



The University of North Carolina
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MEMORANDUM

TO: Members of the Board of Governors
FROM: Erskine Bowles *EBB*
SUBJECT: Tuition

Even as the University has undertaken budget cuts of \$575 million over the past three years, we have all worked hard to sustain our high academic quality and to keep our tuition as low as practicable. Toward that end, we cut administrative expenses last year by 23%, abolished nearly 900 administrative positions, froze faculty and staff salaries while increasing workloads, and continued to raise funds from private sources and to secure grants from the federal government and industry. I'm proud that during these tough economic times, we were able to protect the quality of our Academic Core and keep our tuition and fee rates for North Carolinians at either the lowest or next to the lowest among each campus's public peer institutions (see Exhibit 1).

Over the past three years, our tuition rates for in-state undergraduates have increased, on average, by 5.2%, 1.2%, and 2.8%, respectively. These increases were very low when compared to any other university system in the country. For 2010-11, the Board of Governors proposed and the General Assembly approved an increase of 5.2%; half of the \$34 million in revenues generated will be used for need-based financial aid and the remainder will be targeted to other critical needs that have not been addressed because of repeated budget cuts.

Given the magnitude of the current economic recession, the 2010 General Assembly faced greatly reduced State revenues and therefore had to make some very difficult budget cuts. The University's share of those cuts is \$91.5 million, including \$70 million in management flexibility cuts. As you know, these cuts are on top of the \$50.6 million in cuts for 2010-11 assigned to the University during the 2009 session. That \$50.6 million in cuts included \$29.1 million in flexible cuts to be allocated this year. In an effort to help the University protect the quality of education we offer our students, the legislature has authorized each UNC campus—subject to the President's approval—to implement an additional tuition increase of up to \$750 per student to help offset the impact of our total

Constituent Universities
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
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

University of
North Carolina
School of the Arts

Western Carolina
University

Winston-Salem
State University

Constituent High School
North Carolina
School of Science
and Mathematics

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management flexibility cuts and protect our Academic Core. The special tuition provision stipulates that up to 20% of tuition revenues generated by the supplemental increase can go to need-based financial aid.

I have asked the legislature to allow our campuses to have the option of phasing in over a two-year period the additional tuition increase of up to \$750 per student. I asked for this authority to lessen the burden on our students this year, while guaranteeing that these badly needed funds will eventually flow to the campuses. I have asked each campus to provide to me its requested supplemental tuition increase, along with the proposed use of proceeds. I have made clear that no campus will be compelled to raise tuition by the maximum amount allowed to completely offset its management flexibility cuts with tuition increases. I have also told the chancellors that their requests for additional tuition increases will be considered for approval by me only under the following conditions:

1. A full 20% of the proceeds from the supplemental tuition increase must be used for need-based financial aid.
2. After setting aside 20% of the revenues generated for need-based financial aid, the remaining revenues cannot exceed the campus's share of management flexibility cuts (see Exhibit 2).
3. No tuition increase that would place the campus's tuition and fees for undergraduate resident students above the bottom quarter of its public peer institutions will be approved (see Exhibit 3).
4. After providing for financial aid, the remaining revenues must be used to protect and support the Academic Core.
5. While the legislation does not require Board of Trustees or Board of Governors approval for these supplemental tuition increases to occur, each chancellor should consult with his/her Board of Trustees and I will consult with the Board of Governors prior to approval.

We have provided each campus with all the same information you now have. This information includes in Exhibit 2 the following:

1. My recommendation for each campus's share of the University's management flexibility cuts;
2. The maximum amount of additional tuition revenue that can be raised to offset the flex cuts and provide need-based financial aid; and
3. The maximum tuition increase that can be assigned to an undergraduate resident student.

In order to keep tuition increases for undergraduate residents as low as possible, campuses may choose to assign larger tuition increases for graduate and nonresident students, provided that the total revenue generated does not exceed the allowable maximum. To illustrate this point simplistically, assume that a campus has a total flex cut of \$3 million. Under this scenario, the campus may implement a supplemental tuition increase that generates a maximum of \$3,750,000. [Required 20% (\$750,000) is set aside

for financial aid, leaving \$3 million to offset the flex cuts.] Assume that this particular campus has 10,000 students, as shown in the charts below. The campus could opt to increase tuition for all students by an additional \$375, or it could use some other combination of increases that raises the same amount of revenue, but shifts some of the financial burden off of resident undergraduate students.

Example:

Option 1:			
	FTE	Tuition Increase	Revenue
Resident			
Undergraduate	6,900	\$ 375.00	\$ 2,587,500
Graduate	1,100	375.00	412,500
Nonresident			
Undergraduate	1,200	375.00	450,000
Graduate	800	375.00	<u>300,000</u>
Total revenue			<u>\$ 3,750,000</u>
Option 2:			
	FTE	Tuition Increase	Revenue
Resident			
Undergraduate	6,900	\$ 206.52	\$ 1,425,000
Graduate	1,100	750.00	825,000
Nonresident			
Undergraduate	1,200	750.00	900,000
Graduate	800	750.00	<u>600,000</u>
Total revenue			<u>\$ 3,750,000</u>

As all of you know, I have long prided myself in being a “low-tuition guy.” A supplemental tuition increase of up to \$750 certainly flies in the face of that. Nonetheless, I know beyond a shadow of a doubt that low tuition without high quality is no bargain for anyone—not our students, their future employers, or the State taxpayers. To compete successfully for the jobs of tomorrow, North Carolina must have a highly trained, highly skilled workforce. I am convinced that implementing an additional tuition increase is the only way we can maintain our quality. In the face of repeated budget reductions, we have cut administrative costs, increased faculty and staff workloads, and redoubled our efforts to raise external funds. The General Assembly also has done its best by the University. We have been treated fairly in this session—in fact, better than others. I have always maintained that the General Assembly and the taxpayers should be

the primary funders of the University and that our students should be secondary funders. As you can see from Exhibit 4, each of my predecessors has reluctantly agreed to similar tuition increases in difficult economic times in order to maintain the quality of a UNC education.

I look forward to discussing these proposed tuition increases and uses of proceeds with you on a video conference/call that is being scheduled for Tuesday July 13th at 3:00 p.m. Of course, any Board member who would like to join us in person for this meeting in Chapel Hill is welcome.

Enclosures: Exhibits 1-4