

Board of Governors Meeting
January 14, 2011
Chapel Hill, North Carolina

The Board of Governors met in regular session on January 14, 2011, at the Spangler Center in Chapel Hill. Chairman Gage called the meeting to order at 9:00 a.m. Chairman Gage welcomed guests and noted that this marked President Ross' first meeting of the Board of Governors.

INVOCATION

Chairman Gage called on Mr. Dixon to give the invocation.

ROLL CALL

Secretary Sanders called the roll. The following members were present:

Brent D. Barringer	Clarice Cato Goodyear
Atul C. Bhula	Peter D. Hans
John M. Blackburn	Charles A. Hayes
Peaches G. Blank	James E. Holshouser, Jr.
R. Steve Bowden	G. Leroy Lail
Laura W. Buffaloe	Ronald C. Leatherwood
Frank Daniels, Jr.	Cheryl M. Locklear
Bill Daughtridge, Jr.	Charles H. Mercer, Jr.
Walter C. Davenport	Burley B. Mitchell, Jr.
John W. Davis III	Marshall B. Pitts, Jr.
James M. Deal, Jr.	Irvin A. Roseman
Phillip R. Dixon	Estelle 'Bunny' Sanders
Dudley E. Flood	Priscilla P. Taylor
Paul Fulton	J. Bradley Wilson
Hannah D. Gage	David W. Young
Ann B. Goodnight	

The following members were absent:

Adelaide D. Key	Fred G. Mills
Franklin E. McCain	

STATE ETHICS ACT

Chairman Gage stated that under the State Ethics Act, members have a duty to avoid conflicts of interest and appearances of conflicts. Looking at the agenda for the meeting, Chairman Gage asked if any member had a conflict of interest or an interest that would give rise to the appearance of a conflict of interest. There were none.

MINUTES

Mr. Young moved, seconded by Dr. Taylor, that the minutes from the open session of the November 5, 2010, meeting be approved. The motion carried.

PRESIDENT'S REPORT

President Ross thanked the Board of Governors for giving him the opportunity to lead America's finest university. He remarked that it was a privilege for which he was grateful and a responsibility that he pledged to undertake vigorously with the highest levels of commitment, dedication and integrity. For President Ross' report, please see Appendix A.

ADMINISTRATIVE ACTION ITEMS

Mr. Bowden moved, seconded by Mr. Lail, that the Administrative Action Items be approved by consent. The motion carried.

- a. (B&F) Authorization of New Capital Improvements Project, WCU
- b. (B&F) Authorization of New Capital Improvements Projects, ECU and UNC-CH
- c. (B&F) Approval of Interim Financing, UNCG
- d. (B&F) Approval of Disposition of Property by Lease, ECU
- e. (B&F) Approval of the Policy on Acquisition of Real Property by Lease
- f. (PA) Approval of the 2011-13 Legislative Policy Agenda

REPORT FROM THE PRESIDENT OF THE ASSOCIATION OF STUDENT GOVERNMENTS

Mr. Bhula reported that this past summer a working committee on tuition was formed to discuss important issues for the Board to consider. First, the committee recommended that the

General Administration staff work with the Association of Student Governments (ASG) President to find best practices for student input on tuition and fees. In the coming weeks, the committee would review the data they had collected and bring forth their recommendations to the Board. Mr. Bhula noted that student tuition and fees make up roughly 30% of students' cost of attendance. He asked that the Board seek ways to balance the impact of higher costs on students with the need to develop resources lost through diminished state support. Next, Mr. Bhula commented on financial aid. He asked that the members of the Board consider the ways in which students apply for financial aid, such as implementing a uniform priority deadline for filing.

Lastly, Mr. Bhula said that the time was *now* for the Board to reevaluate how they approach higher education by the expansion of distance education and online degree programs.

Chairman Gage noted that Mr. Bhula had done a remarkable job. She said that the concerns raised by Mr. Bhula were challenges the Board would need to address; she thanked him for his input.

REPORT OF THE AUDIT COMMITTEE

Dr. Roseman, Chair of the Audit Committee, reported that the Committee had received an update on the UNC Finance Improvement and Transformation Project (UNC FIT). Seven campuses were live on the Banner biweekly payroll. Elizabeth City State University and the University of North Carolina School of the Arts would be transitioning to the Banner biweekly payroll soon. Regarding the Banner monthly payroll, four campuses (NC A&T State University, UNC Asheville, UNC Pembroke, and Western Carolina University) have been live on monthly payroll for some time. In addition, Fayetteville State University, North Carolina Central University and Winston-Salem State University were scheduled to go live this month. Elizabeth City State University and the University of North Carolina School of the Arts were scheduled to go live in April 2011. Dr. Roseman stated that the advisory teams were developing standards for new business subprocesses within Capital Assets and Student Accounts Receivables.

Next, Dr. Roseman reported that the Charter for the Audit Committee included 16 requirements. The Committee reviewed its Annual Compliance Checklist and the status of the Committee's compliance with the requirements.

Lastly, Dr. Roseman said that the Committee reviewed one external audit report released since its last meeting in November. The Elizabeth City State University's 2009 financial statement audit report was released with three audit findings. Dr. Roseman noted that the institution's 2008 audit report was not released until November 2009 and because of the lateness of the report, the institution was unable to take all corrective actions needed to resolve the issues cited in the 2009 audit report. At the Committee's meeting in November 2010, State Auditor Beth Wood indicated that her staff had noted positive improvements at Elizabeth City State University.

REPORT OF THE COMMITTEE ON BUDGET AND FINANCE

Mr. Mercer, Chair of the Committee on Budget and Finance, reported that at its November meeting the Board had adopted the 2011-13 Budget Priorities. At that time, funding requests for enrollment growth and need-based student financial aid were excluded while the General Administration staff continued its work to link performance to the enrollment funding model and while President Bowles continued to refine the model with input from Chancellor Bardo, Chancellor DePaolo, Chancellor Dubois and Chancellor Nelms. At its meeting yesterday, the Committee discussed the Amendment to the 2011-13 Budget Priorities of the Board of Governors (see Appendix H). Recommendations to enrollment growth funding and financial aid were discussed. It was clear that the campuses had embraced the Board's directive to focus on retention rates, acceptance of transfer students, an increase in distance education courses, and the graduation of students. Mr. Mercer stated that the budget priorities submitted to the Governor and to the General Assembly had balanced the University's need against the State's fiscal condition. For 2011-12, the requests for enrollment change funding based on the updated model totaled \$45.8 million and \$1 million was requested for rewarding high performing campuses. A total of \$71.1 million was requested for financial aid. This amount included \$34.9 million in recurring funds to replace funds that were previously authorized on a nonrecurring basis.

On behalf of the Committee, Mr. Mercer moved approval of the Amendment to the 2011-13 Budget Priorities of the UNC Board of Governors that would be adjusted by an amount of \$117,946,123 for 2011-2012 and an additional \$62,448,131 for 2012-2013 to meet the University's essential needs for changes in enrollment, reward good performance, and provide for an increase to the UNC need-based student financial aid program. Furthermore, Mr. Mercer

moved that the Board adopt the changes made to the enrollment funding model that recognized successful performance at our institutions in retaining students and operating efficiently.

Mr. Mercer reported that the funding model would continue to be examined and refined by the President. Mr. Deal requested that any future changes to the model be approved by the Board.

Mr. Mercer replied that the Committee would include clarification to the language to assure that would happen. Chairman Gage commented that the Board would continue to improve and strengthen the model. The motion carried.

REPORT OF THE COMMITTEE ON EDUCATIONAL PLANNING, POLICIES, AND PROGRAMS

Mr. Deal, Chair of the Committee on Educational Planning, Policies, and Programs, reported that the Committee reviewed a proposal to establish a doctoral program in Bioinformatics and Computational Biology at the University of North Carolina at Charlotte (see Appendix I). Mr. Deal mentioned that the Board had previously approved a master's degree program in Bioinformatics and this doctoral program for planning at UNC Charlotte and that the establishment of the doctoral program was a part of the overall plan. Approximately 22 students were enrolled in a doctoral concentration in Bioinformatics in the College of Technology. Those students and faculty would constitute the new doctoral program. Since those students were already funded through the funding formula there would be no additional funds needed from the State. Chancellor Dubois indicated there would be no expansion of the program until the State was in better financial condition. Mr. Deal noted that this program had the potential for positive impact on economic development in the Charlotte area as well as its outreach in Kannapolis.

On behalf of the Committee, Mr. Deal moved the approval of the request to establish a doctoral program in Bioinformatics and Computational Biology at the University of North Carolina at Charlotte. The motion carried.

Next, Mr. Deal referred to the UNC Profile: Key Trend and Accountability Data report. He said that the document served as a great source of information on issues that the Committee would be addressing in the near future. Senior Vice President Mabe presented the information contained in the report to the Committee. Next, Mr. Deal reported that President Bowles previously approved the Reauthorization of the Master's of School Administration Program

(MSA) at Elizabeth City State University (see Appendix J). Dr. Chapman reported that ECSU would need to provide a follow up report with some recommendations for the program.

Vice President and General Counsel Luger commented about the impact on personnel due to elimination of academic programs as a result of state funding cuts. The General Administration staff would provide information to help guide the campuses through this process.

REPORT OF THE COMMITTEE ON PUBLIC AFFAIRS

Mrs. Goodnight, Chair of the Committee on Public Affairs, reported that the Committee heard an overview from Vice President Rhinehardt on federal changes in Washington, D.C. Next, Mrs. Goodnight announced two new appointments in the Division of Federal Relations at UNC General Administration – Mr. Bradley Ballou was named the new Director of Federal Relations. Mr. Ballou is a graduate of the University of North Carolina at Wilmington. Ms. Kathie Sidner recently joined General Administration. She will serve as Defense Applications Engineer and would be assisting the campuses with defense technologies.

Mrs. Goodnight reported that Vice President Watkins provided an overview of the 2011-13 Legislative Policy Agenda (see Appendix G). The Legislative Policy Agenda included initiatives that would allow the chancellors to operate their campuses more efficiently as the University deals with the budget crisis. She said that President Ross would be working closely with the chancellors to develop additional recommendations for regulatory reform and flexibilities. Recommendations would be presented to the Board next month.

REPORT OF THE COMMITTEE ON UNIVERSITY GOVERNANCE

Mr. Bowden, Chair of the Committee on University Governance, said that the Committee had heard an update from Chancellor Martin involving student-athletes at North Carolina A&T State University. Corrective action had been taken on the issues previously brought before the Committee. Next, Mr. Bowden stated that academic progress had been made regarding other athletic programs at NCA&T, particularly the football program. Next, Chancellor Ballard provided the Committee with an update regarding recent issues involving student-athletes at East Carolina University. Corrective action had been taken.

Next, Mr. Bowden reported that there was a partial term ending June 30, 2011, on the North Carolina School of Science and Mathematics Board of Trustees, representing Congressional District 8. On behalf of the Committee, Mr. Bowden moved the appointment of Ms. Marjorie Benbow of Concord to serve. The motion carried.

There were two terms ending June 30, 2014, on the UNC Umstead Review Panel. On behalf of the Committee, Mr. Bowden moved the appointments of Mr. Ray S. Farris of Charlotte and Mr. H.D. “Cobby” Reaves, Jr., of Chapel Hill to serve. Both Mr. Farris and Mr. Reaves are respected former members of the Board of Governors. The motion carried.

Next, Mr. Bowden announced that there were two terms ending February 29, 2016, on the Pitt County Memorial Hospital Board of Trustees. On behalf of the Committee, Mr. Bowden moved the reappointments of Ms. Janice H. Faulkner of Greenville and Mr. David H. Womack of Greenville to serve. The motion carried.

There was a partial term ending June 30, 2013, at the North Carolina School of Science and Mathematics Board of Trustees, representing a non-residency vacancy. Mr. Bowden asked the members of the Board to inform Vice Chair Hans, who serves as liaison to the institution, if they had a nominee to fill the vacancy.

Lastly, Mr. Bowden reported that the 2011 trustee selection process was underway. The Committee would bring a provisional slate of appointments for consideration to the Board at its April meeting. The current list of nominees under consideration would be distributed to members of the Board next week and Mr. Bowden said that nominations would be received through the end of January.

CHAIRMAN’S REPORT

Chairman Gage thanked President Ross and his wife, Susan, for hosting the Board at the President’s House the previous night. Next, Chairman Gage mentioned that the Board’s meeting schedule for the 2011 calendar year was available. She reminded the members of the Board of the need to file their Statement of Economic Interest Form by April 15, 2011. The General Administration staff would schedule an ethics training session in April. Chairman Gage thanked the General Administration finance staff for the work they did over the holidays on gathering the performance-based funding, enrollment growth and financial aid information.

Next, Chairman Gage commented that the issues discussed at the standing committee meetings were extremely important. The chancellors' input was critical to the Board. She stated that their suggestions and perspectives will enable the Board to make stronger decisions.

On motion by Secretary Sanders and duly seconded, the Board voted to convene in closed session to prevent the premature disclosure of an honorary award or scholarship; to establish or instruct the staff or agent concerning the negotiations of the amount of compensation or other terms of an employment contract; and to hear or investigate a complaint, charge, or grievance by or against a public officer or employee, pursuant to North Carolina G.S. Sections 143-318.11 (a)(2), (a)(5) and (a)(6). The motion carried.

The Board of Governors went into closed session at 10:15 a.m. and returned to open session at 10:25 a.m.

REPORT OF THE COMMITTEE ON PERSONNEL AND TENURE

Dr. Buffaloe, Vice Chair of the Committee, said that the Committee had reviewed the 2010 Distinguished Professors Endowment Trust Fund Report, which totaled 437 fully funded professorships. In 2009, the General Assembly provided a recurring \$8 million for 2009-10 and 2010-11 and \$3.5 million in non-recurring funds for 2010-11. This combined total of \$19.5 million allowed for 33 new distinguished professorships at our constituent institutions and \$18.9 million in private donations had been contributed. In addition, the Spangler Foundation made available \$26.9 million to support the creation of 96 distinguished professorships. Dr. Buffaloe remarked that the University was grateful to President Spangler and the Spangler Foundation for this generous support and to the General Assembly for the appropriations. She also noted that demand for matching funds was growing and that there were currently 82 requests awaiting approval for state matching funds.

Next, the Committee received the Report on Personnel Actions Delegated to the President listing all personnel actions approved by the President since its last meeting.

Lastly, Dr. Buffaloe said that the Committee had discussed the University's proposal to establish a substantially equivalent personnel system which would operate separately from the Office of State Personnel. This issue would be discussed by the Committee on Public Affairs and brought before the Board for further debate.

In closing, Chairman Gage suggested that the members of Board retain a copy of the UNC Profile document as well as the Report on Distinguished Professors Endowment Trust Fund.

The next meeting was scheduled for February 11, 2011, at the Spangler Center.

The meeting adjourned at 10:35 a.m.

Appendix A	President Ross' Report	Posted Online
Appendix B	Authorization of New Capital Improvements Project – WCU	Posted Online
Appendix C	Authorization of New Capital Improvements Projects – ECU and UNC-Chapel Hill	Posted Online
Appendix D	Approval of Interim Financing – UNCG	Posted Online
Appendix E	Approval of Disposition of Property by Lease – ECU	Posted Online
Appendix F	Approval of the Policy on Acquisition of Real Property by Lease	Posted Online
Appendix G	Approval of the 2011-13 Legislative Policy Agenda	Posted Online
Appendix H	Approval of Amendment to the 2011-13 Budget Priorities of the Board of Governors	Posted Online
Appendix I	Request to Establish a Doctor of Philosophy in Bioinformatics and Computational Biology – UNCC	Posted Online
Appendix J	Approval of the Reauthorization of the Master's of School Program (MSA) – ECSU	Posted Online