



The Statewide UNC Board of Governors: Its Selection, Powers, and Relationship to the 16 Local Campus Boards of Trustees

by Ran Coble, Sam Watts, and Joanne Scharer

Executive Summary

(Editor's note: "From the Center Out" is a regular feature of North Carolina Insight highlighting the work of the North Carolina Center for Public Policy Research. In this edition, we highlight excerpts from the executive summary of a book-length research report more than five years in the making examining the University of North Carolina Board of Governors. The 402-page report, entitled The Statewide UNC Board of Governors: Its Selection, Powers, and Relationship to the 16 Local Campus Boards of Trustees, traces the origins of the Board and examines its selection by the legislature, its powers, and its relationship with the local trustees of the system's 16 constituent institutions. But well beyond a descriptive narrative, the report evaluates the 35 years of the Board's existence to determine how well the vision of its founders has worked in the practice of governing a university system that stretches from Elizabeth City State University in the East to Western Carolina University in Cullowhee in the West.

This is the third of a four-part series of reports on university governance. Previous reports in the series are Reorganizing Higher Education in North Carolina: What History Tells Us About Our Future, published in 1999, and Governance and Coordination of Public Higher Education in All 50 States, published in 2000. The Center wishes to thank the Ford Foundation of New York, the North Carolina GlaxoSmithKline Foundation of Research Triangle Park, N.C., the W.K. Kellogg Foundation of Battle Creek, Michigan, the John Wesley and Anna Hodgkin Hanes Foundation of Winston-Salem, N.C., and the James G. Hanes Memorial Fund, also of Winston-Salem, for their generous support of this research.)

Ran Coble is the executive director of the North Carolina Center for Public Policy Research. Sam Watts is a policy analyst at the Center. Joanne Scharer is a free-lance writer and editor, formerly of Carrboro, N.C.

To prepare this report, the Center conducted several hundred interviews—with legislators, university administrators, faculty, students, higher education leaders nationally and in North Carolina, and especially with current and former members of the University of North Carolina Board of Governors and with both winning and losing candidates for the Board. We visited almost all of the 16 campuses in the University of North Carolina system. We also attended almost every Board of Governors meeting over the last five years and had six chancellors of UNC institutions speak to our Board of Directors. We reviewed all state statutes and Constitutional provisions pertaining to higher education, as well as the University Code and administrative manuals governing local campuses. Many of those statutes and Constitutional and Code provisions are reprinted in this report. We also conducted a comprehensive analysis of governance of higher education in other states, building on our previous report on all 50 states' systems of higher education governance. Finally, we sent our draft report to more than 250 reviewers in North Carolina and across the country, inviting their comments and criticisms. Over an eight-month period, we then responded to their criticisms and comments with changes, additions, deletions, or clarifications. We believe this has resulted in a report that is factual, fair, and a lasting contribution to the field of higher education policy analysis.

This report opens with a brief history of the UNC Board of Governors. For a more complete history, see the first report in this four-part series, entitled *Reorganizing Higher Education in North Carolina: What History Tells Us About Our Future*.

This report then analyzes the selection of the Board of Governors by the North Carolina legislature. We are one of only two states whose central higher education governing board is chosen by the legislature. We examine North Carolina's statutory design and how the process actually works in practice. We also examine ways other states select higher education boards—by gubernatorial appointment, public election, or screening panels—as well as the selection process for the 16 local campus boards of trustees in North Carolina.

Our research next turns to the composition of the Board of Governors. We provide a list of everyone who has ever served on the Board since 1972, and analyze the legislature's record in electing women, minorities, and members of the minority political party to the Board. We also examine geographical balance on the Board, as well as student representation.

Next, the report examines the powers of the Board of Governors. This section builds on the second report in our four-part series, entitled *Governance and Coordination of Public Higher Education in All 50 States*, which compared the powers of all higher education governing boards and agencies in all 50 states. Here, we focus particularly on powers the UNC Board of Governors has but which are sometimes overridden or second-guessed by the legislature, such as its powers over the 16 campus budgets and the power to set tuition and fees. Then we examine powers the Board has not yet fully utilized, such as its power for master planning to develop "a long-range plan for a coordinated system of higher education." Next, we discuss the University's desire for more control over building projects, purchasing and contracting, personnel, and budgeting. And, we look at how the University is treated differently from other state agencies in these areas and its successes and failures with this flexibility.

A major section of the report follows on the allocation of powers between the statewide Board of Governors and the 16 local campus boards of trustees. North Carolina is one of only two states where the powers of campus boards of trustees are not spelled out in state statutes but left to the discretion of the statewide board. In this section, we examine the delegations of power in *The Code* by the Board of Governors to the campus boards of trustees and the roles of these local boards.

We focus particularly on five areas of contention in this allocation of powers—questions of equity in funding for the 16 campuses, lobbying of the legislature by the campuses in concert with or in conflict with the Board of Governors,

intercollegiate athletics, admissions standards and goals, and special treatment for research universities.

Finally, the Center makes 11 recommendations designed to improve governance of public universities in North Carolina. These recommendations are based directly on our research findings, which are summarized in Chapter Six in long form and in this Executive Summary in shorter form. These findings are documented in 42 tables, including rankings for all 50 states on state support for higher education, tuition rates, and college-going rates. The findings also document all minority, female, and minority political party members of the Board of Governors in comparison with their percentages in the population; a 35-year history of tuition increases; records of contributions to political candidates by University-related political action committees; minority enrollment by UNC institution; Carnegie Classifications for all 16 campuses; six-year graduation rates for football players on UNC campuses; a history of college rankings for N.C. public institutions by *U.S. News and World Report*; a history of public votes on higher education bond referenda; a 20-year record of debt service attributable to state borrowing for University building projects; state appropriations to 37 private colleges and universities; and four measures of college-going rates. And, as part of the Center's efforts to give a fair and balanced analysis of various policy options, the report includes tables showing the advantages and disadvantages of legislative elections of higher education boards vs. gubernatorial appointment; the allocation of powers between the statewide board and local campus boards of trustees; public universities' search for private money; special exceptions for universities from policies applicable to other state agencies; and whether to pull research universities out of the current governance system in some fashion.

Recommendations:

Selection and Composition of the Board of Governors

- 1. The North Carolina General Assembly should enact legislation to change the process of selecting the UNC Board of Governors from having the legislature elect all members of the Board of Governors to a system where the Governor would appoint 24 of the 32 members with confirmation by the state Senate and House of Representatives. Four of the eight remaining appointments should be made by the state Senate and four by the House. These changes should be phased in to avoid loss of momentum and continuity on the Board.**

To recap our findings and the reasons for this recommendation from Chapter Two:

- In 46 states, governors appoint all or some members of statewide public higher education boards, with 31 of these states requiring state senate approval of the gubernatorial appointments. The UNC Board of Governors is one of only two central, state-level governing boards to which all voting members are elected by the legislature.
- The legislature is not doing its job in generating a large pool of applicants for positions on the Board, and the legislature is not doing its job in screening applicants to select the best Board members because it pays little attention to asking applicants about their qualifications for the Board, their demonstrated interest in higher education, their views on higher education policy questions, or their ideas for improving the system. One recent candidate for the Board of Governors told the Center that of the more than 70 legislators the candidate spoke with in seek-

ing election to a Board seat, only one lawmaker asked *any* questions about the candidate's qualifications, interest in higher education, ideas for improving the university system, or positions on higher education issues.

- The selection process has become highly politicized. UNC Board members and their families gave a total of \$425,720 to state political campaigns between 1995 and 2000, giving the appearance that they can buy a seat on the Board. And, at least five of the 32 members of the Board of Governors are or have been lobbyists and thus may have both the University and corporate or other clients' interests pending before the legislature at the same time. The Political Action Committees of current or former employers of members of the Board of Governors gave an additional \$2 million to legislative and state-level campaigns in the same period.
- The process of election of the Board by the legislature is increasingly partisan in what is now a two-party state. Historically, the minority party has been granted four seats (or 12.5 percent) on the 32-member board, but the Republican Party now holds 78 seats, or 46 percent, of the 170-member legislature. Of the state's registered voters, 34.7 percent are Republicans, as of January 2006. This will increasingly result in higher education policy issues being turned into partisan disputes.
- Advocacy for particular campuses is increasingly coming back into the process of election of Board members by the legislature.
- Governors are more likely than the legislature to appoint a diverse slate of candidates that more accurately reflect the state's demographic make-up by race and ethnicity, gender, geographic region, and political party affiliation.
- Consistency in higher education policy is desirable, and it is counter-productive to consistent university governance to have the Governor making appointments to local campus boards but not to the statewide Board of Governors.

As North Carolina has become a two-party state, partisan politics also has become a more noticeable factor in the legislature's choice of candidates for the UNC Board. Former Rep. Gordon Allen (D-Person) notes that when the Board of Governors system was created in 1972, the Democratic Party was firmly in power in North Carolina, and state lawmakers simply did not anticipate that partisanship would become a factor in elections for the UNC Board. Allen says, "I can't imagine any process that has broken down as much as this one has. It's become a purely political matter."

Former House Speaker Harold Brubaker (R-Randolph), who was the Co-Chair of the 2003 House Select Committee on Board of Governors Nominating, says, "As a result, you lose good people who are intimidated by the process and do not like coming into an environment in which they are unfamiliar."

Senator Tony Rand (D-Cumberland), Chairman of the Senate Rules Committee since 1999, Majority Leader, and a former member of the Senate Education Appropriations Committee, says politicking associated with the current selection process is a key factor discouraging good candidates from seeking service on the Board of Governors. "It's an unseemly process," he says. "The people who you hope are most influential and aware and concerned about North Carolina and its institutions are not going to come up here beseeching us for entry into the kingdom of heaven."

(continues)

(a) [Members of the Board of Governors] shall be elected by the Senate and House of Representatives. Sixteen members shall be elected at the regular legislative session in 1993 and every two years thereafter. The Senate and the House of Representative shall each elect one-half of the persons necessary to fill the vacancies on the Board of Governors.

N.C.G.S. §116-6 (EXCERPTED)

Advantages and Disadvantages of the Current System of Election of Members of the UNC Board of Governors by the N.C. General Assembly and of an Alternative System of Appointments by the Governor

Advantages of Election of the UNC Board by the Legislature

1. Election of Board members builds bridges and forces conversation between members of the N.C. General Assembly and UNC Board of Governors.
2. The process of election by the legislature fits within the state's tradition of a legislature that is heavily involved in appointments and elections to public boards in the executive branch.
3. Having to lobby legislators for seats makes Board members more responsive to elected representatives rather than to the governor or a particular university campus.
4. Supporters of the current election process believe it has generally produced effective and dedicated Board members.
5. Historically, the process required at least minimal representation (4 seats each) on the Board for women, racial minorities, and members of the minority political party. [This requirement was repealed in 2001, however, in favor of a provision that says members shall be selected based in part upon their "economic, geographic, political, racial, gender, and ethnic diversity."]

Disadvantages of Election of the Board by the Legislature

1. Legislators who are alumni of particular UNC campuses tend to support candidates who will look after the campuses of their choice, rather than candidates who will have the best interests of the 16-campus system at heart. Also, legislative leaders historically have directed extra funds to campuses in their districts.
2. Election of the Board by the General Assembly may violate the state constitutional requirement of separation of powers under the state Supreme Court's decision in *Wallace v. Bone*, a seminal case involving legislative appointments to policymaking boards in the executive branch.
3. The process is outmoded and has become highly subject to partisan politics and does not fit with North Carolina's current status as a two-party state. The process is too political, with lobbyists on the Board who represent their corporate clients as well as the University, and Board members who contributed a total of \$425,720 to state political campaigns between 1995 and 2000. This gives the appearance that it is possible to "buy" seats on the Board.
4. The process may discourage good candidates from running for seats on the Board because they think the process of lobbying legislators is too arduous and demeaning. Legislators do not have adequate guidelines for choosing the most qualified candidates for the Board and do not usually question candidates about their qualifications or views on higher education policy issues.
5. Over 35 years, the make-up of the Board has rarely reflected the percentages of North Carolina's population of women, minorities, and members of the minority political party. And since 2001, the statute no longer even ensures minimal representation of women, minorities, and members of the minority political party.
6. Only one other state in the nation (New York) selects its central higher education governing board members this way. And, New York's Democratic majority legislature recently appointed all Democrats to its board, a further illustration that this structure is flawed.

Advantages and Disadvantages of the Current System of Election of Members of the UNC Board of Governors by the N.C. General Assembly and of an Alternative System of Appointments by the Governor, *continued*

Advantages of Appointment of the Members of a Higher Education Board by the Governor

1. The Governor is elected by all state citizens, and has more of a *statewide* perspective; legislators have a *district* perspective and usually have allegiance to a *particular campus*. Legislative leaders also historically direct extra funds to campuses in their districts. And, having one person accountable for appointments establishes clearer lines of accountability.
2. 46 states use a system of appointment by the governor. Institutionally, the N.C. Governor is the seventh weakest in the U.S., according to studies by UNC-CH Professor Thad Beyle. If the legislature is worried about giving the governor too much power, they can temper the governor's appointment power by requiring that the board appointments be subject to confirmation by the Senate or by both the Senate and the House. The N.C. Governor has little say in higher education policy.
3. The legislature's record on appointment of African Americans, women, and Republicans is not good, and governors would be more likely to appoint numbers of women, minorities, and Republicans in proportion to state's population. And, having one person who is elected statewide responsible for appointments can help ensure representation from all geographic areas of the state.
4. The Governor is more likely to be able to recruit good candidates for the Board than is the case under the current system, where candidates choose not to run because they do not want to spend weeks in the halls of the General Assembly lobbying legislators, and they do not like the expectation that candidates should make campaign contributions to legislators.
5. Other states with Governors who appoint higher education boards say that their boards are more effective because they are less often gridlocked by partisan politics in the legislature.
6. It is counterproductive to consistency in higher education policy and governance to have the Governor making appointments to local campus boards of trustees but not to the statewide Board of Governors.

Disadvantages of Appointment by Governor

1. Legislators are more attentive to regional needs and the missions of regional universities.
2. This could give the Governor too much power.
3. Past governors do not have exemplary records in appointing women and African Americans to boards, commissions and councils in the executive branch—especially to the most important boards (e.g., the Board of Transportation)
4. The process might be just as political—appointees are likely to be of the same political party as the Governor and are likely to be contributors to the Governor's campaign instead of to legislators' campaigns, and many qualified people may not typically contribute to political campaigns.
5. If the Governor had the power to make appointments to the Board of Governors, the appointments could become a tool of political patronage. Outgoing governors could make parting-shot appointments, and rookie governors could attempt to clean house.
6. The Governor can somewhat influence higher education policy through the budget he/she submits and through appointments to local campus boards of trustees.

He adds, "It would be a more stately process if the Governor was doing it. The Governor can prevail upon good people to run for seats. They wouldn't have to come up here and go through the wrenching process we have now." Rand says that having the Governor select UNC Board members also would give the system clearer lines of accountability because a single person—the Governor—would have to answer for his or her choices of University Board members, as opposed to the way legislators can now deflect criticisms by citing overall election results.

In their book on university trustees, Clark Kerr and Marian Gade recommend that public boards "be of mixed origin"—with more than one source of appointment as with *ex officio* members (except individuals who also control the budget), and as with some elected members supplemented by appointed or *ex officio* members or both. The Center recommends that North Carolina implement a mixed approach by giving the Governor power to appoint 24 members of the 32-member UNC Board, with confirmation by the Senate and House. The current selection process for the local campus boards of trustees already allows the Governor to appoint members of *local* boards. Such a change would make the process of seeking Board membership less onerous to qualified persons, many of whom are wary of having to campaign for seats for weeks in the halls of the General Assembly. And, coupled with Recommendation #2 below, this recommendation will bring more diversity to the Board of Governors, since the Governor can more easily present a balanced slate of women, racial minorities, and members of the minority political party.

2. **The Governor and/or the General Assembly should make their appointments more accurately reflect the proportions of women and racial and ethnic minorities in the state's population, the proportions of registered voters in each political party and those who are not affiliated with a political party, and the proportion of the population residing in the western, Piedmont, and eastern**

Comparison of UNC Board of Governors Membership with State Demographics by Gender, Race, and Ethnicity

	N.C. Population,* 2000 Census	2003-04 Board of Governors Membership	1972-73-2003-04 Board of Governors Cumulative Average**
Women	51.0%	8 (25%)	199 of 1,024 (19%)
Men	49.0%	24 (75%)	825 of 1,024 (81%)
Whites	72.1%	25 (78%)	807 of 1,024 (79%)
African Americans	21.6%	7 (22%)	207 of 1,024 (20%)
Hispanics	4.7%	0 (0%)	0 of 1,024 (0%)
Asians	1.4%	0 (0%)	0 of 1,024 (0%)
Native Americans	1.2%	0 (0%)	12 of 1,024 (1%)

* Population percentages do not sum to 100 percent because Hispanic is considered an ethnicity by the U.S. Census Bureau, rather than a race.

** Calculated as percentage of possible seats in each category on an annual basis, coinciding with the Board term of service. For example, women have held seats 199 times of the possible 1,024 times a seat could be held (32 seats times 32 years, with Board years beginning on July 1 of one calendar year and ending on June 30 the following year).



Karen Tam

Former Board of Governors Chairman Brad Wilson, current Board Chairman Jim Phillips, and former UNC President Molly Broad confer at a Board meeting in Chapel Hill.

regions of the state. North Carolina's statute should be amended to read like Kentucky's, which says the Governor must "assure broad geographical and political representation; assure equal representation of the two sexes, inasmuch as possible; assure no less than proportional representation of the two leading political parties of the [state] based on the state's voter registration; and assure that appointments reflect the minority racial composition of the [state]."

As a result of a lawsuit challenging the law setting aside all three categories of *guaranteed* seats, as discussed in Chapter Three, the 2001 General Assembly repealed the language in the statute that required four designated seats for women, four for racial minorities, and four for the minority political party. The statute, as amended, now reads, "In electing members, the objective shall be to obtain the services of the citizens of the State who are qualified by training and experience to administer the affairs of The University of North Carolina. Members shall be selected based upon their ability to further the educational mission of The University through their knowledge and understanding of the educational needs and desires of all the State's citizens, and their economic, geographic, political, racial, gender, and ethnic diversity." While this change abolishes designated seats and recognizes the value of a diverse Board, it does not give the legislature a goal and does not deal with the fact that the legislature has not done a good job historically of appointing more than just the minimum number of women, minorities, and Republicans previously required by statute.

The demographic composition of the UNC Board of Governors has not reflected the diversity of the population of North Carolina. From 1972 through 2004, the number of females actually serving on the Board of Governors has ranged from the statutory minimum of four of 32 (12.5 percent) to a high of nine (28 percent). Women

have averaged 19 percent (199 of 1,024) of the Board's voting membership over that 32-year period. During the same time, the number of Board members of a minority race has ranged from five of 32 (16 percent) to nine (28 percent) Board members, and minorities have averaged 20 percent (207 of 1,024) of the Board's voting membership over that time. By contrast, the 2000 Census showed the percentage of women in the state's population was 51 percent while the proportions of African-Americans and other minorities totaled 28.9 percent. *Thus, in the 32 years of electing members of the Board of Governors from 1972 through 2004, the N.C. General Assembly has never elected women in proportion to their numbers in the population (51 percent), and the highest number ever was nine women or 28 percent. And, the legislature has elected proportional numbers of minorities (28.9 percent of the state's population) only twice in 32 years—in 1995 and 2001, when it elected nine (28 percent) minority Board members.* As far as the Center can determine, no person of Hispanic ethnicity or of Asian ancestry has ever served on the UNC Board of Governors.

The UNC Board of Governors was cited in a 1999 study by the Women's Forum of North Carolina as one of the most powerful state boards on which women continue to be under-represented. As former Z. Smith Reynolds Foundation executive director and former UNC-Chapel Hill trustee Tom Lambeth puts it, "Questions get asked in a group that includes women and minorities that are not asked if they are not on the board. That seems especially important when you are talking about higher education."

It is also important that the University system be understood and supported by members of both major political parties. From 1987 through 2001, state law mandated that at least four of the 32 voting seats be allocated to "members of the political party to which the largest minority of the members of the General Assembly belongs," thereby guaranteeing that at least 12.5 percent of the Board would represent

Board of Governors members Peter Hans of Raleigh and Jack Cecil of Asheville



Karen Tam

Comparison of Legislative Composition by Political Party and 2004 Statewide Voter Registration with UNC Board of Governors Voting¹ Membership

	Democrats (%)	Republicans (%)	Unaffiliated/Other (%)	
Serving in 2003–04				
N.C. General Assembly (120 House & 50 Senate) ²	88 of 170 (52%)	82 of 170 (48%)	0 of 170	(0%)
Overall Average for 1972–2004				
N.C. General Assembly	121 of 170 (71%)	49 of 170 (29%)	0 of 170	(0%) ³
Voting Members, 2004–05				
UNC Board of Governors	23 of 32 (72%)	9 of 32 (28%)	0 of 32	(0%)
Average Number of Voting Members, 1972–2004, on the Board of Governors ⁴	843 of 1,024 (82%)	179 of 1,024 (18%)	8 of 1,024	(1%)
2004 Statewide Voter Registration ⁵	2,406,712 (47.5%)	1,747,276 (34.5%)	917,521	(18.1%)

¹ *Emeritus* and *ex officio* members do not vote and are not included in this table.

² When the N.C. General Assembly conducted the Board of Governors election in 2003, there were 88 Democrats and 82 Republicans. Two members of the legislature changed parties later in the year, changing the partisan composition to 86 Democrats and 84 Republicans.

³ Former Rep. Carolyn Russell (R-Wayne) was elected as an unaffiliated candidate in 1990, but became a Republican.

⁴ Calculated as a percentage of possible seats in each category on an annual basis. For example, Republicans have held 179 seats of the possible 1,024 times a seat could be held (32 seats times 32 years).

⁵ The N.C. State Board of Elections reports 5,071,509 registered voters in North Carolina, as of April 10, 2004.

the predominant minority political party. Over the 35-year period since the Board of Governors was created (with the exception of 1995–1996 when Republicans held 92 of the total 170 seats in the legislature), Republicans have been the minority party in the N.C. General Assembly.

The number of Republicans in the General Assembly has risen from 31 of 170 legislators in 1971, to 34 in 1981, to 53 in 1991, to 73 in 2001, and to 78 in 2005. The Republicans' high point in the General Assembly was 1995 when the party elected a total of 92 legislators, controlled the 120-member state House, 68–52, and had 24 seats in the 50-member Senate. The Republicans also held a 61–59 majority in the House in 1997–98, a 60–60 tie in 2003, and a 61–59 edge in 2004. According to information compiled by the N.C. State Board of Elections, the percentage of registered Republicans in the state increased from 22.9 percent in November 1972 to 29.6 percent in November 1988 to 34.7 percent of registered voters in January 2006.

Since 1973, Republicans have held from one to 13, or 3 to 41 percent, of the 32 voting seats on the Board of Governors in any given year. The Republican high points were 1997 and 1998, when the party held 13, or 41 percent, of the voting seats. Overall, since 1972, the percentage of Republicans on the UNC Board of Governors has averaged 17 percent, or 179 of 1,024 possible seats.

Thus, the percentage of members of the UNC Board who are members of the minority party has exceeded 12.5 percent only a few times. *And, the percentage of seats held by the minority party has always been significantly smaller than the minority party's percentage of registered voters in the state.* If the Board of Governors does not begin to reflect North Carolina's two-party system, the Board and the University will retain only the allegiance of Democrats and lose the support of Republicans. As the late Senator Hamilton Horton (R-Forsyth) said in 2005, the Board of Governors is becoming "a partisan political preserve of one party."

The Center's recommendation also includes a component to ensure more geographical balance among the Board's membership. Currently, statutes governing 24 higher education boards in 22 states mandate some form of geographic representation. The percentage of the state's population that lives in each region is 22 percent in the west, 48 percent in the Piedmont, and 30 percent in the east. The 2003–04 Board of Governors had five members from the west (16 percent), 21 from the Piedmont (66 percent), and six members (19 percent) from eastern North Carolina.

The Center's research also shows that the statutory goal of having double the number of candidates for seats available on the Board of Governors is not being met under the current process. N.C.G.S. §116-6(c) states in part that "the slate of candidates shall list at least twice the number of candidates for the total seats open." However, in 1999, 2001, and 2005, the ballots submitted to the N.C. Senate contained only the number of candidates as there were Board positions to be elected.

The best statutory language on Board composition found by the Center is Kentucky's, and that is what we recommend for North Carolina. Kentucky's statute outlines goals for appointments by the Governor to the Kentucky Council on Postsecondary Education. The law expressly directs the Governor to "assure broad geographical and political representation; assure equal representation of the two sexes, inasmuch as possible; assure no less than proportional representation of the two leading political parties of the Commonwealth based on the state's voter registration; and assure that appointments reflect the minority racial composition of the Commonwealth. . . ."

3. The legislature should change the status of the student member of the Board of Governors from non-voting to a voting seat on the Board.

To recap our findings and the reasons for this recommendation from Chapter Three:

- Currently, 30 central higher education boards in 27 states have a statutory requirement for student members, and on 25 of these boards, the student(s) has the right to vote. Thus, North Carolina's Board of Governors is one of only five boards with student members without voting privileges.
- It is an inconsistent principle of governance in higher education in North Carolina to grant students a voting seat on the 16 local campus boards of trustees, but not on the statewide Board of Governors.
- Voting rights for the student have been endorsed by the Board of Governors itself and by the boards of trustees of N.C. State University, N.C. Central University, and Winston-Salem State University.
- The N.C. House of Representatives has passed legislation by large margins in three separate legislature sessions that would grant voting rights to the student on the Board of Governors.
- Granting a voting seat to the student representative on the Board of Governors is one way to assure a connection between the Board and its chief customers or consumers—the more than 196,000 students in the 16-campus system. The student

representative is invaluable in gauging the effect of various policies on students and in communicating Board of Governors decisions back to the campuses.

- The student representative on the Board plays a key role (a) in developing state policy on such issues as tuition and (b) in advocating for the University system with the public and the legislature, such as in previous student participation in public TV special programs on University finances and costs.

Terms of Board Members

4. **The N.C. General Assembly should increase the length of terms of University Board of Governors members from four years with a three-term limit to six years with a two-term limit. These changes should be phased in to avoid loss of momentum and continuity on the Board.**

Interviews for this report showed almost unanimous support for a return to longer terms for members of the Board of Governors. Thirty-nine of the 53 central higher education boards have terms exceeding four years. Nationwide, the most common term length is six years (23 out of the 53 public university boards).

Even the late state Senator Kenneth Royall, Jr., the architect of the 1987 legislation that reduced the length of terms on the university Board, was uncertain whether shorter terms ended up serving what he says was the intended purpose of his bill—to open the Board to a wider range of candidates. “We have a lot of able citizens in this state, and I just thought they ought to have an opportunity to serve on the Board,” Royall told the Center before his death. “I’m not sure now it’s the best way. There’s too much politics in it.”

Lengthening the terms of Board of Governors members from four years to six years would increase continuity in higher education policy, better accommodate a steep learning curve for Board members, and diminish partisan political influence over Board selection when the Governor’s office or General Assembly leadership changes hands.

Governance of Flagship Universities

5. **The Board of Governors and the N.C. General Assembly should reject any proposals to give special “flagship status” to certain universities.**

Only three central higher education boards in the United States have the power to designate certain universities as flagship institutions—the Maryland Higher Education Commission, the Oklahoma State Regents for Higher Education, and the Board of Trustees of the University of West Virginia. Among these states, only Maryland *statutorily* confers flagship status upon an institution—the College Park campus of the University of Maryland.

The Center believes it would be counterproductive for the Board of Governors or legislature

Board of Governors member Ray Farris of Charlotte at a meeting in Chapel Hill



Karen Tam

University of North Carolina 2004–05 General Fund Budget and Enrollment

Campus	Authorized 2004–05 G.F. Budget	Fall 2004 Student Headcount
Appalachian State University	\$ 91,472,679	14,653
East Carolina Univ.—Academic Affairs Only	147,661,619	22,767
Elizabeth City State University	25,858,276	2,470
Fayetteville State University	38,653,124	5,441
NC A&T State University	76,158,016	10,383
North Carolina Central University	53,281,928	7,727
NC School of the Arts	20,545,094	788
NCSU—Academic Affairs Only	284,471,319	29,957
UNC—Asheville	27,124,880	3,574
UNC—Chapel Hill—Academic Affairs Only	205,241,443	26,878
UNC—Charlotte	115,634,704	19,845
UNC—Greensboro	107,638,521	15,329
UNC—Pembroke	38,200,236	5,027
UNC—Wilmington	64,324,585	11,574
Western Carolina University	58,856,062	8,396
Winston-Salem State University	43,350,007	4,805
TOTAL	\$1,398,472,493*	189,614

* Does not include UNC-General Administration or Health Affairs at ECU and UNC-CH.

Source: Fiscal Research Division, N.C. General Assembly

to designate some of the state's 16 public universities as flagship campuses. Although UNC-Chapel Hill likely would make the flagship list and certainly would be joined by N.C. State University, beyond that, the situation is less clear. Some observers feel that UNC-Greensboro belongs in any armada of flagships, and other campuses such as East Carolina University, N.C. A & T State University, and UNC-Charlotte would have their advocates for leading status as well.

The likely resentments that would result from a dispute over whether certain universities should be designated as flagship universities could actually damage those institutions seeking such status. UNC-Chapel Hill's political connections in the General Assembly have declined since 1939, when the percentage of state lawmakers whose degrees came from UNC-Chapel Hill was 43 percent. By 2003, that percentage had dropped to 13 percent. In short, the political landscape has changed, so the desire for flagship status is unlikely to yield the results its advocates want—more money, more flexibility, and more prestige—and would likely trigger a large amount of fighting with other public institutions. Conferring the title of flagship campus on *(continues)*

North Carolina State Funds for Debt Service and Amount and Percentage Attributable to UNC Bonds

Fiscal Year	Total Net Tax-Supported Debt Service in North Carolina	Net Tax-Supported Debt Service Attributable to Bonds for the University of North Carolina System	Net Tax-Supported University System Debt Service as Percentage of Total State Tax-Supported Debt Service
1994-95	\$ 113,928,011	\$ 18,541,616	16.27%
1995-96	124,742,353	18,188,742	14.58
1996-97	127,038,338	19,597,200	15.43
1997-98	165,973,573	23,310,088	14.04
1998-99	199,288,093	22,067,720	11.07
1999-00	238,355,819	21,961,555	9.21
2000-01	254,819,455	36,686,413	14.40
2001-02	302,612,023	54,143,281	17.89
2002-03	304,506,218	63,378,252	20.81
2003-04	390,389,698	91,664,980	23.48
2004-05	476,124,775	126,132,493	26.49
2005-06	562,660,742 *	178,714,680 *	31.76 *
2006-07	617,681,395 *	209,517,121 *	33.92 *
2007-08	627,673,359 *	209,654,861 *	33.40 *
2008-09	613,830,496 *	218,541,130 *	35.60 *
2009-10	598,451,624 *	222,565,924 *	37.19 *
2010-11	582,938,211 *	219,549,606 *	37.66 *
2011-12	567,850,420 *	214,384,339 *	37.75 *
2012-13	553,870,156 *	206,537,082 *	37.29 *
2013-14	537,797,560 *	190,051,385 *	35.34 *
2014-15	521,701,329 *	184,761,635 *	35.42 *
2015-16	506,309,806 *	180,841,679 *	35.72 *

* Projected. Does not include Debt Service from Session Law 2004-179 (House Bill 1264), which authorized \$388 million in Special Indebtedness for Capital Improvements at UNC System campuses

Sources: "Tentative Maturity Schedules for Proposed Bonds—To Be Used for General Planning Purposes Only," The Department of the State Treasurer, Division of State and Local Government Finance

Proposed Bond Sale Dates and Amounts, Office of State Budget, Planning and Management.

Debt service on projected bond issues subject to change based on final structure and interest rates.

Assumes variable rate bonds at 4 percent.

The University of North Carolina—Funding for

Institutional Appropriations	1995	1996	1997	1998	1999	2000
ASU	\$13,488,000	\$13,838,400	\$8,460,100	\$9,223,300	\$3,666,600	\$2,406,600
ECU	\$7,526,700	\$10,391,800	\$16,591,900	\$10,477,700	\$5,874,800	\$3,979,100
ECSU	\$1,190,100	\$3,481,400	\$8,072,300	\$2,158,500	\$4,242,600	\$1,087,200
FSU	\$4,881,000	\$1,290,900	\$1,444,500	\$2,209,900	\$3,847,600	\$1,105,000
NCA&T	\$3,596,500	\$5,250,900	\$7,600,800	\$7,293,200	\$9,475,105	\$2,335,800
NCCU	\$7,724,700	\$12,011,000	\$17,307,600	\$4,042,600	\$7,466,295	\$1,798,600
NCSA	\$1,090,100	\$3,856,900	\$3,234,000	\$2,309,900	\$1,514,600	\$968,600
NCSU	\$19,327,500	\$19,157,300	\$30,427,600	\$37,938,600	\$11,233,000	\$7,867,900
UNCA	\$1,590,100	\$1,290,900	\$2,747,300	\$2,709,900	\$1,951,000	\$1,244,200
UNC-CH	\$19,222,800	\$30,149,300	\$37,733,875	\$37,130,700	\$14,149,700	\$9,259,100
UNCC	\$6,818,100	\$19,424,900	\$5,098,500	\$14,306,500	\$3,012,200	\$1,976,400
UNCG	\$3,431,000	\$5,237,000	\$9,587,000	\$7,822,700	\$5,435,700	\$3,672,100
UNCP	\$1,090,100	\$1,290,900	\$7,449,700	\$1,909,900	\$4,349,600	\$1,164,400
UNCW	\$7,624,600	\$11,586,700	\$10,353,700	\$3,341,600	\$2,209,400	\$1,457,900
WCU	\$2,946,800	\$4,717,700	\$4,828,300	\$4,795,900	\$2,918,200	\$1,868,300
WSSU	\$1,135,600	\$1,290,900	\$6,983,400	\$1,909,900	\$4,262,300	\$1,159,600
Subtotal	\$102,683,700	\$144,266,900	\$177,920,575	\$149,580,800	\$85,608,700	\$43,350,800
Non-Institutional Appropriations*	1995	1996	1997	1998	1999	2000
N.C. Arboretum	\$235,000	\$205,700	\$241,600	\$288,700	\$289,800	\$193,300
Other (UNC-GA, NCSSM, CPTV, NCCAT)	\$3,661,500	\$20,871,500	\$8,925,600	\$29,365,000	\$3,101,500	\$2,455,900
Subtotal	\$3,896,500	\$21,077,200	\$9,167,200	\$29,653,700	\$3,391,300	\$2,649,200
TOTAL CAPITAL	\$106,580,200	\$165,344,100	\$187,087,775	\$179,234,500	\$89,000,000	\$46,000,000
Amount for Repairs and Renovations to Existing Facilities	\$57,500,000	\$59,800,000	\$62,100,000	\$66,700,000	\$89,000,000	\$46,000,000
TOTAL CAPITAL IMPROVEMENTS FOR NEW FACILITIES	\$49,080,200	\$105,544,100	\$124,987,775	\$112,534,500	—	—

* The General Obligation Bonds, authorized in S.L. 2000-3 (Senate Bill 912), were approved by a majority of qualified voters of the State of North Carolina in a referendum on November 7, 2000.

** The 2001 General Assembly allocated \$57.5 million to the Board of Governors for repairs and renovations. Funds were later reverted to the General Fund to help balance the 2001-02 State Budget.

*** COPS = certificates of participation

Source: UNC Office of the President

Capital Improvements from the N.C. General Assembly

2000 Bonds*	2001**	2002	2003	2003 COPS***	2004	2004 COPS	1995-2004
\$87,406,200	—	—	\$246,200	\$7,663,400	\$1,497,400	—	\$147,896,200
\$190,609,500	—	—	\$387,500	\$12,062,500	\$2,391,700	\$60,000,000	\$320,293,200
\$46,296,800	—	—	\$106,400	\$3,313,200	\$619,500	\$28,000,000	\$98,568,000
\$46,021,400	—	—	\$102,700	\$3,197,800	\$604,200	\$10,000,000	\$74,705,000
\$161,800,091	—	—	\$247,900	\$7,716,400	\$3,482,500	\$5,000,000	\$213,799,196
\$121,246,203	—	—	\$181,500	\$12,154,205	\$9,984,642	—	\$193,917,345
\$42,547,500	—	—	\$95,900	\$2,985,900	\$564,400	\$5,000,000	\$64,167,800
\$468,256,655	—	—	\$778,000	\$24,214,800	\$4,426,022	—	\$623,627,377
\$50,464,200	—	—	\$119,200	\$3,710,200	\$742,100	\$35,000,000	\$101,569,100
\$510,539,075	—	—	\$897,387	\$27,934,500	\$5,165,922	—	\$692,182,359
\$190,033,501	—	—	\$226,900	\$11,584,500	\$5,408,200	\$35,000,000	\$292,889,701
\$166,008,255	—	—	\$337,700	\$10,510,100	\$3,930,800	\$5,000,000	\$220,972,355
\$56,873,600	—	—	\$113,400	\$6,432,400	\$687,700	\$10,000,000	\$91,361,700
\$109,201,800	—	—	\$149,100	\$4,641,500	\$1,376,700	—	\$151,943,000
\$100,336,744	—	—	\$165,300	\$5,144,000	\$966,900	\$10,000,000	\$138,688,144
\$46,786,581	—	—	\$108,400	\$3,373,300	\$2,643,100	\$5,000,000	\$74,653,081
\$2,394,428,105	—	—	\$4,263,487	\$146,638,705	\$44,491,786	\$208,000,000	\$3,501,233,558

2000 Bonds*	2001**	2002	2003	2003 COPS***	2004	2004 COPS	1995-2004
\$9,331,700	—	—	\$20,000	\$81,000	\$50,000	—	\$10,936,800
\$96,240,195	—	—	\$311,700	\$10,377,600	\$3,285,000	\$180,000,000	\$358,595,495
\$105,571,895	—	—	\$331,700	\$10,458,600	\$3,335,000	\$180,000,000	\$369,532,295
\$2,500,000,000	—	—	\$4,595,187	\$157,097,305	\$47,826,786	\$388,000,000	\$3,870,765,853
—	—	—	\$4,595,187	\$157,097,305	\$35,326,786	—	\$578,119,278
\$2,500,000,000	—	—	—	—	\$12,500,000	\$388,000,000	\$3,292,646,575

some campuses would give special treatment to selected schools, but it would prevent the state's public university system from achieving equitable funding formulas for all of its institutions and addressing *statewide* needs.

- 6. The Center recommends that the Board of Governors, Governor, and General Assembly reject any proposal that would (a) take UNC-Chapel Hill and N.C. State out of the system governed by the Board of Governors and have them governed solely by campus boards of trustees or (b) that would create a separate board governing just the research universities, as the California System does.**

To recap our findings and the reasons for this recommendation from Chapter Five:

- Creating a new special governance structure for the research universities or certain flagship institutions would hurt the state's ability to achieve equity within the system and ignore the reason the UNC Board of Governors was created in the first place—to end competition among the 16 campuses where the campus with the most alumni or strongest lobbyist wins.
- A special governance structure for the research universities would hurt the regional universities experiencing rapid growth—such as East Carolina University, UNC-Charlotte, and UNC-Wilmington—and it also would harm the five historically black public universities and UNC-Pembroke, as these institutions would be forced continually to battle the research universities.
- Tuition at the research universities likely would sharply increase, as chancellors of flagship schools would intensify their calls for tuition increases to fund higher faculty salaries and special funds to support research. Such tuition increases would invite a lawsuit asserting that this violates the N.C. Constitutional mandate that “the benefits of The University . . . as far as practicable, be . . . free of expense.”
- The research universities already get special treatment in that they receive higher levels of funding, higher graduate student tuition assistance, greater tuition increases, and greater flexibility to manage budgets, construction projects, and purchasing than other UNC system campuses.
- The advocates of a separate system of governance for the research universities are operating out of beliefs in four myths—(a) that the 16-campus university system's budget is flat and that it gets a substantially lower share of the state budget from the legislature than it used to; (b) that UNC-Chapel Hill and N.C. State get lesser shares of the University budget than they used to; (c) that UNC-Chapel Hill's and N.C. State's national rankings have dropped; and (d) that faculty salaries are not competitive nationally—all because of the University's governance structure. All are untrue.

The University system's appropriation from the General Fund has increased from \$163 million in 1971–72, when the 16-campus system was created, to more than \$1.87 billion in 2004–05, a 1,050 percent increase. In only three fiscal years since 1969–70 (the recession years of 1975–76, 1991–92, and 2002–03), has the University system's total appropriated budget declined. The universities' share of the state budget was 13 percent in 1965–66 and remained steady at 11.8 percent in 2004–05. The slight decline is not due to lessening support for the University system but to rapidly rising Medicaid budgets due to double-digit increases in health care costs. In addition to the General Fund appropriation, the legislature has appropriated more than \$3.5 billion in funding for capital improvements on the 16 campuses from 1995 through 2004. The legislature and voters also approved a \$3.1 billion bond issue for higher *(continues)*

Campus-Related Political Action Committees

A. Top Political Action Committees (PACs) Contributing to *Legislative* Candidates

Rank in Giving	Name of PAC	Amount Contributed in 2003-04 Election Cycle
1.	N.C. Democratic Party	\$2,715,870
2.	N.C. House Democratic Committee	1,016,797
3.	N.C. Senate Democratic Committee	759,387
4.	N.C. Republican Party	395,994
5.	Citizens for Higher Education (UNC-CH group)	337,500
6.	N.C. Medical Society	296,750
7.	N.C. Realtors Association	272,880
8.	N.C. Academy of Trial Lawyers	247,750
9.	N.C. Home Builders Association	244,689
10.	Duke Energy	231,000
...		
71.	Economic Development Coalition (NCSU Group)	27,500
...		
224. (tie)	Coalition for East Carolina (ECU Group)	4,000

Source: NCFREE, Raleigh, N.C., July 2005

Rank in Giving	Name of PAC	Amount Contributed in 2001-02 Election Cycle
1.	N.C. Democratic Executive Committee	\$4,031,512
2.	N.C. Realtors Association	235,700
3.	N.C. Home Builders Association	213,450
4.	Duke Energy	173,100
5. (tie)	Citizens for Higher Education (UNC-CH group)	158,000
	Jim Black Committee (Black was Speaker of the N.C. House in 2001-02)	158,000
7.	N.C. Hospital Association	151,350
8.	BellSouth	149,378
9.	Progress Energy	143,000
10.	N.C. Medical Society	136,050

Source: NCFREE, Raleigh, N.C., July 2003

B. Campus-Related PAC Giving to *All* Candidates and All Other Expenditures, 2001-2006

Name of Campus-Related PAC	2001-02	2003-04	2005-06
1. Citizens for Higher Education (UNC-CH Group)	\$186,898	\$396,286	\$575,276
2. Economic Development Coalition (NCSU Group)	59,415	31,588	118,061
3. Coalition for East Carolina ECU Group)	N/A	15,502	1,120

Source: Total expenditures, self-reported by PACs to the State Board of Elections

Arguments For and Against Pulling the Research Universities Out of the 16-Campus System and Having Them Governed by a Separate Board (The California Approach)

Arguments For

1. California has placed its nine extensive research universities under the Board of Regents of the 10-campus University of California that is separate from the Board of Trustees of the California State University comprised of 23 other four-year colleges and universities.
2. Having a separate board for the research universities is one way to better define and strengthen the diverse missions of UNC campuses. Too many UNC campuses now are trying to achieve the same level of academic standing, a process which may result in unnecessary duplication of academic programs.
3. The Board of Governors and the General Assembly have neglected the needs of the flagship schools in favor of policies designed to promote equity in the UNC system. Proponents of this viewpoint say national rankings of UNC campuses have dipped, and that faculty salaries at UNC-Chapel Hill and N.C. State University have dropped relative to other national campuses.

Arguments Against

1. Only three states have authority to establish "flagship* institutions," and only Maryland's statute specifically names a flagship university. California has nine extensive research universities and North Carolina has only two, so there is less need here for a separate board. Also, officials at California's Postsecondary Education Commission acknowledge that their structure has prevented collaboration between universities in the two systems under two different governing board structures.
2. Advocates for UNC-CH and N.C. State may overestimate their political clout in the legislature. Placing UNC flagship schools under a separate governing board might ultimately harm those campuses, given the growing political and academic influence of the other schools in the system that would then be competing 14 against 2 in the legislature for state funds. And, two separate boards may increase, rather than decrease, duplication of academic programs.
3. Special treatment for the flagship campuses is unnecessary because UNC's research schools already receive different levels of funding, higher graduate student tuition assistance, and greater management flexibility than other UNC campuses. National rankings for various programs and schools within UNC-Chapel Hill and N.C. State and overall campus rankings fluctuate slightly from year to year, but both continue to be consistently highly ranked among public universities, as well as among public and private universities overall. Using nationally comparable statistics, average salaries for full-time faculty at North Carolina's four-year public flagship universities were \$76,070 in 2003-04, ranking 11th in the nation.

Arguments For and Against Pulling the Research Universities Out of the 16-Campus System and Having Them Governed by a Separate Board (The California Approach), *continued*

Arguments For

4. UNC's larger schools have achieved a high level of academic excellence. Combining the larger institutions under a separate board dedicated to governing and advocating for this group of universities could help prevent any erosion of academic quality that might result from "one size fits all" funding levels and academic policies set by the Board of Governors for all 16 UNC campuses.
5. Allowing UNC-CH and N.C. State to be governed jointly by a separate board for research universities will help them obtain more funding than they are able to obtain under the current system.

Arguments Against

4. Allowing the flagship schools to be placed under a separate governance board would ignore the historical reasons that higher education was reorganized in 1971, especially the need to develop a statewide coordinated system of higher education, provide a check on program duplication, and prevent individual campuses from lobbying separately for funds from the state, with the strongest lobby winning the most funds.
5. Creating a separate board for UNC's flagship schools will prevent the state's public university system from achieving equitable funding formulas for all 16 of its schools. Special treatment for UNC flagship schools will necessarily come at the expense of (a) the system's smaller and historically underfunded campuses—particularly North Carolina's five historically black universities and UNC-Pembroke, and (b) rapidly growing institutions, such as UNC-C, UNC-W, and ECU.

* The term flagship most often refers to UNC-Chapel Hill and N.C. State University in Raleigh, both research universities. Some also argue for flagship status for East Carolina University, N.C. A&T State University, UNC-Charlotte, and UNC-Greensboro.

education (of which \$2.5 billion was for the universities) in 2000. And, for the next 10 years (2006–07 through 2015–16), the state’s debt service payments attributable to university bonds will exceed 30 percent of the total state tax-supported debt service.

Since 1974, North Carolina has ranked among the top 10 states for total spending on higher education. The state has ranked sixth every year since 1996 on this measure. Since these statistics have been compiled consistently, beginning in 1961, North Carolina has ranked as high as fifth, from FY (fiscal year) 1993 through 1995, and as low as fifteenth in FY 1961, 1962, and 1964.

Data provided to the N.C. Center for Public Policy Research by the Association of State Higher Education Executive Officers (SHEEO) also show that legislative support for public higher education has flourished under the Board of Governors. According to the SHEEO figures (which compare higher education spending across the nation and take population and the size of a state’s tax base into account), North Carolina has exceeded the national average of per pupil appropriations for higher education since 1977–78. In 1972–73, just after the Board of Governors was established in 1971–72, North Carolina spent 1 percent less per pupil than the national average. Since then, the state appropriation has exceeded the national per pupil average by as much as 27 percent (in 1997–98) and has not fallen below 11 percent above the national average (in 1991–92) since 1984.

UNC-Chapel Hill and N.C. State also have fared well when competing for state dollars, especially considering they are educating an 8.8 percentage point smaller share of UNC system students now than in 1972–73. In almost half (14 of 31, or 45 percent) of recent state budget years (1972–73 to 2002–03), the percentage increase in state appropriations for operation of general academic affairs at both UNC-CH

Former UNC Board of Governors Chairman Brad Wilson, UNC President Erskine Bowles, and Board member emeritus and former Governor Jim Holshouser



and NCSU *exceeded* the annual percentage increase in General Fund appropriations. Beating the average annual increase 45 percent of the time is even more remarkable considering that these two campuses now enroll a lower percentage of N.C. public university students than prior to consolidation of the 16 campuses. In 1972–73, the two major research campuses combined accounted for 37.5 percent of the public, four-year higher education enrollment and received 30.4 percent of state appropriations for public universities that year. By 2002–03, the two campuses combined enrolled 31.5 percent of all UNC system students and received 25.7 percent of state appropriations to the UNC system for general academic affairs. UNC-Chapel Hill and N.C. State also received more than 39 percent of the \$2.5 billion in bond funds approved by the voters for public universities in 2000.

UNC-Chapel Hill and N.C. State continue to rank among the top public universities in the country. *U.S. News and World Report's* rankings for 2003, 2004, and 2005 ranked UNC-Chapel Hill as the nation's fifth best public university each year, and 29th best overall each year among both public and private universities in 2003 and 2004 and 27th overall in 2005. N.C. State ranked 39th in 2003 and 2004 and 34th in 2005 among public universities, and it ranked 84th among both public and private universities in 2003, 86th in 2004, and 78th in 2005. Since the magazine frequently changes its methodology, *U.S. News* discourages comparing its rankings over time, but, in the broadest terms, the two schools' relative positions in the rankings have changed little over the years. And, in July 2000, UNC-CH was ranked as one of the top public research universities in the nation in a study conducted by the Lombardi Program on Measuring University Performance at the University of Florida, a research project that groups top universities without numerically ranking them.

Using nationally comparable statistics, average salaries for full-time faculty at North Carolina's four-year public flagship universities were \$76,070 in 2003–04, ranking 11th in the nation. In summary, North Carolina ranks 6th among the 50 states in total state funding for higher education (includes community colleges in all states) with total appropriations of more than \$2 billion a year in a \$17.2 billion state budget, despite being a relatively poor state with an average per capita personal income of \$29,303 ranking 37th in the nation, and a poverty rate of 14.8 percent ranking 11th in the nation.

The Center discerns the outlines of at least three major governance proposals being floated as follows: (1) give the chancellors and boards of trustees of the flagship schools added flexibility over budgets, personnel, and academic programs; (2) pull the flagship schools (UNC-CH and N.C. State probably) out of the 16-campus system and let them be governed solely by two separate local campus boards of trustees, including allowing them to go independently to the legislature; or (3) pull the flagship campuses out of the 16-campus system and have them governed by a separate board governing only these two research institutions. The last option is modeled after California's three-tier system where that state's nine extensive research institutions are governed by the Board of Regents of the 10-campus University of California, while 23 other four-year colleges and universities are governed by the Board of Trustees of the California State University, and all 109 community colleges are governed by the Board of Governors of the California Community Colleges. It should be noted that these proposals are not favored by university leaders in UNC-General Administration or by chancellors and trustees on most campuses.

California's tiered education governance system may be more appropriate for that state, with its 33 four-year public universities and 109 two-year institutions, but the differences in demographics between the two states suggest that such a system would not work better in North Carolina than our current system. California has the largest public higher education enrollment in the nation (551,871 in its public four-year institutions compared to 183,000 in N.C. in 2000) and has more than twice the number of public four-year institutions, 33 to North Carolina's 16. Also, California

officials acknowledge its shortcomings. Marge Chisholm, Legislative Coordinator for the California Postsecondary Education Commission, says, “The major advantage here . . . is also the major disadvantage—namely, the distinction between the systems. . . . That division has allowed admissions, funding, and other policies to be carefully shaped to fit each school’s mission. But this arrangement also has prevented collaboration between universities in the two systems. . . . The disadvantage is that they are territorial.”

In recent years, boosters at UNC-Chapel Hill and N.C. State University have taken steps to gain special treatment and undermine North Carolina’s system of higher education governance. In 2005, university boosters at Carolina and State combined with state Senate leaders to insert two special provisions in the Senate budget that would benefit those two campuses. One provision would have allowed UNC-Chapel Hill and N.C. State to raise tuition on their own and bypass the system’s Board of Governors. The second provision gave in-state tuition status to all 456 out-of-state students who receive full academic or athletic scholarships—of whom 311 are athletes. Public and editorial criticism resulted in the first provision being removed from the final budget, but the second is now law. That provision will cost state taxpayers an estimated \$5.2 million in the coming year, with \$3.4 million going to support out-of-state athletes. The cost to taxpayers will rise to more than \$20 million annually in four years.

Research universities also have done little to discourage another maverick move—the formation of campus-related political action committees (PACs) which are making campaign contributions to legislative candidates. Citizens for Higher Education, a UNC-Chapel Hill group, gave \$362,000 to candidates in a recent election cycle, an N.C. State PAC gave \$36,905, and the Coalition for East Carolina University gave \$8,000.

In the 2006 legislative session, the UNC system as a whole sought special treatment that all other state agencies do not receive. UNC sought legislation to exempt universities from a requirement that the N.C. Department of Insurance conduct safety reviews before new construction can begin. N.C. Commissioner of Insurance Jim Long strongly objected and asked the Governor to veto the bill if it reached his desk. UNC also sought legislative approval in 2005 for an experiment to create its own employee health insurance system separate from the system that covers all other state employees. Former state health plan executive administrator Jack Walker said at the time, “I don’t know how they’re going to pay for it. From what I’ve seen, it is a Mercedes plan, and we’re on a bicycle budget.”

Part of the impetus for the 1971 legislation that restructured university governance was that “individual campuses were adding programs and making budget requests without regard to what the other colleges and universities were doing,” said the late Kenneth Royall, Jr., a powerful legislator during four decades, serving from 1967 to 1993. Royall, who was the head of the House Appropriations Committee during the restructuring in 1971, told the Center, “Listening to all 16 institutions and their requests—well, you wanted to be fair. But money was limited. What it came down to back then was who had the best lobbyist.”

“There are some who would like to throw off the shackles and be free [of the 16-campus system]. But most of that comes without the institutional memory of how it was before restructuring,” says former Governor and current Board of Governors member *emeritus* James Holshouser Jr., who also was a member of the state House when the restructuring legislation was enacted. “I think the state would be extremely poorly served if we had enough authority at the campus level to get the institutions fighting with each other again the way it happened before 1971,” he says.

Requests for Exceptions for Public Universities from Policies Applicable to Other State Agencies

7. (a) The Governor and legislature should reject further requests for special treatment for some or all of the 16 universities unless and until the UNC system makes a compelling case about the specific ways these institutions are legitimately different from other agencies in the executive branch of state government, or unless such requests for flexibility are accompanied by outcome-based accountability standards that have been fully examined in an open public process.

(b) The Center recommends that a study commission be established by the Governor or the legislature to examine the state construction, purchasing and contracting, personnel, and budgeting systems to determine the following:

- whether these systems are working well and, if not, in what situations, and for which agencies the problems occur;
- whether changes are needed to modernize state construction, purchasing and contracting, personnel, and budgeting procedures;
- whether any state agency, including the University system, is disproportionately affected by weaknesses in the system such that special treatment or flexibility is justified; and
- whether there is a need for an overall State Capital Improvement Plan that ranks priorities in capital projects over an eight-year period for all of state government—including projects on all 16 university campuses.

The study group could be either a legislative study commission created by the General Assembly or a blue ribbon commission created by the Governor. In any event, the study commission should be composed of at least four legislators from both chambers; representatives from at least two executive departments under the Governor; representatives from two other departments headed by other elected officials in the Council of State; the University system; the State Employees Association; outside corporate consultants with expertise in construction, purchasing and contracting, personnel, and budgeting; and representatives from the State Offices of Construction, Purchase and Contract, Personnel, and State Budget and Management. The majority of the members should be legislators.

Some university officials and members of the Board of Governors have suggested that UNC's research institutions or all 16 campuses should be given more control over policies governing construction, purchase and contract, personnel, and budget. Several state agencies are involved in making and monitoring such policies. These include the Office of State Construction, the Purchase and Contract Division, the Office of State Personnel, and the Office of State Budget and Management, among others. The Office of State Construction, along with its board, the State Building Commission, is the primary agency responsible for the management of construction, repair, and renovation projects for agencies throughout the state. The Purchase and Contract Division in the N.C. Department of Administration is the central purchasing authority for all state government agencies. The Office of State Personnel administers the rules outlined in the State Personnel Act for recruiting and hiring state employees. The Office of State Budget and Management provides fiscal advice and economic analysis for budget preparation and execution and also provides management analysis for state government agencies to assess organization, staffing, systems, processes, and delivery and quality of services. The issue of balancing control and flexibility in construction,

purchase and contract, personnel, and budgeting looms larger as the new construction projects and renovations within the UNC system are underway as a result of the \$3.1 billion bond higher education issue approved by the voters in November 2000.

In at least 12 ways, the university system already receives separate or special treatment that is not accorded to most other state agencies, as follows:

Construction and Purchasing

(1) The University system has a higher threshold (\$2 million) than other state agencies (\$300,000) for construction as well as repair and renovation projects that must be subject to management by the State Construction Office.

(2) The University system was granted special authority for “construction management at risk” in contracting for 42 construction projects approved by the voters in the November 2000 bond referendum. This special exemption by the State Building Commission preceded changes by the General Assembly that allowed other agencies to use alternative construction contracts and a more flexible bidding process.

(3) Unlike other state agencies, the University system as a whole and individual campuses are exempt from the jurisdiction of the Office of Information Technology Services, which normally oversees purchases of information technology goods and services.

Personnel

(4) UNC Hospitals has special flexibility on management rules, equipment, and personnel. Also, employees of the patient care programs at both the UNC-CH and ECU Schools of Medicine, as well as employees of the UNC Health Care System, are exempt from most provisions of the State Personnel Act.

(5) The State Personnel Act does not apply to “instructional and research staff, physicians, and dentists of the University of North Carolina,” nor to “[c]mployees whose salaries are fixed under the authority vested in the Board of Governors,” thus exempting 44 percent of University employees.

(6) The University system has more flexibility to reclassify personnel positions and to reallocate positions and salary levels than other state agencies.

(7) UNC-Chapel Hill employees get an additional four hours of paid time each year to prepare grievances against their bosses, compared to the eight hours granted all other state employees. About 60 employees filed grievances with UNC-CH in 2003, which amounts to 240 hours of additional paid time, if each employee used it.

(8) University faculty have more job security than other state employees through the tenure system, and they receive the highest pay of any category of state employees. Faculty also are allowed to augment their incomes through consulting (in which they are paid by other employers for days that they also are on state government’s payroll), and their contracts typically are for nine months of work, not 12.

Revenue Sources

(9) Individual campuses within the University now have the power to initiate requests to the Board of Governors for tuition and fee increases and keep the proceeds, which, in effect, means they have the power to generate and control a source of revenue separate from General Fund appropriations.

(10) The University also can issue special obligation and revenue bonds with the approval of the General Assembly for self-liquidating projects such as dormitories, parking decks, etc., which is another source of revenue not available to most state agencies.

(11) Nonprofits controlled by public higher educational institutions have been granted an exemption to local government property taxes in North Carolina, an ad-

vantage not accorded to the nonprofits controlled by any other state agencies except the community colleges.

General

12) All 16 UNC campuses now have been designated as “special responsibility constituent institutions,” which gives them more authority over budgeting, purchasing, and personnel and allows them to retain up to 2.5 percent of the funds not spent at the end of the fiscal year, a privilege not given to any other state agencies and one that is especially controversial during years of shortfalls in the state’s budget.

However, at least nine cases of abuses have occurred with this increased flexibility, and these instances raise questions about whether special treatment for the University system is either warranted or wise, as follows:

(1) With the budget flexibility given to “special responsibility constituent institutions,” the N.C. State University Public Safety Director used more than \$2.2 million in unspent department personnel funds to make more than 100 questionable purchases over a six-year period, including TV sets, VCRs, and a mountain bike, many of which he kept in his home or truck, prompting a State Auditor’s investigation.

(2) Fayetteville State University also was threatened with revocation of its management flexibility if it did not correct problems identified by the State Auditor in bookkeeping, management oversight, and financial reporting.

(3) UNC-Chapel Hill’s Kenan-Flagler Business School and N.C. State’s Carter Finley Stadium used the availability of a mix of public and private financing to begin

Board of Governors meeting in Chapel Hill



Karen Tam

construction before safety inspections by the N.C. Department of Insurance, thereby avoiding provisions of the State Building Code.

(4) The State Auditor said the University's decentralization of the construction oversight function had negatively affected the timeliness of the flow of information to the State Construction Office and State Building Commission.

(5) UNC Hospitals' flexibility in construction contracts and bidding procedures resulted in a 31.5 percent increase in the estimated cost and an opening date that was more than four years behind the original scheduled completion date of November 1997. When the legislation granting special flexibility to UNC Hospitals passed in 1998, President Molly Broad said, "We got relief for that entity. I've made it clear to them that if they can be the exemplars of some best practices, the hospital could be a demonstration project" for how greater management freedom can make the University system more efficient. This is not exactly the poster child for flexibility she hoped it would be.

(6) Inadequate oversight of spending in a scholars program for doctors at UNC-Chapel Hill is now the example that the Robert Wood Johnson Foundation (which funded the program) uses in how not to manage the proceeds from the foundation's grants to similar programs.

(7) In the middle of an acute state budget shortfall when most state workers only got a flat pay raise of \$625, Chancellors at NCSU and UNC-Chapel Hill gave sizable pay raises ranging from \$9,375 to \$30,340 per year to some of their immediate subordinates.

(8) UNC-Chapel Hill Chancellor James Moeser signed an employment separation agreement worth \$313,908 with his former General Counsel that the Chairman of the Board of Governors described as "excessive and indefensible."

(9) The State Auditor discovered nearly \$1 million in financial abuses at the N.C. School of the Arts that included spending on cellular phone bills, country club memberships, lease payments for a Cadillac Escalade for a Vice Chancellor, undocumented overtime expenses, special "one-time payments" to 20 employees, a down payment on a condominium to be used as a residence for the Chancellor, undisclosed accounts, and questionable real estate transactions between the institution and its related foundation and nonprofit entities—practices the Auditor described as "Enron-style." President Broad described the findings of the special review as "deeply troubling" and took over financial management of the school in November 2004.

These situations raise questions about special grants of flexibility being given to the University system as a whole or to the 16 campuses individually and about whether the larger research universities are any more likely to avoid problems than the smaller campuses. If the University system is to be treated differently from other state agencies, then exceptions should be made only after a study commission has examined state construction, purchases and contract, personnel, and budgeting procedures, and found either that the systems need to be modified and updated for *all* state agencies or that the University system has made a compelling case that standard state government oversight should not apply to them and that instances of special treatment or grants of flexibility can be handled efficiently and managed well. Even then, any grant of increased flexibility should be accompanied by outcome-based accountability standards tied to the higher education goal the flexibility is designed to accomplish.

Changes in the Allocation of Powers Between the Statewide UNC Board of Governors and the 16 Local Campus Boards of Trustees

8. (a) *Refine the Delegation to Campuses on Intercollegiate Athletics*—The UNC Board of Governors should refine its delegation of power to the local campuses on intercollegiate athletics. The chancellors should retain their lead role, but the Board of Governors should lead reform in governance of intercollegiate athletics by adopting system-wide guidelines on intercollegiate athletics in line with reports by the national Knight Foundation Commission on Intercollegiate Athletics issued in 1991 and 2001. This should include language incorporated into the University *Code* based on the Commission’s recommendations that would:

- (1) require Chancellors to bar teams that do not graduate at least 50 percent of their players from conference championships or post-season play;
- (2) require Chancellors to prohibit athletes from wearing uniforms with corporate logos for which the campus, campus employees, or athletes have received any compensation and require that any and all corporate sponsorship and product placement arrangements, such as Website advertising, be subject to open public review;
- (3) forbid campuses from enacting policies or following practices that make it easier for athletes (compared to other students) to be granted exceptions to any campus policy;
- (4) forbid campuses from negotiating contracts with coaches that would require exceptions to the current UNC *Code* and require that coaches’ salaries be set in the context of other salaries in higher education;
- (5) forbid campuses from participating in athletic conferences in which universities alone do not decide when games would be played and broadcast on television, and expressly forbid NCAA Division I football games from being played on school nights; and
- (6) forbid campuses from participating in athletic conferences that do not encourage the NBA (National Basketball Association) and NFL (National Football League) to develop minor leagues to give young athletes a route to professional sports other than playing on college or university teams.

(b) *Special Task Force of the Board of Governors on Intercollegiate Athletics*—The UNC Board of Governors should appoint a special task force

- (1) to determine whether the Board’s policies on intercollegiate athletics are being followed by the campus chancellors and boards of trustees. This recommendation contemplates an inquiry beyond simply reviewing the annual reports submitted by each of the 15 chancellors subject to the Board’s policies on intercollegiate athletics. The special task force also should
- (2) reassess the need for additional University-wide standards to ensure that the traditional academic values present in the student athlete model are maintained, and if necessary, restored on every UNC campus.

The University *Code* states, “Subject to such policies as may be prescribed by the Board of Governors and the board of trustees, the chancellor shall be responsible for the establishment and supervision of the institution’s program of intercollegiate athletics.” While responsibility for college sports is delegated to the local campuses,

at times the Board of Governors and system President have stepped in to impose University-wide rules.

To recap the problems with the current system of oversight of intercollegiate athletics by the UNC Board of Governors:

- Intercollegiate athletics has been a trouble spot historically in governance of public universities and in the relationship between local campus boards and the President and Board of Governors for the UNC system, including the following:
 - A point-shaving scandal that prompted UNC President Bill Friday to cancel the Dixie Classic basketball tournament in 1961.
 - Allegations of drug use, improper gifts, grade-fixing, sale of players' shoes, and use of complimentary tickets that resulted in a two-year probation for N.C. State's basketball team by the NCAA in 1989 and the resignation of NCSU Chancellor Bruce Poulton.
 - Firings of football coaches at Carolina and State in 1999 and 2000 over the objections of campus faculty as being incompatible with the expressed goals of university athletics and academic programs.
 - Since 1953, seven of the 16 UNC constituent institutions have been sanctioned for "major infractions" of bylaws of the National Collegiate Athletic Association. Elizabeth City State University, Western Carolina University,

Board of Governors members Cary Owen (left) of Asheville and Patsy Perry of Durham at a meeting in Chapel Hill



Karen Tam

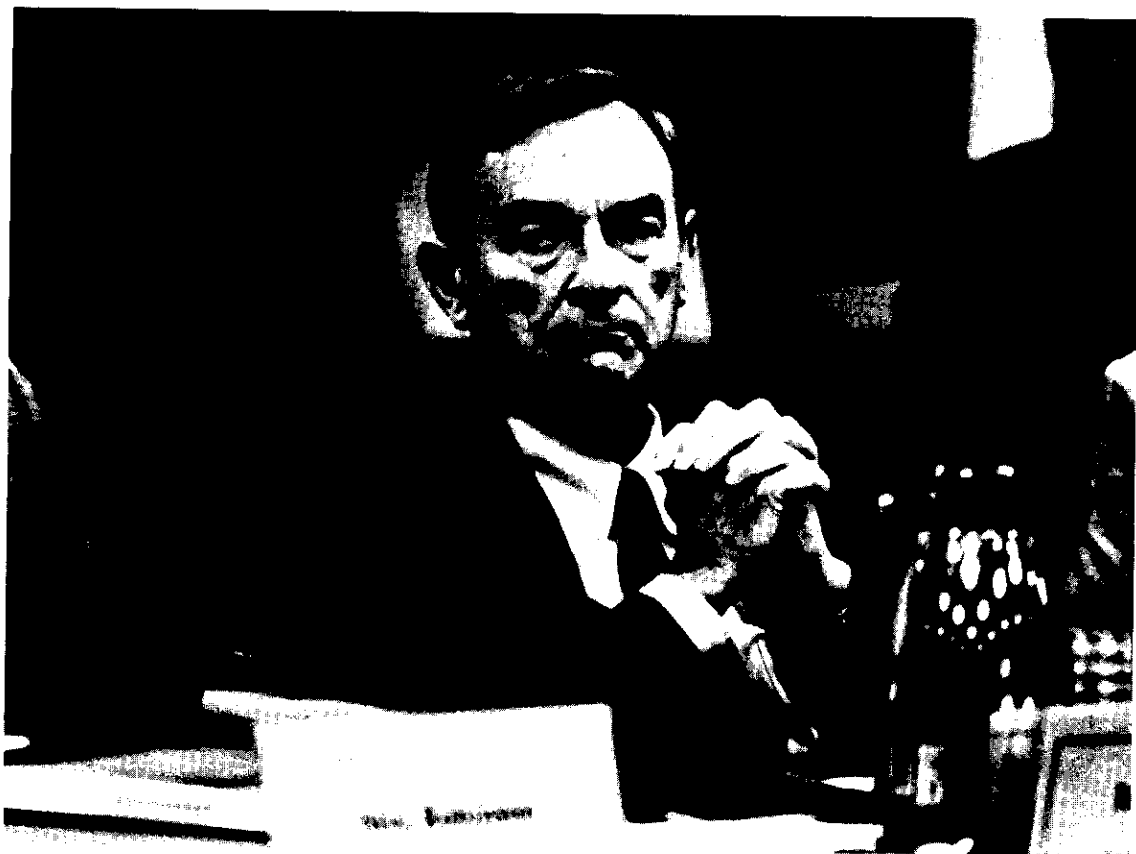
and Winston-Salem State University each have been sanctioned once; East Carolina University, North Carolina Central University, and UNC-Chapel Hill each have been sanctioned twice; and North Carolina State University has been sanctioned five times, ranking it 17th on the all-time list of institutions with major violations of rules of the 1,027 member National Collegiate Athletic Association.

- A \$1.6 million-a-year contract for UNC-CH basketball coach Roy Williams being allowed by the Board of Governors despite the contract exceeding the Board's guidelines on excessive buyout clauses.
- A UNC-Chapel Hill contract with Nike sports company that requires placement of the Nike logo on the University's Website.
- Expansion of the number of teams in the Atlantic Coast Conference with little or no input or voice by the UNC President or Board of Governors in the matter.
- Coaches' salaries that now regularly exceed \$1 million, while UNC chancellor's salaries average \$201,816 and salaries for full-time faculty at UNC's four-year public flagship universities average \$76,070. Even the highest-paid university employee, Dr. William Roper, CEO of UNC Health Care System, makes \$450,000, or one-third to half of what many football and basketball coaches earn.
- Graduation rates for football players that consistently lag the graduation rates of the student bodies as a whole at six campuses within the system and which, at best, never average above 60 percent.

Control of intercollegiate athletics by campus presidents or chancellors is a cornerstone of the recommendations made by the national Knight Foundation Commission on Intercollegiate Athletics, which proposed ways to prevent scandals and boost the academic performance of student athletes. Former UNC President William Friday was co-chair, and three other North Carolinians served as Commission members.

The Knight Commission issued two reports in 1991 and 2001 and found that problems in college sports had worsened despite some NCAA rule changes. The 2001 report stated, "The Commission now finds that the NCAA has made considerable progress toward achieving the goals the Commission laid out in its earlier reports. Many reform efforts have been undertaken with sincerity and energy. It is clear, however, that good intentions and the reform measures of recent years have not been enough. We find that the problems of big-time college sports have grown rather than diminished." The Commission found that the most glaring problems it identified—"academic transgressions, a financial arms race, and commercialization—are all evidence of the widening chasm between higher education's ideals and big-time college sports."

The Center believes the problems listed above justify a change in the current policies of the UNC Board of Governors' on intercollegiate athletics. The danger of the current policies is that sports are driving University policy, instead of the University's three statutory missions of teaching, research, and public service. The Center believes the Knight Commission's recommendations offer the best blueprint for the future. The UNC-Chapel Hill Faculty Council approved a resolution urging the chancellors and presidents of the ACC schools to come up with a strategy to implement the reforms outlined in the Commission's 2001 report. We believe it is time for the Board of Governors to adopt system-wide guidelines on intercollegiate athletics in line with the Knight Commission's 1991 and 2001 reports.



Karen Tam

Board of Governors member Bob Warwick chaired the Board's Task Force on Best Financial Practices.

Policies on Private Fundraising by Public Universities

9. (a) **The UNC Board of Governors should establish policies to increase equity among the local campuses on private fundraising and development staff.**
- (b) **The UNC Board of Governors should clarify and broaden its definition of university-affiliated foundations and related entities in a manner consistent with the State Auditor's special review of October 2004, expand reporting requirements for these foundations and related entities, and ensure that these reports are public records.**

As the state's public universities have turned to private sources of funding to help support campus operations, the UNC Board of Governors needs to adopt fundraising policies to monitor and channel such efforts. Currently, the Board of Governors receives a fund-raising and endowment report annually, which specifically outlines national giving trends, tracks the results of the 16 campuses, and benchmarks their work against peer institutions. Since 2001, the Board also has required all campuses to record their fundraising results with Voluntary Support for Education and with the National Association of College and University Business Officers' annual surveys.

However, while the Administrative Manual of The University of North Carolina includes policies regarding endowments and trust funds, the Board has not implemented policies or guidelines for campuses on how they approach fundraising; the relationships with other campuses that may be in pursuit of the same funds from individuals, corporations, and foundations; and how the campuses' development activities affect the larger community in terms of competing with nonprofits in their regions. As the University continues to increase the development capacity on the 16 campuses, the

Board of Governors should establish policies on private fund-raising and development, especially as related to equity, transparency, appropriateness, and accountability.

In the fundraising arena, the main issue is equity among the campuses in providing development staff to seek funds from sources other than state appropriations. As shown in Chapter Five, the 16 campuses vary widely in the size of their development office staffs, the number of private foundations created on campus (UNC-Chapel Hill alone has 16 university foundations with assets of more than \$1 million), and their ability to compete for funds from sources other than state appropriations. These sources include the federal government, alumni, other individual donors, and private foundations—as well as shoe contracts, cola deals, and other arrangements available to the larger universities' sports programs.

To its credit, the N.C. General Assembly began to deal with this equity issue in 1999 with allocations ranging from \$260,000 for Winston-Salem State to \$308,400 for N.C. Central to beef up fundraising efforts at seven campuses, including five historically black campuses. However, the Center believes it is the Board of Governors that now needs to address this equity issue by adopting a policy that promotes equity among the campuses in fundraising efforts and staff. In a later report, the Center will examine whether there are dangers to the universities' missions in seeking corporate funding for research.

Another issue in university fundraising is transparency for university-related foundations. In October 2004, the State Auditor raised questions about proper oversight of the North Carolina School of the Arts and its university-affiliated foundations. A special review found that “[t]he school failed to exercise appropriate control or oversight over its related organizations.”

The State Auditor found that state and university-affiliated foundation money was used to fund three spending accounts not reported to foundation board members. Expenses totaling \$269,224 were paid from these accounts for cell phone bills, country club memberships, and \$15,000 in lease payments for a Cadillac Escalade for former Vice Chancellor for Finance and Administration Joseph L. Dickson. Dickson also received more than \$90,000 for consulting and expenses from the foundation over a 13-year period in violation of university policies. Dickson twice transferred foundation property without authorization to a nonprofit corporation he controlled.

State Auditor Ralph Campbell said the School of the Arts situation created an opportunity for the UNC system “to bring some needed sunlight to the financial affairs of the foundations associated with all of our universities.” The Auditor recommended that UNC require every campus in the system to submit a report to the Board of Governors outlining every foundation and related agency connected to the University, which would include activities, revenues, and expenditures.

In response, UNC President Molly Broad said that since 1990, all university-related foundations must be audited annually and the results given to her office. And, in response to the Auditor's recommendation that institutions provide further information about foundations and related entities, she said [On an annual basis, I] “will hereafter require that the chancellors list all affiliated foundations and entities, affirm that they have adequate financial controls in place, and attest that no other foundations or entities exist.”

However, President Broad and the State Auditor disagree over which entities would be defined as affiliated with UNC. For example, the Auditor says payments to the dean of the School of Filmmaking at the N.C. School of the Arts from a nonprofit called the “North Carolina School of the Arts Unity Development Corporation” were a violation of UNC policy against senior administrators receiving compensation from related organizations, but UNC disagrees. The School of the Arts formed the Unity Development Corporation as a nonprofit that would sell bonds to build a corporate headquarters called “Unity Place” to lease to Krispy Kreme Doughnut Corporation. In her response to the audit, Broad says, “The Office of the President does not agree

with the Auditor’s conclusion that the Unity Development Corporation is an entity that was intended to come within the meaning of this policy. Nonetheless, in light of this ambiguity, [I] will recommend that the Board of Governors clarify its policy.”

The Center agrees. We recommend that the Board of Governors clarify and broaden its definition of university-affiliated foundations and related entities in a manner consistent with the State Auditor’s special review, expand reporting requirements for these foundations and related entities, and ensure that these reports are public records.

***Fulfilling the Board of Governors’ Responsibility To Develop
“a Long-Range Plan for a Coordinated System of Higher Education
in North Carolina”***

10. The Board of Governors should fulfill its statutory duty and exercise its authority to develop “a long-range plan for a coordinated system of higher education,” as required by state law in G.S. 116-11(1). Through its Education Oversight Committee, the General Assembly should require the Board of Governors to exercise its master planning role and produce a master plan every four years on higher education issues of common concern to public and private institutions of higher education, including increasing the state’s college-going rate, increasing manpower in fields of need such as teaching and nursing, ease of transferability between educational systems and institutions, and eliminating duplication of programs.

To recap our findings from Chapter Four and the reasons for this recommendation that the Board of Governors should fulfill its statutory duty and exercise its authority for master planning in higher education:

- It is the law. The General Assembly mandated in N.C.G.S. 116-11(1) that the Board of Governors “plan and develop a coordinated system of higher education in North Carolina” and that, in consultation with representatives of the State Board of Community Colleges and of the private colleges and universities, the Board of Governors “shall prepare and from time to time revise a long-range plan for a coordinated system of higher education. . . .” The vehicles for accomplishing this coordinated planning already exist in the Education Cabinet and the State Education Commission.
- Centralizing master planning for higher education is a primary reason that states have created higher education boards such as the UNC Board of Governors. Forty-three states, including North Carolina, have higher education boards with authority to conduct master planning for higher education. The need for the Board of Governors to exercise leadership is all the more important here because North Carolina, unlike many other states, has no central board or agency with authority to plan or coordinate higher education policy for *both* two-year community colleges *and* four-year public colleges and universities. North Carolina has separate governing boards for our public university and community colleges systems, and the State Board of Community Colleges does not have nearly as much power and authority over its constituent institutions as the UNC Board of Governors has over public universities.

The Board of Governors shall plan and develop a coordinated system of higher education in North Carolina. To this end . . . it shall maintain close liaison with the State Board of Community Colleges, the Community Colleges System Office and the private colleges and universities of the State. The Board, in consultation with representatives of the State Board of Community Colleges and of the private colleges and universities, shall prepare and from time to time revise a long-range plan for a coordinated system of higher education.

— N.C.G.S. §116-11(1)

- Master planning is needed to plan for how the state’s higher education institutions (16 public universities, 59 community colleges, and 36 private colleges and universities) are going to accommodate the future enrollment boom—a projected 31.4 percent increase in public high school graduates by 2017 in North Carolina. Master planning also is important to attain the state goal of increasing our college-going rate in a global economy that increasingly demands more than a high school education and frequent retraining.
- Master planning is needed to ease mobility and transferability of courses and credits between the three systems of higher education.
- The Board of Governors needs to exercise leadership in harnessing all of higher education to address shortages in personnel in certain fields key to the development of the state, such as teaching and nursing. North Carolina will need more than 10,000 new teachers a year for the next 10 years, but all of the state’s public and private colleges and universities *combined* currently produce only 3,100 teachers a year. And, the state will need 9,000 more nurses by 2015 to serve the growing elderly population.
- Master planning is needed to help eliminate unnecessary duplication in academic programs of declining interest or effectiveness or where there is an oversupply in public or private institutions.
- Private for-profit colleges and distance education and on-line courses will be a new source of competition in higher education and heighten the need for an increased Board of Governors’ role in planning.
- Planning is needed to allocate scarce resources among public universities, public community colleges, and private colleges and universities—all of which receive significant state funding. Public universities receive \$2.374 billion (plus \$246 million for capital improvements) from the state’s General Fund in Fiscal Year 2005–2006, community colleges receive \$893 million, and private colleges and universities receive \$96.9 million a year through the N.C. Legislative Tuition Grant Program and the State Contractual Scholarship Program. With this state money comes an obligation to help meet state goals.

The Board of Governors shall also meet with the State Board of Education and the State Board of Community Colleges at least once a year to discuss educational matters of mutual interest and to recommend to the General Assembly such policies as are appropriate to encourage the improvement of public education at every level in this State.

— N.C.G.S. §116-9

*The Board's Leadership Role on Tuition Policy and Setting
Tuition Rates Within a Constitutional Restraint*

- 11. The Board should continue its recent activities in taking a leadership role in setting system-wide tuition rates, and the General Assembly should revisit its decision to permit individual campuses to initiate additional tuition rate increases. The Center recommends that the General Assembly repeal N.C. General Statute §116.40-22(c) which permits local campus boards of trustees to propose raising tuition rates and keep the full proceeds on their campus. The Board of Governors should revise the UNC General Administration policy 1000.1.1 to remove the provisions allowing for campus-initiated tuition increases.**

Thirty-four central higher education boards, including the UNC Board of Governors, have the authority to set tuition and fees at constituent institutions. North Carolina law authorizes the Board of Governors to “set tuition and required fees at the institutions, not inconsistent with actions of the General Assembly.” Nonetheless, one area where the Board of Governors has rarely exercised its power over its 35-year history until recently is in tuition policy. For the first 27 years of its existence—from 1972 until 1999—the UNC Board of Governors *never* recommended a tuition increase to the General Assembly, with the sole exception of its first budget request in 1973 when the Board equalized tuition among institutions with comparable missions. During that time, actions by the General Assembly preceded any action by the Board of Governors when tuition was increased.

University Board members and Presidents historically have been governed by a directive in the state Constitution “that the benefits of The University of North Carolina and other institutions of higher education, as far as practicable, be extended to the people of the State free of expense.” This Constitutional mandate is the main reason North Carolina has among the lowest tuition rates in the country, ranking seventh lowest, on average, among the states in tuition and fees at four-year public universities in 2001–2002 and 13th lowest in 2002–03. In practice, the Board’s decision to refrain from proposing system-wide tuition increases for North Carolina residents has by default left this decision to the legislature. The legislature itself initiated tuition increases in 1971, 1974, 1975, 1977, 1981, 1983, 1985, 1987, from 1989–1998, and 2003. The Board of Governors initiated tuition increases in 1973, 1999, 2000, 2001, and 2002. The Board recommended against a system-wide increase in 2003 but was overruled by the legislature. As a result of these cumulative actions, undergraduate tuition for North Carolina residents has risen by 71 percent over a five-year period (1999–2004).

The General Assembly shall provide that the benefits of The University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense.

— N.C. CONSTITUTION,
ARTICLE IX, SECTION 9

In September 2001, the General Assembly enacted a special provision in the budget which allowed campus boards of trustees to recommend tuition and fee increases to the system Board of Governors “without regard to whether an emergency situation exists.” In 2002, the Board of Governors approved a “package” of tuition increases, which included the campus-initiated increases for institutions not previously receiving one, system-wide increases, and additional campus-initiated increases at UNC-Chapel Hill and N.C. State, but at reduced amounts from what was submitted. Between February 2000 and March 2002, the Board of Governors approved campus-initiated tuition increases submitted by all 16 campuses. In February 2003, the Board then incorporated a procedure into *The Code* for proposing these changes. The new policy

reads, "Campuses may experience circumstances that suggest the need to change their tuition rates." However, in 2003, the Board publicly opposed additional system-wide tuition increases, but the 2003 legislature enacted a 5 percent tuition increase over the Board's objection. In March 2004, over Governor Mike Easley's objection, the Board of Governors approved another package of campus-initiated tuition increases with amounts ranging from \$225 to \$450 per student per semester. The 2004 legislature enacted a budget that did not include a system-wide tuition increase, but did allow the campus-initiated tuition increases approved by the Board of Governors, with constituent institutions keeping the proceeds on their campuses.

Tuition policy is a balancing act between competing state goals. On the one hand, tight state budgets lead university policymakers to turn to tuition increases as a way to generate more revenue. Also, because UNC tuition rates are among the lowest in the country, students whose families have the ability to pay more of the full costs of their education are being subsidized by the state's population as a whole, which is poorer. On the other hand, North Carolina traditionally has not had a high college-going rate, and in an economy where more higher education is needed, low tuition might be the

The University of North Carolina Tuition and Fees Applicable to All Regular Full-Time Undergraduate Students, 2004-05

	Tuition		Total Fees	Total Resident Tuition & Fees
	Resident	Non-Resident		
North Carolina State University	\$3,205	\$15,103	\$ 964	\$4,169
The University of North Carolina at Chapel Hill	3,205	16,303	1,155	4,360
East Carolina University	2,135	12,349	1,185	3,320
UNC-Charlotte	2,129	12,241	1,290	3,419
UNC-Greensboro	2,028	12,996	1,356	3,384
Appalachian State University	1,821	11,263	1,334	3,155
Fayetteville State University	1,546	10,982	974	2,520
NC A&T State University	1,769	11,211	1,234	3,003
NC Central University	1,878	11,322	1,163	3,041
UNC-Pembroke	1,689	11,129	1,135	2,824
UNC-Wilmington	1,928	11,638	1,647	3,575
Western Carolina University	1,651	11,087	1,551	3,202
UNC-Asheville	1,897	11,097	1,425	3,322
Elizabeth City State University	1,399	9,738	1,075	2,474
Winston-Salem State University	1,451	9,791	1,203	2,654
NC School of the Arts	2,755	14,035	1,461	4,216

Source: Fiscal Research Division, N.C. General Assembly

best policy. But, the factor which tilts the balance most toward a low tuition policy is the state's unique Constitutional requirement that a university education "as far as practicable, be . . . free of expense."

Tuition policy also is a balancing act at different levels of higher education governance. At the President's and Board of Governors' level, policymakers have to balance the mandate in the state Constitution and their laudable desire to raise college-going rates with the system's need for revenue and the state's competitiveness with other states' public universities. At the campus level, chancellors and local boards of trustees usually want to have some source of revenue they can control, such as tuition. They closely follow tuition rates at competing higher education institutions, public and private, and they always want flexibility within a large state system. There is no answer that is right all of the time for all public universities in all states.

The Center believes that the UNC Board of Governors is in the best overall position to balance the legitimate needs of the campuses while meeting the state Constitutional mandate that "the benefits of The University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense." The Center commends the Board for developing and implementing its new, comprehensive policy for setting tuition rates at the 16 campuses. However, the Center believes the frequent and substantial tuition increases in 1999, 2000, 2001, 2002, and 2003—five increases amounting to a 71 percent increase over a five-year period (1999–2003)—have invited a lawsuit on whether these increases violate the state Constitutional guarantee of a university education that is nearly "free of expense."

While the Center believes the Board is going in the right direction when it exercises its full statutory authority over tuition decisions, the Center is concerned that the Board's newly found activism in this area could be undermined by the General Assembly's decision to permit individual campuses to implement their own additional tuition increases. Allowing such a determination to be made by local boards raises the specter of another harm the 1971 University reorganization was intended to prevent—the further politicization of higher education funding. And, because it is easier for some campuses to raise tuition than it is for others, locally-determined tuition increases have the potential to widen the gap between the haves and the have-nots. Finally, the last four years of experience show that legislation allowing the campus-initiated tuition increases has accelerated increases in tuition, an outcome that runs counter to the state Constitution's mandate that a University education, "as far as practicable, be . . . free of expense." For these reasons, the Center recommends repeal of the legislation which permits local campus boards of trustees to propose raising tuition rates and keep the full proceeds on their campus. The Center also recommends that the Board of Governors revise its policy manual to remove the provisions allowing for campus-initiated tuition increases.

Concluding Observations

Underlying the Center's recommendations to change and improve governance of public universities is a finding that, overall, the basic structure of governance of North Carolina's public universities is sound. Though we conclude that measures such as gubernatorial appointment of the Board, longer terms, and increased efforts at diversity would improve the Board, this does not lessen our finding that there is still a need for a statewide board governing all public universities, with accompanying powers over university budgets and academic programs. We also find that the basic design for the allocation of powers between the statewide Board of Governors and the local campus boards of trustees, with the modifications recommended here, also is sound. The thought and negotiations that went into the statutory design in 1971 have not lost their relevance today. To the extent that the Center recommends changes in

the original design, they are based on our analysis and evaluation of 35 years of actual experience in how this system has worked.

The Center believes the University of North Carolina is key to North Carolina's collective identity, largely due to years of fulfilling its three missions of teaching the state's students, research that expands knowledge and improves the quality of citizens' lives, and public service to the state's citizens. That history of public service includes leadership by former University presidents Frank Porter Graham and William Friday and UNC-CH professor Howard Odom, among others, on key issues such as race and poverty, and services to citizens such as affordable health care in rural areas, public television, agricultural extension programs, and support for public-private partnerships such as Research Triangle Park.

The structure of North Carolina's university governance system reflects a delicate balance:

- among the Governor, the legislature, the UNC System President, and the UNC Board of Governors;
- between the UNC System President and Board of Governors and the chancellors and local campus boards of trustees;
- between the mandate of the state Constitution that a University education "as far as practicable, be . . . free of expense" and the University's need for revenue; and
- among multiple missions of teaching, research, and public service.

The balance achieved by any university system depends heavily upon relations between the central governing Board and the General Assembly. UNC Board of Governors members can protect their ability to make decisions free of legislative interference by making sure that the Board does not abdicate its responsibility to deal with difficult issues such as tuition increases, accountability for management decisions made by individual campuses, or the role of the system's historically black institutions. Similarly, the Board must ensure that it does not fail to act on key issues before the General Assembly steps in.

University governance does matter. But governance issues should not be viewed in a vacuum. The UNC Board of Governors and President should take the lead in self-evaluation and review of higher education policy in order to prevent having changes imposed by a political process. The Board of Governors is in a unique position to strengthen all of higher education in North Carolina. By and large, it has the tools it needs in statutory authority and funding to guide and govern higher education in North Carolina.

The report, entitled *The Statewide UNC Board of Governors: Its Selection, Powers, and Relationship to the 16 Local Campus Boards of Trustees*, is available from the Center for \$35. To order, write the Center at P.O. Box 430, Raleigh, NC 27602, call (919) 832-2839, fax (919) 832-2847, or order by email from tbromley@nccppr.org.

