



**April 25, 2022
10:00 am
Chancellor's Boardroom**

MINUTES

MEMBERS PRESENT: Betsy Oakley, Chair (arrived at 10:30 am); Mona Edwards, Vice Chair; Anita Bachmann, Margaret Benjamin, Mae Douglas, Ernest Grant, Brad Hayes, George Hoyle, Hazael Mengesha, Elizabeth Phillips (joined remotely at 11:07 am), Dean Priddy, Tim Rice, Linda Sloan

MEMBERS ABSENT WITH NOTICE: None

OTHERS PRESENT: Chancellor Frank Gilliam; Provost Debbie Storrs; Bob Shea, Vice Chancellor for Finance and Administration; Jerry Blakemore, General Counsel; Beth Fischer, Vice Chancellor for University Advancement; Jeanne Madorin, Associate Vice Chancellor and Chief Human Resources Officer; Brian Mackin, Director of Athletics; Waiyi Tse, Chief of Staff; Paul Forte, Interim Associate Vice Chancellor for Finance; Steve Honeycutt, Director of Financial Planning & Budgets; Jennifer Leung, Interim Budget Director; Kammy Jefferson, Executive Assistant to Vice Chancellor Shea; Kelly Harris, Assistant Secretary to the Board of Trustees, and other members of staff.

Acting Chair Mona Edwards called the meeting to order at 10:04 a.m. and read the Conflict-of-Interest statement. None were identified. Roll call was taken, and a quorum was confirmed.

OPEN SESSION

Edwards recognized Trustee Hazael Mengesha, who has been re-elected SGA President for 2022-2023 and will therefore remain on the Board of Trustees. She yielded the floor to Trustee Mengesha for a special announcement.

Mengesha announced that the UNC System Council of Student Body Presidents selected Chancellor Gilliam as the recipient of the 2022 William C. Friday Lifetime Achievement Award, given annually to a public figure who has exhibited exemplary service to the students of the University of North Carolina. Mengesha nominated Gilliam for the award and accepted it on his behalf on Saturday, April 22 on the campus of Western Carolina University during the Council's end-of-year banquet. Mengesha then presented the award to Chancellor Gilliam.

Open Session

The minutes of the March 24, 2022 board meeting were unanimously approved without additions or corrections.

Acting Chair Edwards recognized Vice Chancellor Bob Shea to present agenda item BOT-1, an option to approve in-state residency status for undergraduate athletes on full scholarship.

Shea first announced the retirement of Steve Honeycutt, Director of Financial Planning & Budgets, who is retiring after more than 25 years at UNCG. Shea thanked Honeycutt for his hard work and dedication. He introduced Jennifer Leung, who will serve as Interim Budget Director after 22 years of experience at UNCG.

BOT-1 Adoption of Resolution Approving Revised Athletics Scholarship Reimbursement Rate

North Carolina General Statute 116-143.6, the state law allowing in-state treatment for athletic scholarships effective July 1, 2021, was ratified on November 18, 2021 to allow any out-of-state undergraduate student-athlete who receives a full athletic scholarship from a constituent institution to be treated as a North Carolina resident for tuition purposes, upon approval by that institution's board of trustees. The law benefits UNC System institutions' athletics departments, particularly around scholarship budgets. Treating out-of-state student-athletes who UNCG actively recruits as in-state students at the lower tuition rate allows the Athletics Department to better leverage existing donor dollars.

For the law to take effect and apply to UNCG, the Board of Trustees must pass a resolution allowing for this treatment of student athletes as of July 1, 2021, which covers all of the 2021-2022 fiscal year and thereafter until the board votes otherwise. If approved, the new residency status treatment will be accounted for in the funding model moving forward but for 2021-2022, universities must self-fund. Shea reported that UNCG has sufficient funds to cover the expense.

Following discussion, Edwards invited a motion to adopt the Resolution approving in-state residency status for undergraduate full athletic scholarship recipients as presented in agenda item BOT-1. Trustee Linda Sloan made the motion, which was seconded by Trustee Mae Douglas. On roll call vote, the motion carried unanimously.

BOT-2 Approval of All Funds Budget

VC Shea advised the Board that in September 2021, the Board of Governors (BOG) directed all UNC System campuses to develop a comprehensive, all-funds budget for FY 2023 and annually thereafter. The primary revenues supporting System schools have been state appropriations and low tuition rates. Both are considered state General Fund revenues and are governed by strong regulations for budgeting. However, campus operations are also supported by various other fund sources comprised of revenues from auxiliary enterprises, federal grants and contracts, donor funds, and student fees. These funds, called "Institutional Trust Funds," have not been subject to the same formal budgeting reporting requirements as appropriations and tuition. Over time, the Institutional Trust Funds have grown and now comprise half of System revenues. The System maintains that operating under these circumstances without a formal budgeting reporting process is an enterprise risk that needs to be addressed. As such, the BOG determined that a comprehensive, all-funds budget is needed "to provide the necessary structural foundation for the

execution of the University's strategic plan and to ensure the delivery of the System's mission in a financially sustainable manner." The System has been working with the campuses to develop a common budget template and standard budgeting conventions for the new all-funds budget requirement. UNC Greensboro's FY23 All Funds Budget is complete and requires approval by the Board of Trustees.

Shea reported that all funds budget benefits UNCG in that it allows us to better align resources with strategic priorities and to better understand the impact of discrete decisions on the broader financial picture. It also promotes stewardship and financial sustainability, improves transparency and campus engagement, and strengthens the fiduciary responsibility of the Boards of Trustees.

Trustees should note that other funds other than state appropriations and tuition play an important role in what we do at UNCG and across the System. Shea also noted that although state commitment to higher education has declined over the last few years on an absolute value, North Carolina's relative position in terms of funding for higher education is among the top six or seven states.

In response to questions related to maximizing revenues and streamlining expenses by identifying efficiencies, Chancellor Gilliam stated that in the fall he will convene a task force, consisting of faculty and staff, on university transformation. The task force will be charged to look for administrative efficiencies, costs controls, and policy reform.

Following discussion, Oakley invited a motion to approve the FY23 All Funds Budget for UNCG as recommended. Trustee Brad Hayes made the motion, which was seconded by Trustee Mona Edwards. On roll call vote, the motion carried unanimously.

BOT-3 New Funding Model Update

Provost Debbie Storrs and VC Shea presented information on the new funding formula unanimously passed by the Board of Governors to be fully implemented in 2023-2024. There are several key defining components of the new funding model. The first is that the state appropriation to UNCG will increase or decrease based on the university's performance on a key set of metrics. Storrs noted that UNCG was the only institution in the System to have met all its metrics in the previous biennium, without a corresponding increase in funding. Under the new funding formula, the key metrics that will determine funding are: Undergraduate degree efficiency, improvement in the four-year graduation rate, average debt accumulation for first time freshmen, average debt accumulation for transfer students, how much we spend on non-instruction, and a sixth metric we can choose from a list of options. Given UNCG faculty success with research, we are leaning towards that as the sixth metric.

The second key defining component is that the new model excludes state appropriations for non-resident students. The university will receive tuition for those students, but no state appropriations.

The third, and perhaps most important, defining component is that our completed undergraduate student credit hours will be calculated based on 80% of the average national rate for student credit hours for our Carnegie classification, and master's and doctorate credit hours will be funded at the undergraduate rate. To illustrate the impact, Storrs reported that under the current model, undergraduate English is funded at \$130 per completed student credit hours. Under the new model, that increases to about \$305, which is positive. However, the new model funds master's English credit hours at the undergraduate rate of \$305, compared to \$1,022 under the current model. At the PhD level, we currently receive \$ 1,635 per completed credit hour; the new model funds those hours at just \$305.

Another negative factor is that non-instructional funding will be based on an average across the UNC System rather than taking into account the uniqueities of each individual campus. This is detrimental to UNCG; we are different in terms of our student body and we spend a lot of money to support student success.

Storrs noted that the new funding model is positive in that summer instructional hours will be funded whether in person or online. We don't currently offer a lot of summer instruction, but this may incentivize us to increase them.

Early impact analysis was done by asking the deans what their unit budgets would look like under the new model taking account of everything other than the allocations to be based on performance metrics. Every unit other than JSNN and the School of Nursing will be negatively impacted. We have some grad-level heavy schools that will be harmed.

The funding amounts per completed hour derive from "Delaware Cost Study" data, compiled as a result of voluntary self-reporting from across the higher education spectrum (from community colleges to R1s). That data doesn't capture all higher education subsets and, in UNCG's case, doesn't include data from our actual peers in many groups. For example, in Nursing, just 2 of 8 institutions UNCG is compared with in the Cost Study actually are our peers, and none are our aspirational peers (where higher costs per credit hour would impact the average). As such, there is a distortion in the model that isn't accounted for. The de-emphasis on graduate education, particularly doctoral education, is also a concern. UNCG has a disproportionate number of PhD programs for a school of our Carnegie category and size and, as such, the new model doesn't work in our favor. Additionally, we have only been granted one year to make the transition, which isn't enough to change the nature of our curriculum in an attempt to adapt to the incentives the new model creates. We're also limited in that regard; for example, UNCG cannot get an engineering school or other STEM school that will be funded at the higher levels. We're also set up to fulfill a particular mission, which is difficult to do under the new model.

Under the old model, the funding for the next fiscal year leaves UNCG \$2.2M short of budgetary requirements. Under the new model, UNCG will be \$6.7M short annually, without the impact of performance metrics. After the three different iterations of the model, we will have to score 100% on the metrics in order to break even. That's a challenge given that the four-year graduation rate is difficult to change and takes time, and reducing student debt with the types of students we serve will be difficult as well. In addition to the task force that will be studying university transformation, campus leadership will be working with a consultant over the summer to identify strategies for adapting under the new model.

Following discussion, Oakley announced that the final agenda item required the Board to convene in closed session. She noted that the item was discussion only, that the Board would not discuss anything other than that agenda item, and that the live stream of the meeting would remain active for members of the public while the Board met in closed session.

Motion to Enter Closed Session

Oakley moved that the Board convene in closed session pursuant to North Carolina General Statute Section 143-318.11(a)(6) to consider the qualifications, competence, performance, character, fitness, conditions of employment of an individual public officer or employee.

The motion was seconded by Trustee Ernest Grant. On roll call vote, the motion carried unanimously.

General Account of Closed Session Discussion

MEMBERS PRESENT: Betsy Oakley, Mona Edwards, Anita Bachmann, Margaret Benjamin, Mae Douglas, Ernest Grant, Brad Hayes, George Hoyle, Hazael Mengesha, Dean Priddy, Tim Rice, Linda Sloan

OTHERS PRESENT: None

Discussion Item:

BOT-4 Chancellor's Biennial Review

Chair Oakley and Vice Chair Edwards presented an update on the Chancellor's biennial review being conducted in accordance with UNC System requirements.

Following discussion, the Board returned to the open session.

Adjourn

There being no further business, the meeting was adjourned at 12:20 pm.

Respectfully submitted,



Kelly Harris
Assistant Secretary to the Board of Trustees