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LEGISLATIVE BATTLE IN 1971 FORECASTS KEY UNIVERSITY ISSUES IN 1999 AND BEYOND

North Carolina's public university system faces many of the same issues today that it did when it was founded, says the N.C. Center for Public Policy Research in a new study released today. These issues include how to handle booming enrollment, provide equity in funding among the 16 campuses, improve access to higher education for minorities, prevent independent lobbying by single campuses, and keep tuition affordable.

In the 1960s and the 1970s, the state faced a record surge in enrollment from the Baby Boom, which led state legislators to add 10 campuses to the existing six-university system. Similarly, the 1999 General Assembly is likely to appropriate \$19.5 million this year for enrollment increases as an estimated 48,000 additional students -- the children and grandchildren of the Baby Boomers -- are expected by 2008. The UNC Board of Governors also seeks approval from the legislature for \$2.7 billion in state-issued bonds to begin a multi-year building plan.

"It's been said that our only real crystal ball is a rearview mirror," says Carolyn Waller, policy analyst at the Center, "and the 1971 legislation that restructured the university system tells us a lot about higher education's future."

Issues Facing the University System

The enrollment boom is one of five issues facing the university system now that the Center says are eerily similar to the issues confronted in 1971. The other four are as follows:

(1) **How to achieve equity in funding among the 16 campuses** -- The university system includes schools as large as N.C. State University with 27,960 students and as small as the N.C. School for the Arts in Winston-Salem with 1,031 students. Funding equity is a long-term issue for the system, and it means different things to different schools, says Waller. For fast-growing schools such as UNC-Charlotte, it may mean funds to meet enrollment demands, whereas for historically black schools such as N.C. A&T State University in Greensboro, it may mean catch-up funds for decades of racial segregation. The legislature has ordered several studies of equity in funding in the last four years alone.

(2) **How to improve access to higher education for minorities, especially at the state's five historically black universities** and the University of North Carolina at Pembroke, a school with roots in providing higher education for Native Americans -- One of the first issues faced by the original UNC Board of Governors was racial desegregation. In 1973, a federal district court ordered the system to increase enrollment

of black students, upgrade academic programs, and increase funding at the historically black universities. This year, budgets passed by the state House and Senate both contain \$20 million to meet repair and renovation needs at the five historically black universities, as well as UNC-Pembroke. The House budget also proposes to grant almost \$2 million over two years in additional funding for the Biomedical/Biotechnology Research Institute at N.C. Central University in Durham.

(3) How to prevent each campus from running independently to the legislature for funds or changes in law -- Part of the impetus for the 1971 legislation that restructured university governance was that individual campuses were adding programs and making budget requests without regard to what the other colleges and universities were doing, said the late Kenneth Royall, Jr., a powerful legislator for decades. Royall, who was head of the House Appropriations Committee in 1971, told the Center, "Listening to all 16 institutions and their requests – well, you wanted to be fair. But money was limited. What it came down to back then was who had the best lobbyist."

Recently, the university system was tested when the Kenan-Flagler Business School at UNC-Chapel Hill approached the 1997 General Assembly for a tuition increase without approval by the UNC Board of Governors. Then, in a special provision in the 1998 budget, the legislature transferred key control of the UNC hospital systems from the Board of Governors to a more autonomous board at UNC-Chapel Hill. Later that year, UNC President Molly Broad directed chancellors to submit legislative proposals to a new Public Affairs Committee of the UNC Board of Governors.

(4) How to meet the state constitution's mandate for affordable university education while maintaining academic excellence -- The Center says a key piece of the university's heritage is the provision of the state constitution which reads, "The General Assembly shall provide that the benefits of the University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense." Thus, even today, North Carolina's average tuition levels are the third lowest in the nation, behind only Nevada and Florida. But for the first time in a decade, the UNC Board of Governors is requesting that the legislature enact a tuition increase for in-state students. Both the state House and Senate budgets contain this increase. However, the Senate budget also proposes to give local campus Boards of Trustees the power to increase tuition. House leaders oppose this, saying it would be a direct assault on the authority of the UNC Board of Governors and would widen the gap between the have and have-not campuses.

History of the Restructuring of Higher Education in North Carolina and Other States

The restructuring of the university system took place in a special legislative session in October 1971. Then-Gov. Robert W. Scott proposed the measure, which was opposed by then-UNC President William C. Friday and the 100-member Board of Trustees governing the old Consolidated University system of six campuses. Under the 1971 legislation, 10 campuses were added to the system, local campus Boards of Trustees were retained, and a new 32-member UNC Board of Governors was created to govern the system. This Board has the power to submit a unified budget for all 16 campuses, approve academic programs, and elect the system President and the 16 campus Chancellors.

Since that legislation was enacted, "everyone wants to 'do a North Carolina,'" says Aims McGuinness of the National Council for Higher Education Management Systems. In his book on sources of change in higher education, McGuinness lists eight factors that have led to states' efforts to restructure higher education. The six factors that were present in North Carolina in 1971 were: (1) perceived duplication of high-cost graduate and professional programs; (2) conflict between the aspirations of institutions; (3) legislative reaction to lobbying by individual campuses; (4) proposals to close, merge, or change the missions of particular colleges or universities; (5) concerns about an existing state board's effectiveness; and (6) a proposal for a "superboard" to bring all of public higher education under one roof. Between 1950 and 1970, 47 states established either coordinating or governing boards for public higher education.

Changes in the State's Politics and Economy That Affect University Governance

"As we near the turn of the century, it's a good time to look back before we plan ahead in higher education," says Ran Coble, Center director. Changes in the state's politics and economy inevitably affect the university system, he says. "Issues such as the growth of cities, uneven rates of development in urban and rural areas, and changes in the political power structure all have shaped the way our universities operate and are governed," he adds.

The Center's research shows that North Carolina is one of only two states where the members of the university governing board are elected by the legislature. In addition, the Center says changes in the legislature have led to changes in the debate about higher education. For example, when the university was restructured in 1971, there were only 31 Republicans and two African-Americans among the 170 legislators. Today, there are 69 Republicans and 24 African-Americans. Political observers also note that some partisan cleavages in the legislature are carrying over into UNC Board of Governors elections and meetings and that the Legislative Black Caucus frequently seeks to reorder the Board's priorities and obtain additional funding for the historically black campuses. And, as economic growth speeds up in such cities as Charlotte, Wilmington, and Greenville, the pressure on the UNC Board of Governors for campus funding in these and other areas also rises. Finally, in 1971, 26 percent of state legislators received their undergraduate degrees from UNC-Chapel Hill. In 1999, that figure has declined to 15 percent.

Still, the university system has maintained its share of General Fund appropriations. In 1965-66, the university received 13 percent of General Fund appropriations, and in 1997-98, it received 13.3 percent. This commitment of funding levels for the university system has been maintained despite renewed legislative interest in and funding for public school reform and the community college system in recent years.

The N.C. Center for Public Policy Research is an independent, nonpartisan, nonprofit organization created to study public issues facing North Carolina and to evaluate state government programs. The Center receives general operating support from the Z. Smith Reynolds Foundation in Winston-Salem, 14 other foundations, 190 corporate contributors, and almost 1,000 individual and organizational members across the state. The Center's four-part study of public university governance is supported by a grant from the W. K. Kellogg Foundation of Battle Creek, Michigan. The Kellogg Foundation targets its grants toward higher education, health, food systems and rural development, and philanthropy and volunteerism. The Foundation also provides funding for the Kellogg Fellows, a national leadership program which has included about 20 Fellows from North Carolina since 1980.

In addition to *Reorganizing Higher Education: What History Tells Us About Our Future*, the Center also publishes a comprehensive guide to the N.C. General Assembly called *Article II, North Carolina Insight* magazine, a textbook for teachers of state and local government called *N.C. Focus*, and other book-length research reports. The Center is currently conducting studies of health care issues affecting Hispanics, wood chip mills and state forestry management, and state lotteries. Recent studies also have examined rural economic development, state job training programs, year-round schools, and programs for children with special needs.

Copies of *Reorganizing Higher Education: What History Tells Us About Our Future* are available for \$20.00, including sales tax, postage and handling. To order, write the Center at P.O. Box 430, Raleigh, NC 27602, call (919) 832-2839, fax (919) 832-2847, or order on the Center's website at: www.ncinsider.com/nccppr.

For more information, call Carolyn Waller, policy analyst, or Ran Coble, executive director, at the N.C. Center for Public Policy Research, at (919) 832-2839.

TABLE 2
THE CONSTITUENT INSTITUTIONS OF
THE UNIVERSITY OF NORTH CAROLINA, 1998

INSTITUTION <i>(original name and date of founding)</i>	Date Joined UNC	Fall 1972 Enrollment†	Fall 1997 Enrollment†	FY 1997-98 Budget‡
OLD CONSOLIDATED UNIVERSITY:				
UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL <i>(University of North Carolina, 1789)</i>	1789	19,224	23,668	251.4* <u>162.2*</u> 413.6
NORTH CAROLINA STATE UNIVERSITY AT RALEIGH <i>(North Carolina College of Agricultural and Mechanic Arts, 1887)</i>	1931	13,809	27,529	303.9
UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE <i>(Charlotte Center of UNC, later known as Charlotte College, 1946)</i>	1965	5,159	16,370	109.1
UNIVERSITY OF NORTH CAROLINA AT GREENSBORO <i>(State Normal and Industrial School, later known as North Carolina College for Women, 1891)</i>	1931	7,428	12,308	101.3
UNIVERSITY OF NORTH CAROLINA AT WILMINGTON <i>(Wilmington College, 1947)</i>	1969	2,233	9,176	66.8
UNIVERSITY OF NORTH CAROLINA AT ASHEVILLE <i>(Buncombe County Junior College, 1927)</i>	1969	968	3,179	26.0
ENROLLMENT SUBTOTAL CONSOLIDATED UNIVERSITY:		48,821		
EAST CAROLINA UNIVERSITY <i>(East Carolina Teachers Training School, 1907)</i>	1972	10,858	17,846	132.6* <u>45.6*</u> 178.2
APPALACHIAN STATE UNIVERSITY <i>(Watauga Academy, 1899)</i>	1972	7,353	12,108	93.4
NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY <i>(Agricultural and Mechanical College for Negroes, 1891)</i>	1972	4,510	7,468	68.6
WESTERN CAROLINA UNIVERSITY <i>(Cullowhee State Normal and Industrial School, 1905)</i>	1972	5,972	6,531	58.5
NORTH CAROLINA CENTRAL UNIVERSITY <i>(National Religious Training School and Chautauqua, later known as North Carolina College for Negroes, 1909)</i>	1972	3,760	5,664	46.3
FAYETTEVILLE STATE UNIVERSITY <i>(Howard School, 1867, later known as State Colored Normal School)</i>	1972	1,643	3,916	31.3
WINSTON-SALEM STATE UNIVERSITY <i>(Slater Industrial Academy, 1892, later known as Winston-Salem State Teachers College)</i>	1972	1,720	2,970	25.9
UNIVERSITY OF NORTH CAROLINA AT PEMBROKE <i>(Croatan Normal School, 1887)</i>	1972	1,970	3,304	24.0
ELIZABETH CITY STATE UNIVERSITY <i>(State Colored Normal School, 1891)</i>	1972	1,109	1,962	21.6
NORTH CAROLINA SCHOOL OF THE ARTS <i>(1963)</i>	1972	351	771	19.0
1997 ENROLLMENT TOTAL FOR UNC SYSTEM			154,770	

Source: UNC - General Administration

† Figures are for head count enrollment

‡ Current Operations Budget in millions of dollars. Does not include Health Affairs at East Carolina University and UNC-Chapel Hill.

* Academic Affairs Budget for East Carolina University and UNC-Chapel Hill.

* Health Affairs Budget for East Carolina University and UNC-Chapel Hill.

TABLE 7

NORTH CAROLINA GENERAL FUND APPROPRIATIONS FOR PUBLIC HIGHER EDUCATION*

Fiscal Year	Amount Authorized for and Amount Spent for University	% of General Fund Appropriations
1965-66	\$ 70,177,054	13.0
	66,241,100	12.8
1973-74	\$222,838,796	14.7
	207,225,420	14.5
1984-85	\$746,998,910	17.3
	714,513,120	17.1
1993-94	\$1,299,865,905	14.6
	1,266,772,749	14.8
1997-98	\$1,489,736,482	13.3

**Excludes local government shared revenues/reimbursements
Source: N.C. Fiscal Research Division, N.C. General Assembly*

TABLE 9**ISSUES FACING NORTH CAROLINA'S HIGHER EDUCATION SYSTEM, PAST AND PRESENT**

ISSUE IN 1971	EXAMPLES OVER THE YEARS	RECENT RELATED ISSUE
Distributing resources fairly and rationally	Equity studies of funding for UNC campuses	Change in funding formulas to link funding for UNC campuses to a mix of enrollments and programs; equity funding debate in 1997 House budget bill over funding for historically black schools.
Preventing unnecessary duplication of academic programs	Debate over establishment of two-year medical school at ECU; moratorium on new degree programs established by first Board of Governors.	Calls to evaluate missions of individual UNC member campuses; change in funding formulas for UNC campuses.
The treatment of the historically black institutions in the university system.	Controversy over location of new veterinary school at NCSU instead of A&T; HEW lawsuit; fears of closing or consolidating black campuses.	Equity funding debate in 1997 House budget bill; persistent debate over the role of the historically black schools in relation to other schools in UNC system; reactions to the election in 1998 of the first African-American as Chairman of the UNC Board of Governors.
Eliminating independent lobbying in the legislature by individual schools for funding.	Pork barrel spending in state budgets for items at particular UNC campuses.	UNC-CH Kenan-Flagler Business School asked legislature for tuition hike in 1997; UNC-CH and NCSU tuition hike in 1995; general rise in legislative lobbying by individual UNC campuses; in October 1998, chancellors were directed to submit legislative proposals to UNC President and new Board of Governors Public Affairs Committee.
Preserving balance of power between the individual campus boards of trustees and the central governing board.	Post-1971 efforts to create a multi-campus identity for UNC by fostering trust among member campuses, despite strong loyalties of donors and alumni.	Tuition task force review of local trustee boards' role in setting tuition; debate over control of UNC Hospitals; rise in importance of fundraising activities of local trustee boards.
Preventing harmful political interference of General Assembly in higher education governance	Speaker Ban Law of 1963; pork barrel items in annual budgets for particular UNC campuses.	Continuing debate over selection process for seats on Board of Governors; rise of Republican Party power and greater partisan differences on the Board of Governors.
Fears of leveling of academic programs especially at UNC-Chapel Hill.	Continuing discussions about admissions standards and programs at UNC campuses	Continued attention paid to national rankings of UNC campuses; changes in funding formulas, linking them to programs and enrollment, calls to treat the "flagship" campuses in Chapel Hill and Raleigh differently; call by UNC-CH Chancellor for more flexibility for system's historic flagship campus; 1999 discussion about a separate board for 2 flagship research universities.