

Board of Governors Meeting
October 24, 2014
Chapel Hill, North Carolina

The Board of Governors met in regular session on October 24, 2014, at the Spangler Center in Chapel Hill. Chairman Fennebresque called the meeting to order at 9:00 a.m. Several chairs from our Boards of Trustees attended the meeting. Chairman Fennebresque recognized them and welcomed all the guests.

INVOCATION

Chairman Fennebresque called on Mr. Pickett to give the invocation.

ROLL CALL

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

John C. Fennebresque	W. G. Champ Mitchell
Hannah D. Gage	Anna S. Nelson
Ann B. Goodnight	Alex J. Parker
H. Frank Grainger	R. Doyle Parrish
Peter D. Hans	Joan Templeton Perry
Thomas J. Harrelson	Therence O. Pickett
Henry W. Hinton	David M. Powers
James L. Holmes, Jr.	Robert S. Rippy
Rodney E. Hood	Harry Leo Smith, Jr.
William (Marty) Kotis III	J. Craig Souza
G. Leroy Lail	G.A. Sywassink
Scott K. Lampe	Richard (Dick) Taylor
Steven B. Long	Raiford G. Trask III
Joan G. MacNeill	Phillip D. Walker
Mary Ann Maxwell	Laura I. Wiley
W. Edwin McMahan	

The following members were absent:

Roger H. Aiken (excused)	Phillip D. Walker (excused)
W. Louis Bisette, Jr. (excused)	

STATE ETHICS ACT

Chairman Fennebresque 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 Fennebresque asked if any member had a conflict of interest or an interest that would

give rise to the appearance of a conflict of interest. Mr. Hans abstained from Administrative Action Item 8d – *Authorization of New Capital Improvements Project – UNCW*.

MINUTES

Mr. Grainger moved, seconded by Mr. Lampe, that the minutes of the September 12, 2014, meeting be approved. The motion carried. Mr. Rippy moved, seconded by Mr. Smith, that the minutes from the special meeting of September 26, 2014 be approved. The motion carried.

PRESENTATION OF THE GOVERNOR JAMES E. HOLSHOUSER, JR. AWARD FOR EXCELLENCE IN PUBLIC SERVICE

Chairman Fennebresque remarked that the Board was truly excited about the presentation of this year's Public Service Award recipient. The award was established in 2007 to encourage, identify, recognize, and reward public service and outreach by faculty of the University. This marked the eighth year of the award. Last year, the Board of Governors unanimously approved a resolution to rename the award after our late Governor and former Board member James E. Holshouser, Jr., who served for more than 30 years as a tireless champion for public education and public service.

Chairman Fennebresque called on Mr. Harrelson, Chair of the 2014 James E. Holshouser, Jr., Award for Excellence in Public Service, to begin the presentation. Mr. Harrelson reported that he had served with Mr. Hood, Mrs. MacNeill, and Mr. Souza on this year's award committee. After thoughtful and careful consideration of many qualified nominees, the Board of Governors selected Dr. Kurt D. Michael, Professor of Psychology from Appalachian State University, as this year's recipient. Mr. Harrelson recognized several of Dr. Michael's guests, including his family and colleagues. Dr. Michael truly epitomizes the dedicated educator who is wholly committed to the highest ideals of public service and quality education through his work in the field of mental health and treating individuals and families suffering from mental health disorders.

Following a video presentation highlighting Dr. Michael's outstanding achievements, President Ross presented him with a stipend and an engraved medallion. President Ross expressed his deep appreciation to Dr. Michael and stated that the University was proud to have

him as a distinguished member of the faculty. President Ross invited Dr. Michael to make brief remarks. For a summary of the award presentation, please see Appendix A.

PRESIDENT ROSS' REPORT

President Ross thanked the members of the Board for their time and attention they devoted this week to Mr. Wainstein's report on the investigation of past academic wrongdoings at UNC-Chapel Hill. This has been a very difficult week. He thanked Chancellor Folt for her steadfast leadership and resolve. He publically thanked District Attorney Woodall, the Board of Governors, and Board of Trustees at UNC-Chapel Hill. The University has implemented new policies, safeguards and best practices across the system to ensure compliance, ethics and integrity in athletics and academics throughout the University. For President Ross' complete report, please see Appendix B.

ADMINISTRATIVE ACTION ITEMS

Chairman Fennebresque called attention to the Administrative Action Items listed as Item #8 on today's agenda. Mr. Hood moved, seconded by Mr. Harrelson, that the Administrative Action Items be approved by consent. The motion carried.

- a. (AUDIT) Approval of University-wide Internal Audit Plans 2014-15
- b. (B&F) Sale of Special Obligation Bonds – ASU
- c. (B&F) Authorization of Projects Funded with Special Obligation Bonds – NCSU and UNC-CH
- d. (B&F) Authorization of New Capital Improvements Project – UNCW
- e. (B&F) Authorization of Capital Improvements Projects – ECU, NCA&TSU, UNC-CH and UNCW
- f. (B&F) Acquisition of Property by Lease – NCSU
- g. (EPPP) Request for approval of licensure for the following degree programs:
 - i. Chamberlain College of Nursing has applied for a regular license to offer the following online degree programs in North Carolina:
 - Master of Science in Nursing (MSN) with four specialty tracks in Educator, Executive, Informatics, and Healthcare Policy
 - RN-BSN to MSN Bridge Option
 - ii. The following degree program on-ground at a proposed location in Charlotte:
 - Bachelor of Science (B.S.) in Nursing (BSN)
 - iii. Webster University has applied for a regular license to offer the following degree programs at Fort Bragg (FB) in Fayetteville, North Carolina and at Camp Lejeune (CL) and at New River Marine Corps Air Station (NR) in Jacksonville, North Carolina:

- Graduate Certificate in Government Contracting (FB, CL)
 - M.A. in Business and Organizational Security Management (FB)
 - M.A. in Counseling (FB)
 - M.A. in Human Resources Management (FB, CL)
 - M.A. in Information Technology Management (FB)
 - M.A. in International Relations (FB, NR, CL)
 - M.A. in Management and Leadership (FB, CL)
 - M.A. in Procurement and Acquisitions Management (FB, CL)
 - M.B.A. in Business Administration (FB, NR, CL)
- iv. Virginia College has applied for a regular license to offer the following additional degree program at its Greensboro, North Carolina location:
- Associate of Applied Science (AAS) in Business Administration
- v. South College of Tennessee has applied for a regular license to designate the currently-licensed South College – Asheville institution as an additional learning site of South College Tennessee
- h. (P&T) UNC Policy 10002.2 - *Policy on Waiver of Tuition and Fees for Faculty and Staff*

REPORT OF THE AUDIT COMMITTEE

Mr. McMahan, Chair of the Audit Committee, reported the Committee reviewed the University of North Carolina Annual Report on Internal Audit Activities 2013-14 (see Appendix K). The report highlighted the valuable work of the internal audit departments across the UNC campuses. Recommendations for improvements made as a result of the internal auditors' work will continue to strengthen the University. Several auditors from across our campuses attended the meeting and shared the positive results of collaborative efforts between their campuses to share technology and resources to maximize efficiency in conducting investigative work. These collaborative efforts will continue and will be designed to increase and strengthen the internal audit function for the University.

Next, the Committee was presented with a summary of the University-wide Internal Audit Plans for 2014-15 fiscal year; the plans were discussed and approved by the committee. The Committee approved placing the recommended Internal Audit Plans for 2014-15 on today's Board's consent agenda (see Appendix C).

REPORT OF THE BUDGET AND FINANCE COMMITTEE

Mr. Smith, Chair of the Budget and Finance Committee, reported the Committee had received the Final Report from the UNC Board of Governors Working Group on Financial Aid

and Tuition (see Appendix L). The report documented all the recommendations made by the Working Group and requested that the follow three issues be addressed in the future:

- Innovative approaches to providing financial assistance to students, including lower cost loans through public-private partnerships and tuition payment plans (Committee on Educational Planning, Policies and Programs)
- Availability and sustainability of funding sources (including appropriations, lottery funds, escheat funds, and private funds for need-based aid, as well as an increased focus on campus fundraising strategies (Committees on Budget & Finance and Public Affairs)
- Investigate the possibility of tying systemwide financial aid funding to enrollment growth in future budget requests (Committees on Budget & Finance and Public Affairs)

On behalf of the Committee, Mr. Smith moved acceptance of the Final Report of the Working Group on Financial Aid and Tuition. The motion carried.

Next, Mr. Smith reported that East Carolina University's Board of Trustees had revised its long-established professional liability insurance program and had requested the Board's approval for the purchase of coverage for health care providers serving the Brody School of Medicine (see Appendix M).

On behalf of the Committee, Mr. Smith moved approval of the purchase of professional liability coverage for health care providers serving the Brody School of Medicine and subsequent delegation given that the ECU Board of Trustees arrange for insurance coverage as contemplated in its plan. The motion carried.

The Committee discussed the Operating and Capital Budget Priorities for 2015-17. The Priorities would continue to be developed and refined and brought to the Board for final review and approval at the December meeting. The Committee also heard a presentation on Border Tuition. This topic would continue to be evaluated in the future.

REPORT OF THE COMMITTEE ON EDUCATIONAL PLANNING, POLICIES AND PROGRAMS

Mr. Souza, Chair of the Committee on Educational Planning, Policies and Programs, reported on several items. The Committee heard presentations by two students from Winston-Salem State University – Ms. Faith Jackson, a junior nursing major, on the Effects of AT-2 Receptor Blocker in Genetic Form of Hypertension, and Ms. Lanazha Belfield, a sophomore biology major, on Improvements in Type II Diabetes Utilizing Acute Heat and Exercise.

Next, there was a request for authorization to discontinue the Bachelor of Arts in Chemistry, Medical Technology at UNC Charlotte (see Appendix N) and a request for authorization to discontinue the Bachelor of Music in Theory-Composition at East Carolina University (see Appendix O). On behalf of the Committee, Mr. Souza moved the Board approve the discontinuation of these two bachelor degree programs. The motion carried.

Second, the Committee heard a report from Dr. Warren Newton, Director of the North Carolina Area Health Education Centers (AHEC) Program and Vice Dean for the UNC School of Medicine, on the 2014 Monitoring the Progress of NC Graduates Entering Primary Care Careers in North Carolina (see Appendix P). The report provided information from the Schools of Medicine at Wake Forest University, East Carolina University (Brody), Duke University and UNC-Chapel Hill. At the request of these four schools, the AHEC Program has assumed responsibility for developing and managing a common database to track medical students; this is done in association with the SHEPS Center for Health Services Research at UNC-Chapel Hill. The report indicated that there has been a recent decline of primary care physicians. The Committee would need to address these challenges and find a solution, which may require legislative action.

On behalf of the Committee, Mr. Souza moved approval of the report on the 2014 Monitoring the Progress of North Carolina Graduates Entering Primary Care Careers in North Carolina and that the report be conveyed to the North Carolina General Assembly. The motion carried.

Third, the Committee heard a report from Vice President Dixon on a proposal for UNC Minimum Admission Requirement (MAR) Pilot Program for Elizabeth City State University, Fayetteville State University and North Carolina Central University (see Appendix Q). The pilot program for the three UNC institutions would put less emphasis on SAT scores in the admission process. The program would implement a sliding scale where students with a low SAT score could be admitted to the above institutions as long as their high school grade point averages (GPAs) were above the current minimum.

On behalf of the Committee, Mr. Souza moved approval of the President to establish the Minimum Admission Requirement (MAR) Pilot Program as outlined in the proposal to include Elizabeth City State University, Fayetteville State University, and North Carolina Central University, and to include at a later date the inclusion of Winston-Salem State University. UNC Pembroke requested more time to consider the proposal. The motion carried. Those voting against the proposal included, Mr. Kotis, Mr. Long, Mr. Nath, Mr. Parrish and Mr. Rippy.

Fourth, the Committee heard from Dr. Bill Roper, dean of the School of Medicine and vice chancellor for the Medical School at UNC-Chapel Hill and CEO of UNC Health Care System, on the UNC Health Care System Annual Flexibility Report (see Appendix R). UNC Health Care System provides care for patients across all 100 counties in North Carolina and it continues to deliver high-quality care and service. As in past years, this year UNC Health Care System can report many successes due to operational latitude granted by state statute. Operational flexibility in the human resources department, purchasing and property management enable UNC Health Care to remain attractive as an employer for increasingly scarce talent and to keep the cost of services more affordable. Next, the Committee heard a report from Senior Vice President and Chief of Staff FitzGerald on UNC's Funding of the Schools of Medicine at UNC System Constituent Institutions (see Appendix S). The report provided current and historical data about how the two public medical schools – the Brody School of Medicine at East Carolina University and the School of Medicine at UNC-Chapel Hill – are funded, including information about the sources of income and changes to revenue funding streams over time. The report would be conveyed to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee.

Last, the Committee heard an update on the systemwide Fall 2014 Preliminary Enrollment Numbers. Enrollment continues to be relatively steady, with estimated growth of about 0.6% in fall 2014 or nearly 1,400 additional students. By comparison at this time last year, the fall enrollment had declined by 0.6%.

REPORT OF THE COMMITTEE ON PUBLIC AFFAIRS

Mr. Holmes, Chair of the Committee on Public Affairs, reported the Committee heard a panel discussion on education policies and priorities. The panelists included three elected state officials from the House of Representatives – Reps. Nelson Dollar, Tim Moore, and John Bell. Vice President Rhinehardt provided an update on the Higher Education Act specifically as it relates to Title IV. The Committee would continue to hear updates related to this issue. The Committee heard an update from Vice President Moretz on the University's 2015 Policy Agenda Proposals for review and consideration. Mr. Holmes asked the members to review the policy agenda items and provide any feedback or suggestions to Vice President Moretz.

In regards to the Working Group on UNC Centers and Institutes, Mr. Holmes provided a brief update. A timeline has been established to review the Centers and Institutes. It includes not only a review of these entities, but also the creation of each center or institute.

REPORT OF THE COMMITTEE ON UNIVERSITY GOVERNANCE

Mrs. MacNeill, Chair of the Committee on University Governance, reported the Committee heard a presentation from Secretary Lemmon on the Chancellors Selection Process. She thanked the members for their great suggestions and input. Several chairs from the Boards of Trustees participated in the discussion and provided excellent feedback. The Committee would continue its discussion on this topic and consider modifying existing policies related to the Selection of Chancellors and the President.

Next, Mrs. MacNeill referred to the 2015 Trustee Selection Process Calendar of Events, the revised Board of Trustee Nomination Form, and the Boards of Trustees matrixes from each campus. The Committee sought input on trustee nominations. Mrs. MacNeill referred to the 2014 Winter Commencement schedule and thanked all those who volunteered to bring greetings at the campus commencement ceremonies.

Related to vacancies on the Boards of Trustees, Mrs. MacNeill stated that the Board of Governors appoints some members of the UNC Health Care System Board of Directors upon the recommendation of the President as defined per statute. The Committee considered nominations for seven vacancies – four are reappointments and three are new appointments. On behalf of the Committee, Mrs. MacNeill recommended the reappointments of Ms. Barbara Jessie-Black, Mr. William Cameron, Dr. Ernest Jerome Goodson, and The Rev. Lisa G. Fischbeck to serve. These individuals have served one four-year term and are recommended for serving another term that will expire in 2018. They are not eligible for reappointment. Mrs. MacNeill recommended the appointments of Dr. Hadley Callaway, Mr. Michael Crabb, III, and Mr. J. Troy Smith Jr. to serve. The motion carried. There is a partial term ending June 30, 2017, on the UNC Wilmington Board of Trustees resulting in the vacancy of Mr. Britt Preyer. On behalf of the Committee, Mrs. MacNeill recommended the appointment of Mr. Kenneth Ray Cameron, Jr. to serve. The motion carried.

REPORT OF THE SPECIAL COMMITTEE ON MILITARY AFFAIRS

Mr. Trask, Chair of the Special Committee on Military Affairs, reported the Committee heard a presentation from Director Rob Bruce of the William and Ida Friday Center on its efforts to provide our military communities with online general education classes. This is an important development for our entire system as we expand our outreach to military students.

REPORT OF THE SPECIAL COMMITTEE ON STRATEGIC DIRECTIONS

Mr. Hans, Chair of Special Committee on Strategic Directions, remarked that the Committee meets on a quarterly basis to assess the progress of the Strategic Directions plan. The Committee heard an update from Director Mayara Thorland. The plan continues to be on schedule. Mr. Hans encouraged the members to review the Quarterly Implementation Dashboard Report (see Appendix T) that tracks the progress we are making. Associate Vice President Henz briefed the Committee on the alumni survey. The results of the survey are being summarized and will be shared soon. Senior Vice President and Chief of Staff FitzGerald presented a recommended use of \$3 million in campus generated funding, which will be invested in the plan's activities. The funds support several initiatives that pertain to the priorities of the Board, including improving graduation and retention rates, online learning, quality and outcome research, and workforce studies.

Associate Vice President Thornton made a brief presentation on the process that will be used to allocate \$3 million in recurring game-changing research that was appropriated by the General Assembly. Several awards will be made after a competitive proposal process. The next update from this Special Committee on Strategic Directions would be made in January 2015.

CHAIRMAN'S REPORT

Chairman Fennebresque made a few announcements. There is a campus visit scheduled for Thursday, November 20, 2014 to North Carolina Central University for the new members. Secretary Lemmon will provide details about the visit soon. Chairman Fennebresque stated the campus visits are extremely helpful and he encouraged all members to attend. He thanked Chancellor Jones and her staff for hosting the campus visit to ECSU the other week. It was a great visit.

He thanked the members and leaders from each of the constituent campuses for all their hard work – these individuals are all committed to maintaining and improving the best higher education system in the country. He especially thanked President Ross and Chancellor Folt for their unwavering leadership as we continue to deal with the academic scandal at UNC-Chapel Hill.

On motion by Secretary Perry and duly seconded, the Board voted to convene in closed session.

The Board went into closed session at 11:20 a.m. and returned to open session at 11:45 a.m.

REPORT OF THE COMMITTEE ON PERSONNEL AND TENURE

Mr. Sywassink, Chair of the Committee on Personnel and Tenure, reported the Committee heard from Senior Vice President and General Counsel Shanahan and Associate Vice President Usischon requesting authorization to add a government-sponsored 457(b) Supplemental Retirement Saving Plan to the University of North Carolina Retirement Saving Option.

On behalf of the Committee, Mr. Sywassink recommended the Board to authorize the President to establish an Internal Revenue Code Section 457(b) plan for the University employees. The motion carried.

Next, the Committee reviewed a proposal that authorizes the President to establish a plan to address circumstances for employees who are affected by the sunset of the state's Qualified Excess Benefit Agreement (QEBA) as part of North Carolina Local Governmental Employees' Retirement System. Currently, the statute provides that no member of the State's Retirement System retiring on or after January 1, 2015, shall be eligible to participate in the QEBA. This change affects ten individuals who hold key positions across the University. Mr. Sywassink stated the General Assembly was expected to act quickly in this matter when it reconvenes. The Board would need to act now in order to retain these valuable employees.

On behalf of the Committee, Mr. Sywassink recommended the Board approve granting authority to the President to establish a plan to address the issue for employees affected by the QEBA. The motion carried.

The Committee reviewed two reports – the University of North Carolina Performance Review of Tenured Faculty 2013-14 (see Appendix U) and the Delegation of Authority to the President. The Committee asked that the President review the guidelines associated with post-tenure review and make changes to ensure that the constituent institutions have adequate time to implement the requirements of recently adopted policies prior to review of the institutions' practices.

Finally, Mr. Sywassink reported the Committee had appointed one faculty appeal subcommittee.

The next meeting of the Board of Governors was scheduled for Friday, December 5, 2014, at the Spangler Center, Chapel Hill. There being no further business, the meeting adjourned at 11:55 a.m.

Secretary

APPENDICES

(All Appendices are a part of the official record of the meeting)

Appendix A	Presentation of the Governor James E. Holshouser, Jr. Award for Excellence in Public Service	Posted Online
Appendix B	President Ross' Report	Posted Online
Appendix C	Approval of University-wide Internal Audit Plans 2014-15	Posted Online
Appendix D	Sale of Special Obligation Bonds, ASU	Posted Online
Appendix E	Authorization of Projects Funded with Special Obligation Bonds, NCSU and UNC-CH	Posted Online
Appendix F	Authorization of New Capital Improvements Project, UNCW	Posted Online
Appendix G	Authorization of New Capital Improvements Projects, ECU NCA&T, UNC-CH and UNCW	Posted Online
Appendix H	Acquisition of Property by Lease, NCSU	Posted Online
Appendix I	Approval of licensure for the following online programs: Chamberlain College of Nursing: - MSN with four specialty tracks in Educator, Executive, Informatics, and Healthcare Policy - RN-BSN to MSN in Bridge Option Approval of licensure for the following on-ground programs in Charlotte: - B.S in Nursing (BSN) Webster University approval of licensure to offer the following Degree programs at Fort Bragg (FB) and Camp Lejeune and at New River Marine Corps Air State in Jacksonville, NC: - Graduate Certificate in Gov. Contracting (FB, CL) - M.A. in Business and Organizational Security Mgmt (FB) - M.A. in Counseling (FB) - M.A. in Human Resources Management (FB, CL) - M.A. in Information Technology Management (FB) - M.A. in International Relations (FB, NR, CL) - M.A. in Management and Leadership (FB, NR, CL) - M.A. in Procurement and Acquisitions Management (FB, CL) - M.B.A. in Business Administration (FB, NR, CL) Virginia College regular license to offer additional degree programs at its Greensboro, NC location: - A.A.S in Applied Science in Business Administration South College of Tennessee regular license to designate South College – Asheville institution as an additional learning site	Posted Online
Appendix J	UNC Policy 100.2.2 – <i>Policy on Waiver of Tuition and Fees for Faculty and Staff</i>	Posted Online
Appendix K	UNC Audit Report on Internal Audit Activities 2013-14	Posted Online
Appendix L	Final Report from the UNC Board of Governors Working Group on Financial Aid and Tuition	Posted Online
Appendix M	Purchase of Liability Insurance, ECU	Posted Online
Appendix N	Authorization to Discontinue the B.A. in Chemistry, Medical	Posted Online

	Technology, UNC Charlotte	
Appendix O	Authorization to Discontinue the Bachelor of Music in Theory-Composition, ECU	Posted Online
Appendix P	2014 Monitoring the Progress of NC Graduates Entering Primary Care Careers in North Carolina	Posted Online
Appendix Q	Approval to Establish UNC Minimum Admission Requirement (MAR) Pilot Program at ECSU, FSU and NCCU	Posted Online
Appendix R	UNC Health Care System Annual Flexibility Report FY 2014	Posted Online
Appendix S	UNC's Funding of the Schools of Medicine at UNC System Constituent Institutions, Brody School of Medicine (ECU) and UNC-Chapel Hill School of Medicine	Posted Online
Appendix T	UNC Strategic Directions Plan Quarterly Implementation Dashboard Report	Posted Online
Appendix U	University of North Carolina Performance Review of Tenured Faculty 2013-14	Posted Online