

Proposal for UNC Budget Cuts

From the John W. Pope Center for Higher Education Policy

In recent years, expansionist policies have pushed the UNC system far beyond its natural limits.

The current 2011-13 budget period provides an opportunity to restore the university system to its proper size and role. This corrective action should result in a university that is not only more sustainable financially, but of higher quality and more equitable in its policies.

We do not recommend that tuition be raised more than a modest amount this year (6.5 percent). Doing so would place an unfair burden on students from middle-class families who chose to attend UNC schools based on reasonable expectations of single-digit annual increases. Perhaps more important, the infusion of non-tax dollars would prevent the budget cuts' corrective action.

In order to ensure that budget cuts lead to better quality and efficiency, we recommend that the following six criteria be used to determine whether to reduce or eliminate appropriations: 1) reducing excessive costs or excessive growth, 2) improving quality, 3) eliminating politicization, 4) eliminating "mission creep," 5) eliminating redundancy, and 6) eliminating programs no longer needed due to changing conditions.

This document explains these criteria in further depth, along with some selected examples. Also included is a list of specific recommended cuts. These cuts have been revised from our February 2011 recommendations due to additional information.

1. Excessive Costs or Excessive Growth.

Enrollment Growth. The recent rate of growth in the university population is unsustainable. The population of North Carolina grew approximately 16 percent between 2000 and 2009; over that period, UNC enrollment grew 38 percent. This growth places an increasing burden on taxpayers to subsidize additional students—often in academic disciplines where jobs don't exist.

Enrollment growth can be curtailed in a number of ways: by placing caps on enrollment, by raising admissions standards significantly, or by changing the formulas for financial aid. The UNC system's currently proposed program to address this problem by tying enrollment growth to graduation and retention rates will have an insufficient impact on enrollment.

Having more students, particularly those who need remedial classes, start college in the lower-cost community college system could save between

\$30 million and \$100 million, without denying anybody access to higher education.

Funding for enrollment increases should be adjusted annually according to the numbers of professors actually hired. Also, the formula for faculty staffing should reflect improvements in technology and pedagogy that enable faculty members to teach more students.

Need-based Financial Aid. This is another area where the cost is exceeding the benefits. It has exploded in recent years, with millions given annually to students who have little chance of graduating. Reliance on the Escheats Fund for need scholarships is rapidly depleting that fund. The lottery fund is insufficient for carrying the main load of the state's current financial aid burden. This means financial aid will soon become a greater burden on the General Fund as well. Proposed legislative plans to reform financial aid—based purely on need—will shift even more resources to the students least likely to perform at a university academic level. A merit component needs to be added to prevent this wasteful practice.

Additionally, the state has increasingly provided need-based financial aid to students at private North Carolina colleges. While this initially helped some students, the additional funds will eventually enable private schools to avoid cost efficiency and instead contribute to a cost spiral. We also feel that North Carolina can best offer a diverse range of higher education options by maintaining separation between the state and its private colleges.

Faculty Workloads. The minimum course load for professors at some UNC schools is two per semester. At others, the minimum is two-and-a-half. Additionally,

many manage to teach less than the minimum by buying out part of their contracts with research grants and by performing administrative duties. While there may be some reason for this in the sciences and technical fields, the research done in the humanities and social sciences does not warrant such a light teaching load. The limit should be raised, perhaps to three per semester.

Large Discretionary Funds. Federal research grants provide UNC schools with “overhead receipts” to cover costs that are not directly part of the research, such as laboratory space. For 2010-11, these receipts totaled approximately \$185 million. In many cases, these costs are already provided by state appropriations. Such double payments often provide universities with unintentional but substantial discretionary funds. In the past, some percentage of these receipts reverted back to state coffers, and should do so again.

In some cases, appropriations to UNC systems have exceeded the cost of the programs, leading to the creation of large discretionary funds. For instance, UNC-Charlotte's chancellor Philip Dubois recently sent a letter to the faculty in which he describes how unfilled faculty positions have insulated the school from all but a few lay-offs even with cuts at the 10 percent level.

One way to clean out excessive reserves and unfilled positions is to make a significant management flexibility reduction.

Furthermore, state appropriations enabled UNC hospitals to accumulate \$501 million in unrestricted reserves. In the 2010 legislative session, annual recurring appropriation to UNC hospitals were cut \$8 million from \$44 million to \$36 million—hardly enough

to put a dent in the accumulated reserves. While the hospital needs to have some reserves on hand for bonding purposes and for construction, the question must be asked whether a state university hospital needs to aggressively expand as if it were a private company. Also, this money is appropriated for operating expenses, not for capital expenditures.

2. Improving Quality

The legislature should generally reject making mandates about classroom content, as doing so could set disastrous precedents for legislative oversight should the political winds change.

Yet there have been some disturbing trends in the college curriculum. Frivolous courses abound; NC State had one that treated “time travel” seriously. Courses that feature low pop culture—and treat it like the classics—are now common.

The education schools are particularly troubling in this area. Despite overwhelming evidence that Direct Instruction is a superior way to teach basic skills, UNC’s education schools cling to more “holistic” methods that doom many children to failure.

While changing the curriculum is not a budgetary matter, the UNC system can be forced to prune many of the less serious courses through reductions to management flexibility, in order to preserve the courses that are worthwhile.

3. Politics

A public university should strive to be politically neutral. That does not mean strong views should not be expressed, but that one-sided, politically inspired

programs and entities should be eliminated from the university system as much as possible.

One standard to use is whether a center, program, or institute serves and advocates for a political agenda. This is often the case in diversity or multicultural offices, women’s and ethnic studies centers and programs, and environmental programs.

The state should not be funding—or even giving its name to—programs or centers created by former politicians of either party. An extreme example of this is the two centers founded by former Governor Jim Hunt, the Hunt Institute at UNC-Chapel Hill and the Emerging Issues Institute at N.C. State, both of which are employed by the legislature to provide expert advice on policy issues.

4. Mission Creep

Because the university trains the professionals and experts in every walk of life, and because it conducts research in many areas, there has been a tendency for the university to overreach into activities that are better undertaken by other departments and agencies. Areas where this has been especially common are health care, K-12 education, and economic development.

For example, Area Health Education Centers (AHEC), if they actually perform a necessary function of state government, clearly belong in Health and Human Services, not in the university system. Even the land grant extension services—initially chartered to help farmers boost productivity—now are involved in social and environmental advocacy. This sort of activity is outside the boundaries of the land grant mission.

Additionally, many higher education programs have been sold to legislators and the public on the basis that they

will develop the economy and create jobs. Verifiable proof of this assertion—other than anecdotal evidence—is difficult to find. Government agencies, including public universities, have an abysmal record of picking economic winners and losers. Too often, subjective considerations, including politics, take the place of the objectivity imposed by a focus on profits and losses.

5. Redundancy

Another major source of excess spending is redundancy. At some universities, multiple centers address the same issues, requiring duplicate staffing, office space, and funding. Furthermore, there is redundancy between campuses as well, when perhaps it would be better to limit the number of programs in a specific field of study.

Consider that Appalachian State, Western Carolina and East Carolina each have at least four centers that deal with entrepreneurship, innovation, and economic development. UNC-Chapel Hill has two African American cultural centers. There are also at least four major Marine Sciences programs at UNC schools.

Additionally, Fayetteville State started an online MBA program just last year, raising the question of what exactly it does that the UNC systems 20+ MBA programs (three of them also online) don't?

6. Changing Conditions

Many UNC programs are based on out-of-date expectations from before the recession. Any plans made from pre-recession demographic projections are particularly obsolete.

One example is a projected shortage of K-12 teachers. In response, various scholarship and loan forgiveness programs were instituted to attract more students

into the teaching profession. Not only has the state's population growth slowed during the economic downturn, but many experienced teachers have been laid off. Furthermore, lateral entry programs, including Teach for America, are a growing source of teachers. Therefore, teacher recruitment and scholarship programs in the UNC system should be phased out.

The need for diversity offices is over. The UNC system is extremely diverse: it has six schools with a majority of minority students, there are no schools where white students make up 90 percent of the undergraduate student body, and 31 percent of students at flagship UNC-Chapel Hill are minorities. Racial incidents are few and far between, and those few are resolved quickly by the administrations.

The following is a list of specific proposed cuts from the John W. Pope Center for Higher Education Policy. It is an intentionally aggressive list, with approximately \$530,000,000 in cuts, in order to provide a wide range of options.

Due to time constraints and the difficulty of obtaining financial details, some of the budget amounts are subject to change or are not yet included. We appreciate the information supplied by the General Administration of the UNC system. The UNC system does not endorse these recommendations.

This report includes a limited number of recommendations for cutting on-campus centers and institutes. In addition, the Pope Center is developing an extensive list of state-funded campus centers, some of which should be subject to cuts. Visit the full list, which will be periodically updated, at this website:

www.popecenter.org/UNCCenters.

Specific Proposed Cuts

Recommended Cuts	Known Annual Recurring Appropriation*	Percent Cut	Amount Cut
General Administrative			
Management Flexibility		-8%	210,000,000
Tuition Increase (6.5 percent)			55,000,000
Advertising budget	6,100,000	-25%	1,525,000
Reserve for Information Technology	709,142	-50%	354,571
Research Overhead*	195,000,000	-10%	19,500,000
Virtual Library	1,454,399	-10%	145,439
UNC Faculty Recruitment and Retention	30,000	-100%	30,000
UNC-TV	13,150,497	-25%	3,287,624
NC Arboretum	207,751	-10%	20,775
Multi-Campus			
Coastal Waves Energy Research	2,000,000	-100%	2,000,000
Campus Specific Programs			
FSU Online MBAs	unknown	-100%	
UNCSA School of Filmmaking	+500,000	-100%	500,000
UNC-CH Office of Executive Director of the Arts	2,100,386	-40%	840,154
NC Central Law School	+4,500,000	-20%	900,000
UNC-CH Law School	+2,000,000	-20%	400,000
UNCP Academic Support	+300,000	-100%	300,000
UNC-CH Judicial College	789,494	-100%	789,494
Miscellaneous Financial Aid			
Need-based Financial Aid	162,288,763	-25%	40,572,191
UNC Campus Scholarships	2,397,950	-100%	2,397,950
Resident Status for Nonresident students	6,055,245	-100%	6,055,245
Prospective Teacher Scholarship Program	2,381,164	-100%	2,381,164
Teacher Assistant Scholarship Program	160,925	-100%	160,925
Financial Aid to Private Schools			
Aid to Private College Students	4,551,764	-100%	4,551,764
Religious College Grant	321,900	-100%	321,900
Legislative Tuition Grant	58,830,000	-100%	58,830,000
State Contractual Scholarship Fund	32,200,000	-100%	32,200,000
Teacher Education and Advancement Programs			
NC Model Teacher Education Consortium	unknown	-100%	
FSU and UNCW Summer Term Teacher Education Programs	unknown	-100%	

NCSU Teacher Education Programs: Kenan Fellows, Math and Science, 4-H	200,000	-100%	200,000
Principal Fellows Program Trust Fund	2,100,000	-100%	2,100,000
Teacher Prep Distributed Education	1,801,861	-100%	1,801,861
UNC-NCCCS Joint Initiative for Teacher Education and Recruitment	640,000	-100%	640,000
William and Ida Friday Institute for Educational Innovation	1,900,000	-20%	380,000
Economic Development			
NC Research Campus at Kannapolis	22,500,000	-100%	22,500,000
ECSU School of Aviation	600,000	-100%	600,000
NCCU BRITE Biomanufacturing Research Institute and Technology Enterprise	6,500,000	-20%	1,300,000
NCSU Biomanufacturing Training and Education Center	+2,941,079	-100%	2,941,079
UNC-CH Vice Chancellor for Research and Economic Development	1,686,877	-30%	506,063
Enrollment/Handholding			
WSSU Adult & Transfer Student Recruitment	475,700	-100%	475,700
Special Focus Institutions:			
UNCSA	+750,000	-100%	750,000
UNCA	+750,000	-100%	750,000
NCSSM	+250,000	-100%	250,000
ECSU, FSU, NC A&T, NCCU, UNCP, WCU, WSSU Summer Bridge and Retention Pilot Programs	1,193,000	-100%	1,193,000
Graduate Student Recruitment and Retention	2,000,000	-100%	2,000,000
UNC-NCCCS 2+2 Joint E-learning	1,000,000	-100%	1,000,000
Focused Growth funds	29,200,000	-30%	8,760,000
Engineering/Science			
NC A&T/UNCG Joint School of Nanoscience and Nanoengineering	4,900,000	-20%	980,000
NC A&T College of Engineering	+5,000,000	-25%	1,250,000
NCSU College of Engineering	15,000,000	-50%	7,500,000
Health			
Aid to UNC Hospitals	44,000,000	-25%	11,000,000
ECU Dental School Operations	11,500,000	-10%	1,150,000
University Cancer Fund	50,000,000	-20%	10,000,000
Area Health Care Centers (AHEC)	+1,750,000	-100%	1,750,000
AHEC Professional Training	500,000	-100%	500,000
AHEC Expansion	1,300,000	-100%	1,300,000
AHEC Residencies	570,791	-100%	570,791

UNC-CH Translational Medical Program	3,500,000	-10%	350,000
TEACCH (Autism training)	1,069,413	-10%	106,941
Perinatal Mortality and Disease			50,000
UNCCH: CASTLE: Center for the Acquisition of Spoken Language through Listening Enrichment (cochlear implants)	550,000	-10%	55,000
K-12			
Gateway Technology Summer Math and Engineering Camps for K-12	27,000	-100%	27,000
UNC-CH DESTINY Traveling Science Lab	500,000	-100%	500,000
Agriculture/Extension			
Dairy Agricultural Extension Agents	200,000	-10%	20,000
NCSU Horticultural Program in Eastern NC	200,000	-10%	20,000
YMCA	36,068	-100%	36,068
UNC-CH NC Botanical Garden	1,212,183	-10%	121,218
Selected Centers**			
NC Center for Health and Wellness (UNCA)	551,263	-100%	551,263
Center for Craft, Creativity and Design (UNCA)	190,542	-100%	190,542
National Environmental Modeling Analysis Center (UNCA)	273,000	-100%	273,000
NC Center for Creative Retirement (UNCA)	121,309	-100%	121,309
Native American Resource Center (UNCP)	232,320	-10%	23,232
Multicultural Program (UNCW)	42,436	-100%	\$42,436
Women's Studies and Resource Center (UNCW)	84,396	-100%	\$84,396
Hunt Institute (UNC-CH)	+2,000,000	-100%	2,000,000
Institute for Emerging Issues Fellows (NCSU)	+309,000	-100%	309,000
NC Center for International Understanding (GA)	+217,578	-100%	217,578
Total Recommended Cuts			\$530,311,673
<p>* Plus signs designate increases to an unknown base appropriation.</p> <p>** There are several hundred other centers and institutes in the UNC system, with the potential for between \$20 million and \$50 million in additional cuts. Please see the entire list of centers at popcenter.org/UNCCenters.</p>			

This report is published by the John W. Pope Center for Higher Education Policy, a nonprofit institute dedicated to improving higher education in North Carolina and the nation. It is named for the late John William Pope, who served on the Board of Trustees of the University of North Carolina at Chapel Hill.

The Pope Center aims to:

- Increase the diversity of ideas taught, debated, and discussed on campus
- Increase respect for the institutions that underlie economic prosperity and freedom
- Improve the quality of teaching, and students' commitment to learning.
- Encourage cost-effective administration and governance of higher education institutions.

This proposal was prepared as part of our effort to increase cost efficiency in the University of North Carolina system.

More information about the Pope Center, as well as most of our studies and articles, can be found on our Web site at **popecenter.org**.

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By Jay Schalin

Senior writer for the John W. Pope Center for Higher Education Policy.

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The John William POPE CENTER FOR HIGHER EDUCATION POLICY

333 E. Six Forks Road, Suite 150

Raleigh, NC 27609

919.828.1400 Fax: 919.828.7455

popecenter.org

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