Committee: University Budget Committee
Date: 4:05PM 16 September 2004
Regular Members in Attendance: Cal Christian, Henry Ferrell, Ralph Scott.
Ex-officio Members in Attendance: Maggie Capen, Joe Gaddis, Andrea Harrell, Chuck Hawkins, Maggie {Margaret Helene} O’Neill (SGA), Gary Vanderpool.
Others in Attendance: Don Holbert, Lori Lee, Paul Vos
Person presiding: Prof. Henry Ferrell

Professor Ferrell called the meeting to order at 4:05 PM. Noting that a quorum of regular members were not present, the chair stated that unless there was objection, the members present would meet as a subcommittee of the University Budget Committee. He further noted that this had proven to be a good method of conducting business in the past when there was no quorum. There was no objection to continuing as the chair suggested.

Minutes of the Special Subcommittee Meeting of the University Budget Committee

Professor Ferrell reported that he and Chuck Hawkins had given a report on budget matters to the Faculty Senate at the September meeting of the Senate. He informed the members present that there would be a supplemental report covering other funds to the Senate. Interim Vice Chancellor Chuck Hawkins opined that he generally referred to these type funds by the designation: State-Appropriated Funds and Non-State-Appropriated Funds. Prof. Ferrell asked if tuition monies were considered other funds? Chuck replied that all tuition and fees collected were considered State-Appropriated Funds.

Agenda Item #1:
Professors. Holbert and Vos:

Prior to the presentation by Holbert and Vos, Ferrell noted that while this committee was not an appellate committee, the matters under consideration fell under the charge of the University Budget Committee.

Professor Holbert began a PowerPoint presentation by stating that they were presenting two main points for consideration 1) a question of fairness and equity and 2) conflict of interest with regard to using 1310 monies to fund the deans salary across the campus. The presentation was drawn in the main from data presented to the committee in a memorandum dated 24 August 2004 (which is attached below to these minutes).

The memorandum basically related concerns faculty in Allied Health and Nursing had concerning the allocation of 1110 and 1310 monies to faculty and deans in the division. It was noted that under the present scenario raises for faculty and the deans have to come from 1310 funds. Professors Holbert and Vos stated this was a change from what had been done in the past (prior to 2000-2001) with regard to dean raises which came in the mean from 1110 funds. (A chart of Accounts of the University of North Carolina system which lists the standard classified accounts and their activity and purpose, can be found at: www.ga.unc.edu/UNCGA/finance/COA/COA.pdf).

Professor Holbert asked the question: Is it reasonable to expect the “included” dean to be objective in his judgement? He stated that the focus of their discussion today would be on the potential and actual conflict of interest issues inherent in this type of system. Holbert presented evidence of actual conflict of interest in his presentation. He further noted that there had been a change in where the monies for Dean raises came from in 2000-2001 from 1110 funds to 1310 funds. He asked the question why was there this change? He and his colleagues have been told by the administration that this change occurred because the “old system was not fair to the deans.” This was because there was little or no funding for 1110 raises budget in the system. Prof. Christian asked the question as why the old system was seen as being unfair to the deans? Prof. Vos noted that he was told that deans were getting smaller and smaller raises under the old system. He further stated that under the old system it was his belief that the deans did not set their own raises, but that it was “set at a higher level.” Vos noted that the Allied Health Sciences Dean Thomas currently makes $149,500 p.a., and that this was 16% above the CUPA average for similar deans.
Executive Vice Chancellor for Health Sciences Administration and Finance Vanderpool stated he did not believe there had been any change to the practice of the allocation of monies for either 1110 or 1310 fund from the practice of how these monies were controlled in the 1990s.

The general question was raised as to how 1310 monies were allocated.

Professor Capen asked the question: Do most deans teach? She opined that some do and this might account for their receiving 1310 monies. She stated that she felt the questions asked by Professors Holdbert and Vos raised some possible issues of concern.

Professor Holbert noted, referencing one of his presentation slides that the Board of Governors has a policy against conflict of interest (http://intranet.northcarolina.edu/docs/legal/policymanual/300.2.2.pdf).

Professor Ferrell asked if 1310 monies only go to faculty EPA teaching raises? Holbert responded no, that there were other uses of the monies such as inequities.

Professor Ferrell asked Professors Holbert and Vos if they felt there was a conflict of interest with regard to Dean salaries? Holbert responded that it was his understanding that the Dean was the point of decision making and that this created a potential for a conflict of interest when on the uses of money in vacant lines is to fund the raise for the dean. The decision the Dean makes is how much 1310 raise money to distribute to faculty and how much to withhold using vacant faculty lines. There are various legitimate reasons to place money in vacant lines and the Dean needs to allocate raise money among these reasons and the current needs of the faculty. The conflict of interest arises when one of the uses of money in vacant lines is to fund the raise for the Dean. The Dean’s potential for a successful raise he deserves will be increased if there clearly are sufficient funds for this raise. On the other hand insufficient funds means it would be very difficult for the dean to receive a raise proportionate to the faculty.

Professor Ferrell asked how deans obtained raises? Professor Vos responded that in the past they had obtain funds needed from 1110 monies, but that currently the funding is from 1310 lines. Hawkins responded that the Vice Chancellors know they have to funds to support the raises. He opined that there is frequent contact between the Vice Chancellors and their Deans over this issue. Hawkins stated that the decision was made independent of the deans by the Vice Chancellors and Chancellor. Vos noted however that the dean is in a very different position when negotiating a raise under the system that allows his raise to come from 1310 funds.

Hawkins noted that the Vice Chancellors had in the past he thought made the decision to meet the mean salaries for deans in their divisions. He stated that the dean does not 1) control the salary raises and 2) where the money comes from. Hawkins opined that the decision on dean salaries is not made at the dean level. The assumption is that the dean might have input, but the Vice Chancellor and the Chancellor actually make the decision.

Discussion continued on this issue among the committee members present.

Professor Ferrell asked the question: Was not the salary decision bound by the school’s budget? Someone, somewhere had to make the decision?

Professor Capen noted that the decision was not totally the decision of the deans, but that money had been placed in the budget lines of these schools for this purpose. She stated that she could see both sides of the arguments presented.

Professor Christian noted that any dean at East Carolina could have this potential conflict since they are involved in the allocation of budget line items between themselves and their faculty.

Hawkins opined that “I hope no dean would do that.”
Ferrell noted that “Good policies make good decisions.” He asked if ECU has changed to a more decentralized system of salary recommendations. He noted that in the historical past the President and Board of Trustees actually voted on faculty increases. At times he noted that the Trustees would be interested in amounts as small as $200 increases for specific faculty.

Hawkins stated that authority might now be more decentralized that it was in the historical period Ferrell was talking about.

Vanderpool noted that he has observed no change in the way salary monies were allocated in his division in the time he had been here. He stated that he thought it had always been up to the dean to decide a recommendation to the Vice Chancellor for faculty salaries.

Ferrell asked the question: Why not put all surplus funds into one pot and give the faculty all the monies as raises?

Assistant Vice Chancellor for Academic Affairs Joe Gaddis noted that there may be at times holdbacks that would prevent the expending of all such funding.

Hawkins noted that Vice Chancellors can pull funds at any time to do with as they wish.

Ferrell asked: Could Deans set aside funds for their own salary purposes, knowing that a Vice Chancellor would see this as a possible source of funds to provide the Dean a raise?

Hawkins opined that it is remotely possible that they could.

Ferrell noting that it had passed the committee’s allotted meeting time, asked if there was any specific suggestions from the Committee for action to be taken?

Committee members asked if a review of the allocation of these funds could be undertaken.

Prof. Holbert asked if the data we presented were supportive or suggestive that a dean could use withheld funds to improve his/her own salary or raise?

Ferrell responded that, that would be the idea of the review.

Vanderpool asked Profs. Holbert and Vos if their data included the salary supplements awarded to Vice Chancellors who were in Interim status?

Holbert responded that it did.

Vos asked: Is Allied Health Sciences in the division of Academic Affairs?

Hawkins and Vanderpool responded that is was. There were two budget divisions that were not crossed: 16065 for Academic Affairs and 16066 for Medical Affairs. Monies between line purpose codes might be commingled, but that 1310 funds may be used for Deanssalaries, but not for non-academic administrative salaries.

**Action item**: Full committee to vote on subcommittee recommendation to conduct a review of how 1110 and 1310 monies have been allocated to ascertain if the data presented by Prof. Holbert and Vos is supported.

**Agenda item #1 for next meeting**: Vote on subcommittee recommendation.

Chair Ferrell declared the meeting adjourned at 5:10 PM

Respectfully presented,
Ralph Scott  
Secretary, University Budget Committee

Attachments:  
Interrogatories by Profs. Holbert and Vos:

August 24, 2004

Members of the University Budget Committee  
ECU Campus

Dear University Budget Committee Members:

We wish to provide for your consideration concerns we have with aspects of the ECU budget and its administration, with particular emphasis on salaries and raises. Our concerns stem from considerable research we have done during the past nine months in connection with questions that were raised last fall about the use of 1310 funds in our own school, the School of Allied Health Sciences. The initial concern in our school was sparked in the following way: we were told by the dean that there was no money for faculty raises, but then a faculty member’s study of the BD-119 revealed that administrators in our school had received substantial raises from 1310 funds that had earlier been withheld from distribution to the faculty. Subsequently, we spent many hours looking at the BD-119 EPA Personnel Roster for 2003-04, as well as several preceding years. We also studied UNC system material available at their website to learn about the intended use of different budget lines, and to understand President Broad’s guidelines on salaries and raises. There was a concern in our school that the manner in which 1310 funds were distributed put faculty at a clear disadvantage, and at the same time favored administrators.

The Faculty Council in our school was so concerned about these issues that a series of questions were addressed to the dean, whose answers to those questions still left many concerns. Consequently, we communicated with several higher administrators, including Dr. Bob Thompson, Dr. Jim Smith, and Dr. Mike Lewis. Although our research clearly suggests conflict of interest problems, none of these administrators saw our concerns as having merit. Therefore, we decided to share our concerns with UNC System President Molly Broad.

This whole experience has been an interesting as well as a frustrating one for us. It has caused many hard feelings in our school. Although we were told by administrators that “nothing illegal was occurring”, our concern is not with the legality, but rather with the propriety, of how budgeted monies are used in our school and the campus. Although we have not looked at other schools, we expect that these same issues may be present across the campus as a whole. Despite the hard feelings caused by our raising these issues, we still feel that it needed to be done. President Broad’s annual directive to member institutions on the allocation of salary and raise money is liberally sprinkled with the importance of “fairness and equity”. Also Chancellor Ballard, in his Fall Convocation address to the faculty, emphasized the importance of “integrity and accountability”.

In the attached appendix you will find our questions. The format followed for each question is a preamble with background information, then the related question. We hope the committee will treat our concerns seriously. We have served a total of 30 years of our professional careers here, and this is the first time we have felt compelled to bring an issue beyond the attention of our dean. Like all faculty, we do not enjoy working in a “faculty versus administration” type of atmosphere. Although this letter and the associated questions may have the appearance of “faculty versus administration”, that is not our intent. Rather, we hope you’ll view it as faculty input to try to correct problems in the system, problems that we think put faculty at a clear disadvantage. Many of our concerns involve what we see as conflicts of interest that are in the current system. We would be most willing to sit and talk with you about any of the information related to our questions, should you need background on how we obtained it. We understand that there are deep complexities in the budgeting process, but we think our research has revealed problems that are serious enough to require immediate attention.
Sincerely,

Don Holbert and Paul Vos
Professors of Biostatistics
School of Allied Health Sciences

Link to additional material from Professors Holbert and Vos.