



APPENDIX E

The University of North Carolina

BOARD OF GOVERNORS

RAY S. FARRIS

February 26, 2002

Appalachian State
University

East Carolina
University

Elizabeth City
State University

Fayetteville State
University

North Carolina
Agricultural and
Technical State
University

North Carolina
Central University

North Carolina
School of
the Arts

North Carolina
State University
at Raleigh

University of
North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

University of
North Carolina
at Pembroke

University of
North Carolina
at Wilmington

Western Carolina
University

Winston-Salem
State University

An Equal Opportunity/
Affirmative Action
Employer

Mr. J. Addison Bell
Chairman
Budget & Finance Committee
Board of Governors
University of North Carolina – Chapel Hill
2216 Sherwood Avenue
Charlotte, North Carolina 28207

Re: Tuition Increase For 2002 – 03

Dear Addison:

In accordance with your request for comments to be considered at the March 5, 2002 Budget and Finance Committee meeting to set a proposal for tuition increases, I review my position as expressed at the February 19 workshop and other thoughts which I trust are relevant. I do not write in opposition of either a Board initiated or campus initiated tuition increase. Rather, this letter addresses my view on the purposes and extent of tuition increases.

1. A Board of Governors initiated tuition increase to fund enrollment is inadvisable, inconsistent with 71 years of Board policy and would be irrevocable.
2. A Board of Governors initiated tuition increase to fund student aid would best serve students if increased tuition revenue remained on campuses which generated the revenue. Those campuses should be permitted to raise eligibility up to 150% of the current need based ceiling so that students of middle income families would be eligible to receive a portion of financial assistance now unavailable to them. Merit-based financial assistance and need should be reviewed in the context of the different missions of the institutions, the different capacities of the institutions to provide financial assistance and the different needs of students attending different institutions.
3. The Board should consider each campus based tuition request on an individual basis, one request at a time. The General Assembly's recent change in legislation relating to campus flexibility for tuition (Gen. Stat. § 116-40.22(c)), modifies the Board's stated policy requiring a showing of exceptional circumstances and imposes no condition (or, as the statute reads, no

“emergency situation”) on the campuses requesting an increase in tuition. The elimination of this conditional showing does not nullify the discretion of the Board to grant, modify or deny a request for an increase in tuition.

4. “As free as practicable of expense” cannot be defined by numbers, percentages or national comparisons, or by committees or the President. Nor can the Board set it for future periods. It is a living standard which changes with differing circumstances. In the Budget and Finance Committee’s conferences with chancellors as referenced in the enclosures of Jeff Davies’ memorandum of December 19, 2001, it was noted that the University was monitoring tuition charged by the various institutions to make certain that the University was in the bottom one-third (1/3). There is no definition of “as free as practicable of expense” and the bottom one-third cannot be its equivalent.
5. Consistent with current tuition policy, the constitutional provision referenced above should be generally applied to graduate and professional level students but with the realization that the costs, sources of funds and purposes of graduate and professional education are materially different from undergraduate education. Tuition for graduate and professional students should be set with the primary emphasis on maintaining and increasing the excellence of the campus’s graduate and professional programs as well as insuring access and competing successfully to attract and obtain the best students. There should be full tuition remission for graduate assistants to improve a campus’s competitiveness in recruiting and retaining highly qualified graduate students, both in state and out of state.

Other Thoughts: Tuition Funding Enrollment

Since the creation of the University of North Carolina system in 1931, there has never been a Board of Governors initiated tuition increase to fund enrollment or to fund financial aid. From 1931 through 1998 there was no Board of Governors initiated tuition increase for any purpose, except in response to legislative mandate regarding out of state tuition.

In the first two decades following 1972, the rate of enrollment growth exceeded what we now contemplate as the rate of growth for the decade ending 2008. From 1972 through 1981 there was a 35% increase (88,067 to 118,761) in student enrollment; and from 1981 through 1991 there was a 28% increase (118,761 to 152,320) in student enrollment. For the period of 1991 through 2001 there was an 11% increase (152,320 to 169,792) in student enrollment. For the period from 1998 through 2007, there is a projected increase of at least 48,000 additional students for a rate of growth at 30%

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(158,958 to 206,959). For convenience of reference, I am enclosing the chart illustrating University enrollment from the Fall of 1972 through the Fall of 2001.

The 2001 budget dilemma and the projected 2002 state budget short fall are not necessarily different from or more severe than crises experienced in particular years of the prior three decades. Similarly, if there had not been the sweeping tax cuts of 1995-99, North Carolina almost certainly would have a surplus today and not a potential significant deficit, which is another way of saying that funding enrollment is a General Assembly responsibility and not a Board of Governors issue.

Of those who enrolled in the 16 campuses as Freshmen in the fall of 1999, 20% left those schools by the fall of 2000. The system-wide graduation rate is also relevant: for year 2000, the 6 year graduation rate averaged 56% for the 16 campuses. The four year graduation rate was 33%. Matriculation as a Freshman is important but retention and graduation are more important, and they are relevant in our consideration of funding enrollment. We need to build on retention and reexamine whether we are firm in our resolve to reduce attrition. We should know the projected trend in students leaving schools as well as those entering the different campuses and grade ourselves on how well we do this work. Presently we do not score well.

I am unaware of any Board of Governors policy, old or new, which requires (or permits) any of the University's 16 institutions to admit a qualified student whose enrollment is not funded. And, I understand there is no Board of Governors policy which permits the Board to adopt its own initiated tuition increase to fund enrollment. Moreover, the \$2.5 billion Bond supporters and University officials did not and could not have represented to the citizens of North Carolina that any of the 16 campuses would accept a student whose enrollment was not funded. We promised facilities, not operational revenue. Even if there were such policies and representations, what action would the Board take if there were 10,000 to 20,000 unfunded enrollment places? When would tuition increases to fund enrollment stop, or would they stop? What would happen to the quality of the University's academic offerings?

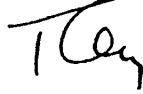
Funding enrollment has always been the responsibility of the General Assembly - in good economies and in difficult recessions, some past recessions more extensive than the current one which many economists believe is soon to end. I recognize that a portion of legislatively mandated tuition increases has been applied to funding enrollment but I am unaware of the Board of Governors having made this reallocation. To change a policy the Board has rigidly followed since 1971 would necessarily set a precedent it could not undo or revoke.

Thank you for encouraging the openness of the meetings and workshops you and your Committee have offered to the Board and for the patience and courtesies which you

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and other members of Budget and Finance have extended to other Board members and University representatives.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Farris', written over a horizontal line.

Ray S. Farris

RSF:jrl

Enclosure

cc: Other Members – Board of Governors
President Molly Corbett Broad
Mr. Jeffrey R. Davies

UNC Total Enrollment, Fall 1972 - Fall 2001

Year	Number of Enrollment	Difference from Previous Year	% Increase
1972	88,067		
1973	90,454	2,387	2.71%
1974	97,031	6,577	7.27%
1975	104,786	7,755	7.99%
1976	104,807	21	0.02%
1977	107,327	2,520	2.40%
1978	109,164	1,837	1.71%
1979	112,746	3,582	3.28%
1980	117,649	4,903	4.35%
1981	118,761	1,112	0.95%
1982	124,046	5,285	4.45%
1983	124,911	865	0.70%
1984	125,929	1,018	0.81%
1985	128,731	2,802	2.23%
1986	133,144	4,413	3.43%
1987	135,181	2,037	1.53%
1988	140,025	4,844	3.58%
1989	144,917	4,892	3.49%
1990	148,692	3,775	2.60%
1991	152,320	3,628	2.44%
1992	156,569	4,249	2.79%
1993	155,649	-920	-0.59%
1994	156,445	796	0.51%
1995	157,414	969	0.62%
1996	156,540	-874	-0.56%
1997	159,040	2,500	1.60%
1998	158,958	-82	-0.05%
1999	160,987	2,029	1.28%
2000	162,761	1,774	1.10%
2001	169,792	7,031	4.32%

UNC-OP ProgAssess/Enr.UT003B/2-19-02

Note: For the years of 1982 through 2001, Distance Education Only students (as reported on Student Data Files) are included in the enrollment shown. Student Data Files do not exist prior to Fall 1982.