MINUTES
The University of North Carolina at Greensboro
Board of Trustees
Education Quality and Fiscal Affairs Committee
February 19, 2014

MEMBERS PRESENT: David Sprinkle, Chair, Crystal Bayne, Charles Blackmon, Frances Bullock, Linda Carlisle, Vanessa Carroll, Nathan Duggins, Randall Kaplan, Lee McAllister, Ward Russell, Susan Safran, Harriett Smalls, Martin Weissburg

OTHERS PRESENT: Linda Brady, Bonita Brown, Imogene Cathey, James Clotfelter, Rollin Donelson, Jill Hillyer, Donna Honeycutt, Steve Honeycutt, Jorge Quintal, Cindy Reed, Steve Rhew, David Schaefer, Reade Taylor, Jan Zink

PROCEEDINGS: Sprinkle called the meeting to order at 12:45 p.m.

The Educational Quality and Fiscal Affairs Committee Minutes of December 5, 2013 were unanimously approved.

Strategic Discussions
Vice Chancellor Taylor presented a program on the Financial Reporting and Budget Framework of UNCG. A copy of The Financial Report for UNCG 2012-13 was distributed to the board. Taylor advised that the consolidated statement is used primarily for rating agencies and underwriters, providing "factual" and looking at trends from a high level. As a public institution we use the guidance of Governmental Accounting Standards Board for our financial reporting.

The Board asked when appropriations are requested. The request for 2014-15 appropriations from enrollment changes was submitted to General Administration last November. The Board asked if enrollment figures were down. Taylor advised that fall 2013 enrollment was less than fall 2012. General Administration sends these figures to the General Assembly annually and the budget is determined on the timing of the biennial budget. Eight of the UNC campuses are down in enrollment. In the past the General Assembly allowed the universities to be held harmless by a drop in enrollment, but ended that practice several years ago. Taylor advised that we submitted for lower enrollment for the 2014-15 year.

The Board advised that it is accurate to say that this year we received more appropriations due to the delayed enrollment adjustment. There is no claw back for the $8 million we received in 2013-14 for the under enrollment, but we will not get it in the future. The enrollment projection is based on the prior year actual enrollment. The Board asked if we counted transfers from GTCC. We do.

Taylor explained that UNCG developed a Reversion Plan, which projects annual enrollment after fall enrollment is known, and allows the Chancellor to allocate funds on a one-time basis. Funds from vacant SPA positions and benefits are used for these allocations. All SPA vacant position money is reverted to the Chancellor. EPA vacant positions are left in the departments.

The Board asked how we are being proactive to quickly make up the shortfall of 500 students. With a shortfall of 500 students we must cut $8 million in expenses. This year we received appropriations at a higher enrollment than actual attendees, but did not receive tuition (since the students did not attend). That left a shortfall this year but next year will show the real downturn as appropriations will be
reduced. Brady advised there is talk of rewarding retention and graduation rather than enrollment but it has not changed to date.

The Board asked if we could retain any funds from one year to the next. Taylor reported that we can retain up to 2.5% if the Office of State Budget and Management allows it. Over the past few years this "carryforward" money has been returned to the state. Brady mentioned that this is confusing for the campus. The Board understands that we were forced to cut, but as a state agency have no working capital to absorb a cut in a future year.

Money comes into UNCG from different fund sources and is only allowed to be spent in those areas. State funds cannot be used to support trust fund activities such as housing, parking or student fee supported areas. Trust funds are only used for the purpose designated by the donor or the designated fee program. Capital improvement funds may only be used to construct or renovate facilities. It is illegal for UNCG to use state or restricted funds except as designated. For example if a payment is due to the bank for the Walker deck bonds, we cannot use state funds to make that payment.

General Administration sends the requests for enrollment change of all UNC campuses combined to the General Assembly. In 2013 the General Assembly mandated an increase in tuition for our out-of-state students but reduced our appropriation by a matching amount for the 2014-15 year, thus students are paying more but the revenue does not accrue to UNCG. If there was a salary increase for EPA employees, there is flexibility for high performers, however SPA employees usually receive increases across the board which punishes high performers.

The Board asked why we had separated benefits rather than allocating out to the areas. Taylor advised that these are separated in order to use them for the Reversion Plan. If they were divvied out to the academic units, the benefits on vacant positions would be in hundreds of departmental funds instead of under the Chancellor’s control. When benefits are paid they are charged to the specific department where the employee works.

UNCG also received appropriations earmarked for capital improvements. This year for the first time in several years UNCG was awarded repair and renovation funds in the amount of $2.7 million. Moran Commons is being renovated by debt which will be repaid by the users as will the Quad renovations and the new Student Recreation Center. UNCG has always issued 25 year fixed-rate bonds with the idea that by the time a building needs renovation, it will be paid for.

The budget cuts for 2013-14 was a General Assembly mandated cut of $6.1 million which impacted UNCG with 390 fewer courses selections, 16,100 fewer seats, and could compromise our efforts to meet retention and graduation goals. Brady reported that if our budget had equaled actual enrollment, we would have had $8 million less for 2013-14.

Taylor advised that the enrollment for 2014-15 looks to approximate the enrollment for 2007-08. Since that time we have received $22.5 million in enrollment change dollars, $19.6 million in Campus Initiated Tuition Increases (CITI), had $39.4 million in permanent cuts which nets to a $2.7 million increase. Of those funds Academic Affairs has received at increase of .1% while educating more students, ITS a cut of 13%, Advancement a cut of 10.5%, Student Affairs a cut of 13%, Business Affairs a cut of 10.1%, the Chancellor a cut of 5.1%, Gateway a cut of 27.3%, Research a cut of 5.4% and Institutional an increase of 9% (institutional includes financial aid which so far has been protected for all cuts). We are also required to set aside 25% for financial aid. There is no leeway in that and it is protected from cuts.
For 2014-15 we will receive a reduction for enrollment of $7.9 million, plus a General Assembly cut of $1.5 million plus a possible cut of $3.1 million recommended by the Office of State Budget Management for a total of $12.5 million cuts from the state. In addition Chancellor Brady has made two allocations one to QEP (a SACS requirement) for $176,000 and the addition of a Compliance Officer for Title IX for $120,000. The total cut for the UNCG campus for 2014-15 will be $12,796,000.

Alan Boyette came forward to advise further difficulties in the cuts. If 60% of our faculty is tenured or on tenure track and we have to receive special permission to cut them from that area, then 60% of the budget in Academic Affairs is off the table. All lecturers and adjunct faculty would be eliminated leaving all tenured faculty to teach 4/4 loads which would change the mission of UNCG. Sprinkle asked if gifts to a certain program would help. Taylor advised that if they were current gifts with no endowment they could be spent as long as they lasted, without guarantee that the donor would give the same donation the next year. This would not affect appropriations. Brady reported that there is no in-state tuition increase this year, so we will not have CITI fund to hire lecturers and the increase in tuition for out-of-state students is going to the state’s general fund.

Taylor next addressed a recent report from the General Assembly’s Program Evaluation Division (PED) that assessed the UNC System’s operational efficiency. The PED report concluded that UNCG was a “low performer” based on two measures. The first was the ratio of "Operations Staff" to total staff. In the text accompanying the exhibit in the report, the report stated it was important to segregate universities with similar size and scope. However, the PED report clustered UNCG in a grouping that included UNC Chapel Hill and NCSU, both of which have significantly more research staff. In the grouping, UNCG had the fourth lowest ratio in the UNC system, but behind UNC-CH, NCSU, and UNCC. Thus, because UNCG had more staff than the median of our grouping (that also included ECU and NC A&T), we were cited as a low performer. Comparing UNCG to our UNC peers, we were below the median of this group (UNCC, UNCG, ECU, NCA&T)

The other measure where we were cited as a “low performer” compared Institutional Support expenditures per student FTE against our peers for the three year period ending in 2011. According to the report, UNCG spent 16% more than our peers. We believe some of this is due to the way UNCG allocates IT costs and other inconsistencies of expenditure classification in higher education. Although the text accompanying that exhibit stated that size and scope of the institution is less important for this metric, the PED, by comparing schools to their national peers, did compare schools with similar size and scope. UNCG ran the same data for fiscal year 2010-11 and discovered UNCG was 7th lowest in the UNC system. UNC Chapel Hill, cited as a high performance campus, spent 60% more than UNCG. NCSU and UNCA also cited as "high performance" campuses also spent more than UNCG on this measure.

UNCG was positively cited for the number of campus operations staff per student FTE, the decrease in campus operations staff as enrollment increased, and lab space utilization.

The Board pointed out that the consequences of this report are far reaching. It goes to the General Assembly, the Board of Governors, faculty, the newspaper, donors, etc. and contains misleading information. This does cause an impact. The Board again asked how we could get the truth out there. Business Affairs has gone to a lot of trouble to dig out this information and it needs to be distributed. Brady announced that the search for the Associate Vice Chancellor for University Relations has been completed and will be on board soon. The Board asked that an infographic be sent out to the students with
this information. Taylor admitted he was pleased that members of SGA were reading the PED report and asking him questions.

Taylor reported that the JWGEA (Joint Working Group on Employee Analysis) led by John Lepri and Provost Perrin had drilled down into very detailed data regarding reclassifications of employees by state mandate. The report is finished and several members of the board requested copies. Lepri will distribute these. The faculty believe more involvement on their part would be helpful. At this time the information goes toward our peers but not down to departments. That is the next step in the process.

The Board stated that we had three considerations – one, no across the board cuts but vertical cuts which are difficult. Two, find resources for the most critical areas such as the development campaign, and three, increase funding for student support, recruitment and retention. We have programs that are highly ranked and we need to grow them, which which taking strategic cuts from under-performing areas. The board also suggested that all vacant position funds come to the chancellor for redistribution.

The Board asked if it was possible to go to President Ross and discuss the ebb and flow of enrollment and convey these cuts will do major damage to the university. Brady reported that she had met with President Ross. The Board was reminded of the 60% tenure related items off the table.

The Board asked that strategic recalibration begin with immediate tactical cuts to feed the high producing departments. The board asked how long before the cuts became permanent. Brady advised these were permanent cuts.

Sprinkle asked that the board members submit any suggestions. The meeting was adjourned at 3:28 p.m.

Respectfully submitted

[Signature]

Donna Honeycutt
Executive Assistant to the
Vice Chancellor for Business Affairs