA employees for budget reasons.

University policy says that departments must try every other means to address budget issues first, in order to try to avoid these layoffs.

The State says that the University must follow specific criteria when it engages in layoffs, that 30 days notice is required, and that some employees will be eligible for severance pay and priority re-hire status.

The layoff process:

- Starts in the department or individual unit, which evaluates its situation and comes up with a layoff plan [see below]
- That plan is submitted to HR for approval
- The employees are notified
- The layoff coordinator from HR meets with the affected employees

How to create a layoff plan:

- Establish what your critical business needs are
- Determine which positions support those needs
 - "Make sure the employees you keep have the mission-critical skills needed for the work of the unit to continue."
 - Permanent, regularly scheduled employees working 20 hours or more must be retained over other groups such as temps, employees still in their probationary period, those working less than 20 hours per week, etc.
- Check the relative performance of employees in the affected job classifications
- Check their length of total State service, including military service if applicable
- Check to make sure layoffs will not affect the University's affirmative action goals

SPA layoff benefits

- Severance pay, which is calculated based on years of service and base pay, then adjusted for age

- Health insurance continuation for one year, for free
- Re-employment priority consideration for one year, or until new job is accepted, or until employee refuses an interview or a job offer
 - At the University or the State level
 - Gives priority over all other applicants who are not State employees
 - Restrictions and rules about level of the new position, salary grade, etc.
 - If an employee feels their priority status was denied, the action can be appealed
- Career transition counseling
- Leave payout and reinstatement
 - Unused vacation & bonus leave is paid out in a lump sum, up to 240 vacation hours
 - Unused sick leave is not paid out, but is “banked” for up to 5 years against employee’s eventual return to State service

Discontinued Service Retirement may be available if an individual employee is near retirement.

Matt Brody, Assistant Vice Chancellor for Human Resources, speaking on EPA-NF layoffs

EPA Non-faculty (EPA-NF) positions are covered only by the rules of the UNC System Board of Governors (not by the State). Those rules do not include a formal layoff policy.

There are two types of EPA-NF appointments:

- At-will appointments may be ended for any permissible (non-discriminatory) reason, usually with 30 or 90 days notice.
- Term appointments, which are essentially 1-year to 5-year contracts.
 - May be ended if there is a funding contingency clause attached to the contracts, or for cause.
 - If there is a loss of funds, layoff may occur without even a 30 day notice, although 30 days is recommended.
 - The majority of permanent State budget funds are not relevant in terms of this contingency.

Terminations due to financial exigency or program curtailment/elimination:

- Allows dismissal of at-will employees and breaking contracts of term employees
- Cannot be done at the departmental or the school level; can only be done by chancellor in consultation with the UNC System President and the Board of Governors.

Benefits available to laid off EPA-NF employees:

- Health insurance continuation for one year
- Career transition counseling

Question & Answer Session

1. How do you define what a “furlough” is?

Thorp: The State will have to figure that out. We don't know. It's up to the folks in Raleigh.

Mann: Furloughs are a temporary answer to a problem—not a permanent solution. There are many ways to do them.

2. Will layoffs be done according to the University's policies? When the dental techs were laid off a couple of years ago, the Administrative Law Judge found that the University had not followed its own policies then.

Thorp: "We intend to follow the policy." That's why HR is going around and informing managers about the policy.

3. What happens to my benefits if I'm laid off but I wasn't vested?

Brian Usischon, Sr. Director for Benefits & Employee Services: If you have the TSERS retirement account, you retain the benefits you have accumulated in that account by the time of your layoff. As for your health benefits at retirement, it depends on when you vested, because the rules for acquiring this benefit changed as of 10-1-06. See your HR specialist for information about your own situation.

4. Will employees be notified within their departments if their positions are being considered for termination?

Malone: We are stressing the need for as much advance notice, as much information, as soon and as early as possible.

5. Can you collect severance pay and apply for and receive your retirement benefits?

Usischon: No. If you want, you can collect severance first, and then apply to draw your retirement afterward.

6. Can SPA employees who are laid off continue to have their dental benefits?

Usischon: Any voluntary health care program can be continued under COBRA.

7. As regards the study being conducted by Bain & Company—why are there no stakeholders included on the Oversight Committee?

Thorp: The Committee consists of myself, Dick Mann and Elmira Mangum. “We intend to speak with Tommy [Griffin, Employee Forum Chair] and with Joe Templeton [Faculty Council Chair] during the process to get their input on the study.”

8. How does layoff affect future retirement benefits?

Usischon: As regards TSERS, if you’re vested, you’ll still be eligible to receive the benefit you qualify for. For EPA-NF employees, you had a choice of retirement programs to participate in. If you chose a defined benefit plan, you can retire based on the funds available in your account.

9. Has there been any consideration of “forced” or early retirement being offered?

Malone: We cannot force employees to retire. Early retirement programs must be enacted by the Legislature, and they have not done so yet.

10. Can I ask for a voluntary reduction of my hours?

Malone: It is possible, with permission from your senior administrators. This option has always existed. But we cannot engage administratively in wholesale reduction of hours without legislative approval.

11. How long does the EPA-NF health insurance apply?

Brody: It’s the same for EPA or SPA—one year, after which the individual employee can continue it at their own cost.

12. If I am paid with federal grant money, what does this mean?

Thorp: The budget crisis doesn’t change your situation if you’re paid off of federal grants. But all people on grants have a contingency clause in their terms of employment saying that if the grant money disappears, so may the job.

Malone: The layoff policy doesn’t make a distinction as regards funding source for SPA employees. If a reduction in State funds requires layoffs, as you look at the factors Vicki Bradley spoke to regarding groups of employees who have to be laid off before other groups, grant-funded jobs could be impacted.

13. We’ve seen layoff figures for a person making \$48,000 per year. What about the figures for a person making the median salary at UNC-Chapel Hill?

Thorp: I think this question is asking about layoff impact on lower-paid employees. There will be job losses at all salary levels. “There’ll be changes in the Administration and folks with larger salaries who will be dislocated by this crisis, just as there are at all levels.”

14. What portion of the budget cuts are likely to become permanent cuts?

Mann: We've been asked to give plans for next year of up to 7% permanent cuts. Other State agencies have been asked to plan for 9-10% permanent cuts. All of the cuts done temporarily for one year do not necessarily go away in the next years. We may have to do a mix of temporary and permanent cuts, then. But right now we don't know the magnitude of the cuts that will be required by the State. No one knows yet.

15. If there is no furlough authority given, layoffs are inevitable. Based on that, people in Facilities Services "cannot be the ones who have to absorb any of these layoffs. Within Facilities Services administrators need to be directed to look at areas that are non-productive. We're stretched thin as it is, and more buildings are coming on-line, more square footage, yet there are no new hires. So it cannot be on the backs of these people who are providing a service to the University."

Mann: We will look to see that reductions are proportional. The things we will try to minimize impact on are our core construction, service & research programs. And everybody else will have to share equally in what we have to do to cut our expenses.

Thorp: In regard to temporary versus permanent, we have to balance the fact that if we wait too long, we'll lose more jobs in the long run, if we're not ready for the reductions we have to make. That's the thing we're balancing in terms of what's temporary and what's permanent. The more we procrastinate, when we know we have to make tough decisions, the more we'll lose in the long run. Our objective is to preserve as many jobs as we can.

16. A manager asks how to evaluate performance versus seniority in making layoff decisions.

Bradley: You can decide based on performance, not seniority, if two layoff candidates are otherwise equally vulnerable to layoff.

17. What good is layoff priority status if there are layoffs across the system?

Bradley: It gives you a chance for whatever positions are out there.

18. If furloughs are approved, will EPA-NF and SPA positions be considered equally?

Thorp: Yes. But protecting lower-paid employees, most of whom are SPA, may mean that proportionally fewer SPA will be affected.

19. Given Bain & Company's reputation for cutting employees, what will be the priority of retaining staff as compared to all other cost-cutting measures?

Thorp: Other cost-cutting measures are being considered ahead of losing staff. Individual units have already given us information regarding reducing costs, in some

areas by reducing staff. The Bain study is supposed to help us see how to reduce costs when you look at the whole University and not just individual units. "We had the opportunity to do that."

Many of the things Bain will be looking at are consistent with suggestions we've gotten in response to our emails—about purchasing, IT, energy.... AT this point we're looking for every idea we can get, and this is a way to get some good ones.

20. What about the Oversight Committee? We need to have representation from the staff.

Thorp: Right. And the committee will interact with Tommy to get your input.

21. From a student: What is the process for priority rehire? Based on the number of years? And is there any way to get the type of salary you were making at layoff, if you are re-employed at a lower salary?

Bradley: Your years of service don't matter. If you take a position at a lower salary, you continue to have re-employment priority until you get into a position that is the same salary and the same level as you had at the time of layoff. Or until one year has ended.

22. From a student: Bain recommends layoffs and privatization. Can you give us a guarantee that privatization is not on the table right now?

Thorp: Not for every single function of the University, but we are sensitive to the fact that privatizing a lot of functions are not things we as a community would want to do. But they could produce ideas for privatizing things we haven't thought of that wouldn't be challenging to the way we've done things. We will certainly evaluate that along with any other recommendations.

23. From a student: Regarding the Employee Assistance Program – Given the creation of the program, where are you thinking these cuts are going to take place?

Thorp: My role is to produce an environment where vice chancellors and deans have the opportunity to make the best decisions for their units, because they're close to that. I'm not aware of any places where we'll have more cuts than in any other. We're in the process of working through all that. I realize it's frustrating that we haven't gotten to that point, but we're working through it one step at a time and communicating where we are.

24. From a student: How much of a cut will the Athletic Department take so that housekeepers and grounds keepers won't lose their jobs?

Thorp: The Director of Athletics will make cuts to his budget based on where changes to his revenue are. He doesn't have State appropriations, so he is not facing the same situation, but does have reductions in endowment income & must face that. He'll make reductions as needed, just like any other manager in the University.

25. From a student: As regards the AAUP letter asking for transparency as regards the Bain contract funding and the anonymous donor—How do you plan to respond? And how transparent do you plan to be in this whole process?

Thorp: We have released the Scope of Work document on our website. We have arranged for the Oversight Committee to meet with the Forum and Faculty governance.

26. Why does balancing the State budget this time rely on furloughs rather than on freezing salaries, which is what we've done in the past?

Thorp: We don't know that we will have furloughs. We're facing steeper cuts than in the past and must put other options on the table. People are willing to take furloughs to preserve jobs, unlike in the past. This is a sign that people understand how steep the crisis is and how pervasive.

27. What are the stats for the numbers of temps, part-time employees, etc., versus permanent employees?

Malone: I don't have those figures. I know that of SPA employees, well over 90% are full time. I don't know the others. I'll ask Vicki Bradley to put that information up on the website, so we'll get back to you.

28. What is the minimum number of hours to be considered for full benefits?

Malone: At least .75FTE, which is 30 hours per week.

29. If we individually requested a 32-hour-per-week schedule, would it be difficult to go back to 40 hours?

Malone: That would be an individual situation you would have with your department. It would be best to talk about this up front if you request to reduce your hours.

30. How do layoffs affect future hiring?

Malone: There is not hiring freeze in place at this time, but we are only hiring where we have absolute needs. In the event of layoffs, it would be the same thing. There would be hiring in areas where there is critical need to support the University's mission.

31. Do you abolish positions after layoff?

Bradley: Yes. Positions are abolished.

32. One more question about Bain...about why we hired them rather than making use of the talent and knowledge we have here at the University in our School of Business, etc.

Thorp: We had the opportunity to have the Bain study done through an anonymous gift to the UNC Foundation & it was offered to us under the terms that we've accepted, which I realize not everyone is wild about. I'm the one who made the decision that we should accept this study with the constraints that we have. I felt and I still feel that it's the best opportunity, a good opportunity, for us to get some ideas for getting through this crisis that we wouldn't come up with on our own. And it's not costing the University anything, and it might provide additional insight that we might not get on our own.

Mann: We've had this kind of study in the past. For instance, Huron, a number of years ago.^{**} It's not unusual at other universities I've been at for a change of leadership, such as we've had here with a new chancellor, to get these kinds of studies done. We're in a fortunate position and the timing was fortunate to have this funded by an anonymous donor. It's an opportunity in terms of how we decide to handle this crisis.

*** [Note for the reader: The Huron Report was one of the key studies that advocated pulling State employees out from the State Personnel System in a move known as seeking "personnel flexibility"—the precursor to the current move for "Article 16."]*

Tommy Griffin, Chair, Employee Forum

I want you to go back to your work areas today with positive thoughts. One reason we had this meeting was to share all of this information. Go back with positive thinking. I don't have all the answers, but I'll tell you this: that's what all of you've got. So, be working hard to come up with them and send them to the Employee Forum or the office of the Chancellor. Send them wherever you can.

When we go back today to our jobs, tell folks you left with a positive attitude—you left like true Tar Heels. It's a tough situation, but don't leave here thinking you're going to be laid off tomorrow. There's plans in the works to take care of us. I've been here 36 years, and these are horrible times for all of us. But don't leave here thinking that we don't care, because we do care.

Bear with me, because I get emotional when it comes to the staff here.

So leave here thinking positive. Thank the folks who came here today to share this information with us, and Brenda [Denzler], who put it all together. I was just in the background, helping where I could. Just like we all do.

We share every day what we do here on this campus, and the only way to make it through this is working together. So go back today, come up with those ideas, share all of this info with your fellow employees. I know we can get through this. We made it through the Great Depression, through several wars, and we'll make it through this. Together.

Leave here with a good spirit in your heart, especially that Tar Heel blue one, because that's what we all are: Tar Heels. [big applause]

Thank you all for being here, again, and we are working on this. Please stay in contact with us and let us know what's going on. I said last year we had the right man running this, and we still do. Chancellor Thorp, thank you.