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18 May 2016

President Spellings:

I write regarding Senate Bill 873. This legislation has raised concern on the part of University faculty.

SB 873 is ostensibly intended to address the high cost of education and the debt burden of college students. There are however significant difficulties with this legislation, including inappropriate interference in the prerogative authority of the UNC Board of Governors and the governance authority of UNC institutions, a problematic account of increasing costs and debt, provisions that compromise campus debt service and student services obligations, tuition rates that further diminish the ability of named campuses to sustain high-quality educational opportunities, and which may require campus closures, changes in admissions eligibility that will alter the historical identity of several institutions, and measures that explicitly question the merit of those historical identities.

For the reasons enumerated here, the UNC Faculty Assembly urges members of North Carolina General Assembly, Governor McCrory, and the UNC Board of Governors, to carefully consider the implications of this legislation for further damaging the quality and reputation of public higher education in this state. The appended analysis is a compendium of the specific issues in this legislation that faculty have identified as problematic.

For the UNC system Faculty Assembly,

Stephen Leonard, Chair

Cc:

Louis Bissette, Chair, UNC Board of Governors  
Patrick McCrory, Governor, North Carolina  
Phil Berger, Speaker, NC Senate  
Tim More, Speaker, NC House of Representatives  
Harry Brown, Majority Leader, NC Senate  
Daniel Blue, Minority Leader, NC Senate  
Mike Hager, Majority Leader, NC House of Representatives  
Larry Hall, Minority Leader, NC House of Representatives  
Chancellor James Anderson, FSU  
Chancellor David Belcher, WCU  
Chancellor Thomas Conway, ECSU  
Chancellor Robin Cummings, UNCP  
Chancellor Elwood Robinson, WSSU

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## UNC system Faculty Assembly

### SB 873 Analysis

18 May 2016

#### **OVERVIEW:**

SB 873 is ostensibly intended to address the high cost of education and the debt burden of college students. The methods required include guaranteeing a fixed tuition rate to incoming students, decreasing student fees to below 2016 levels, providing extremely low tuition for attending some UNC campuses, and creating a limited number of scholarship opportunities for students attending NCATSU and NCCU.

There are significant difficulties with this legislation, including inappropriate interference in the prerogative authority of the UNC Board of Governors and the governance authority of UNC institutions, a problematic account of increasing costs and debt, provisions that compromise campus debt service and student services obligations, tuition rates that further diminish the ability of named campuses to sustain high-quality educational opportunities, and which may require campus closures, changes in admissions eligibility that will alter the historical identity of several institutions, and measures that explicitly question the merit of those historical identities.

This analysis proceeds by examination of each of section of the legislation.

#### **ANALYSIS BY SECTION**

##### **PREAMBLE**

The function of the “whereas” preamble is to establish a case against costly tuition and fees, but does so by way of a problematic account of increasing costs and debt.

- The claimed 72% increase in tuition and fees for in-state students since 2016 is caused by legislative actions not acknowledged in this bill. Tuition and fees have climbed because the NC state legislature has shifted the burden of University support from public sources to individual students. Between 2008 –2015 state appropriations for public higher education in North Carolina [have declined by 23.4%](#) ; as a result, state spending per degree [declined by \\$6865](#), [while individual spending on tuition per degree has increased by \\$6537](#).
    - The University has done its share to meet this decline in state support; today the University is educating students [at the same cost per student as in 2008](#).
  - The assertion that “many college graduates still find they must use funds for the high cost of educational debt that ordinarily could be set aside for family and home expenses” does not acknowledge that [highly unfavorable terms of financial aid for students](#), or the fact that the UNC Board of Governors [capped availability of financial aid for in-need students](#), are significant in determining the debt-burdens students must bear.
    - In addition, the legislation does not acknowledge that the [average NC student debt of \\$23,440](#) is significantly lower than the national average, that college costs have a respectable return on investment for students, who can expect numerous benefits to their quality of life from their college experience, including an [average income return of \\$17,500 per year](#) above those without higher education, and that the [cost curve of higher education is in line with comparable goods and services](#).
    - Finally, the claim that students who do not earn a degree “strain their financial resources” while receiving “no benefit” is misleading, as is the assertion that the “cost of dropping out, measured in lost earnings in taxes, [is] \$4.5 billion”: [Bureau of Labor Statistics data shows that postsecondary education, even without a degree, increases income and reduces the chances of being unemployed](#). Moreover, the costs of [never attending any college are far greater](#) than those incurred from dropping out.
  - The use of the National Student Clearinghouse Research Center, and David Kirp’s, data on college completion rates, does not acknowledge that [all UNC institutions exceed national](#)
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[averages in retention and graduation](#). Nor does it acknowledge [Kirp's argument](#) that institutions are well advised not to follow the kind of solution proposed by this legislation, namely, seeking to address “the dropout problem by recruiting better pedigreed students.” Kirp’s recommendation that institutions find a “model for the students they [have]” is at odds with the approach taken by this legislation.

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*The problematic account of rising costs and debt in the preamble of this legislation fails to acknowledge that in North Carolina, rising costs and debt would likely be slowed or reduced by a return to robust public investment in public higher education, and a clear commitment by State officials to access and equity in tuition costs and financial aid.*

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The several sections enumerating provisions of this legislation are deficient as remedies for rising costs and debt, or they entail consequences that would have significant deleterious effects on the institutions the legislation is ostensibly intended to assist and improve:

#### **PART I**

- Part I of the bill guarantees that students entering the system would be assured an option for fixed tuition rate for 4 years or 10 consecutive semesters.
  - This provision does not control rising costs. It is advantageous for “predecessor” students as it stabilizes tuition and fees over the course of study, but significantly disadvantageous for later or “successor” students as any increases in tuition required to cover rising operation costs are exclusively borne by successive entering classes. Later students will be inequitably “taxed” to finance the education of earlier students.

#### **PART II**

- Part II calls for a reduction of student fees by 10% to 25% below 2016 rates, or approximately \$250 - \$450 per student. The financial relief this provides for students would be paid by reduction of services usually covered by such fees.
  - One casualty of fee reduction would be self-liquidating capital projects, such as many of those that were to have been financed under the recent Connect NC Bond. For example, the proposed new Student Center at NCCU was to replace a building constructed 50 years ago, when the university’s enrollment was 3,800 students; NCCU enrollment today is more than 8,100. NCCU administration proposed to service the construction debt with a student fee of \$350, to be phased in over two years.
  - Other initiatives blocked by this legislation include student-led efforts to use student fees to support a variety of student needs, such as legal advising services, library services, scholarships, child-care services, renewable energy initiatives, subsidizing student tickets for campus-sponsored performances, and funding faculty teaching awards.
- Senate Bill 873 blocks these institutional and student efforts to finance infrastructure, student services, and student led initiatives.

#### **PART III**

- Part III of the bill calls for a reduction of semester tuition to \$500 (\$2500 for out of state students) at four minority campuses and WCU. There are two concerns here.
    - The first is financial: there are no provisions in this legislation to offset by any other appropriations any funding lost from tuition cuts. The Faculty Assembly estimates that the four minority campuses named would suffer a combined total revenue loss of more than \$59 million per annum. This would further – and significantly – exacerbate the difficulties of state appropriations cuts: since 2008, every one of the named minority institutions has been subjected to the loss of state appropriations of 24% or more.
    - The second concern attends the effects of the legislation on the demographics of the minority institutions. In combination with [NC GAP](#), the new proposed legislation [HB1094](#), which incentivizes students to attend community college under NC GAP by offering \$3200 of transportation funding, the enforcement of recently revised [higher](#)
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[admissions standards](#) that are well-known to [discriminate against disadvantaged and minority students](#), and (in Part IV of SB 873) the possibility of raising the out-of-state student cap at the named institutions, lower tuition would very likely result in non-minority students displacing minority students in the admissions applications pool.

- This legislation would essentially convert the minority campuses into inexpensive magnet schools for privileged and racial majority populations, with the net effect of displacing African American and Native American students, thereby fundamentally altering the traditional mission of the four named minority schools – Elizabeth City State University, Fayetteville State University, University of North Carolina at Pembroke, and Winston Salem State University.
- There remains in NC a very sizable population of minority and disadvantaged students -- many of them enormously talented and eager -- for whom our traditional minority institutions could provide a meaningful opportunity for rising social mobility, and contributing to the commonweal. There is a national movement to conceptualize standards of admission that are better able to identify students of talent and promise from every background, including most especially historically disadvantaged groups. UNC has been part of that movement; this legislation would very likely render those efforts moot.

#### **PART IV**

- Part IV directs the Board of Governors to consider raising the current enrollment cap of 18% out-of-state students, with the specific intent to “increase the number, academic strength, and diversity of student applications at those institutions.”
  - As per the discussion of Part III, above, under current practices and standards these goals would contribute to re-making minority institutions on the demographic model of majority institutions, where minority and disadvantaged students are underrepresented and underserved.

#### **PART V**

- Part V directs UNC to evaluate the effect of current institutional names on “the number, academic strength, and diversity of student applications,” and orders a name change where those measures show “improvement” under SB 873.
- Again, given the prejudicial implications of these standards, it is likely that the historical identity of the named minority institutions would be questioned if not changed.

#### **PART VI**

- Part VI creates a number of welcome scholarships for students at NCATSU and NCCU, but by excluding other minority campuses from this program, and when taken together with the potential effects of the other provisions of this legislation, it is difficult to avoid concluding that this legislation has the unarticulated intention of reducing the number, strength, and diversity of minority institutions in the UNC system.

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#### **SUMMATION**

The cost of SB 873 is estimated to be a revenue loss of approximately \$60 million. Further reductions in enrollment due to NCGAP will result in additional revenue loss.

SB 873 would very likely transform a number of UNC’s minority institutions. The strength and diversity of those institutions constitutes one of the great virtues and distinguishing characteristics of the UNC system; this would likely be lost under this legislation.

For the reasons enumerated here, the UNC Faculty Assembly urges members of North Carolina General Assembly, Governor McCrory, and the UNC Board of Governors, to carefully consider the implications of this legislation on the diminishment of public higher education in North Carolina. SB 873 is inappropriately intrusive in University governance processes, misconstrues the proximate causes of rising costs and debt for North Carolina students, and compromises the ability of North Carolina universities to serve their students.

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