

APPENDIX A

PRESIDENT BOWLES' REPORT
BOARD OF GOVERNORS
September 12, 2008

President Bowles welcomed everyone back from the summer recess. He reported that there was a great deal of work that took place over the summer as evidenced by the policy discussions on Thursday and reminded everyone that there was a lot of work yet to accomplish. He recognized the chancellors and thanked them for their leadership. President Bowles welcomed Chancellor Thorp from the University of North Carolina at Chapel Hill and Chancellor Brady from the University of North Carolina at Greensboro who were recently appointed on July 1, 2008 and August 1, 2008, respectively.

President Bowles announced some recent campus achievements. The National Science Foundation selected North Carolina State University and North Carolina A&T State University as national Engineering Research Centers (ERC). Five universities across the country were selected. This is a very prestigious award given by the National Science Foundation and it was most impressive that two of the institutions to receive the award were from the University of North Carolina. Additionally, North Carolina A&T State University was the first ever HBCU to have been invited to submit a full proposal. The University of North Carolina at Chapel Hill recently received two federal grants – a \$15,000,000 grant from the Department of Homeland Security to establish the Center of Excellence for the Study of Natural Disasters, Coastal Infrastructure, and Emergency Management. The other grant awarded was from USAID up to \$181,000,000 to assist the Carolina Population Center study health, poverty, and gender programs around the world. This is the largest financial award ever received.

Next, the President gave a brief overview of his four top priorities for the University which will define and measure success for the coming year. (Please see Exhibit A appended).

Finally, President Bowles gave a general status report on the unapproved program that North Carolina Central University operated at the New Birth Baptist Church in Georgia. The program was not properly approved. Chancellor Nelms and administrators from General Administration have examined the academic, financial and legal questions with the creation of

the program and State officials have been kept apprised of all the developments. A teach-out will be provided for 38 students who attempted to register for the program and for the 25 students who already completed the course and graduated. President Bowles stated that they will work closely with SACS. Lastly, more than 400 off-campus degree programs have been examined throughout the UNC campuses.

Exhibit A

Erskine Bowles
Excerpted Comments on 2008-09 Priorities
Report to the UNC Board of Governors
September 12, 2008

As I do each year, I asked our Chancellors and the leadership team at UNC GA to identify the three or four things that they felt were most important for them to accomplish this year. The purpose of this exercise was, of course, to help us sharpen our focus and more clearly define success for this University. I have said many times that I am a great believer in prioritization—that if everything is a priority, nothing is a priority. After reflecting on their input and getting plenty of feedback from our new chair and other members of the Board over the summer, I wanted to share with you this morning a brief overview of my own Top-4 list for this fiscal year. This is the yardstick by which I hope you will define and measure our success this year, and I want you to hold me accountable.

First, we must execute on UNC Tomorrow. This is something that we absolutely just have to get right. The UNC Community, the people of North Carolina, and the General Assembly are all watching us, and they are counting on us getting this right. To get it right, there are several things we must accomplish this year:

1. First, we have to implement our new revised academic planning process.
2. Second, we have to review any proposed changes to academic missions, and make the changes where appropriate.
3. Third, we have to develop a new long-range plan for this University.
4. Fourth, we have to implement our accountability plan.
5. Fifth, we must improve our tech transfer this year so that we can get more products to the market and commercialize them.
6. Sixth, we have to move forward with our plans for expanded health-care training—whether it's the new dental program at East Carolina, expansion of the medical program at ECU and Chapel Hill, expansion of our nursing programs, or the

expansion of physical therapy. We have a lot to do in health care this year to move forward and meet the needs of the state.

7. We also have to improve our Schools of Education, and we have to raise the University's visibility and role in economic transformation.

I assure you that if we do these things, we will be well on our way to tomorrow and well on our way to a brighter future for this University.

Second, both [Senior Vice President for Academic Affairs] Harold Martin and I have got to be more campus-focused this year than we have been in the past. I am very mindful that half of our chancellors have been in office for two years or less. A number of our campuses have experienced significant challenges during the last several years, particularly in the areas of infrastructure support, accounting, fiscal management, financial aid, compliance, and other back-office issues. I am committed this year to making sure that we face up to these issues and we resolve these problems.

Particularly, in this regard, we have got to fix Banner. Banner is our ERP system, and every year, every time we have any problem on our campuses and I ask why, the answer is always "Banner, Banner, Banner, Banner." When our ERP system was installed years ago, it was put in differently than most ERP systems are in the private sector or at other universities. And if you understand how it was installed, you'll understand why we have the issues that we do today. It was basically installed on a cafeteria-style plan, where each campus could go out and get any kind of options that it wanted—as opposed to Chancellor Nelms' former institution, the University of Indiana, where each campus was given only one or two options, as is typical in the business world. This approach has led to a number of problems, and those problems have been repeated over and over and over again.

I am convinced that we HAVE to change this, and with the help of Ernst & Young, we have been planning for it. Now is the time to begin to execute. We are going to have to consolidate some operations here in General Administration, and we're going to standardize others. By the end of this fiscal year, we will have developed and begun to implement standardized policies and procedures, standardized closing calendars, checklists and templates, formalized review and

reporting procedures, and implemented key performance indices and management dashboards for our chancellors and GA senior management. In addition, by year three—but hopefully, if we work really hard, by the end of year two—we will have developed plans and begun to implement standardized payroll, general accounting and financial reporting, as well as standardized procurement, contracts and grants, and financial aid. This is something that we simply MUST do or we will continue to have the same audit problems every year, year-in and year-out, just as you have had for the last 20 years. That HAS to change.

My third area of focus this year will be executing on our alternative growth strategies. We talk a lot about the 80,000 additional students that are headed toward our door. As many of you know, I have from the very beginning questioned whether we could continue the model of meeting demand through more and more bricks and mortar. I simply don't think that approach is sustainable financially for the state; therefore, we have to look at other alternative methods of meeting this increased demand. That is why we will continue this year to build and improve our online operation. You got a chance yesterday to see our online program, and you could see where we are today. We are leading the country in this effort. Second, we are going to continue to increase our involvement with the community colleges. We are going to make sure that the process is absolutely seamless, and we are going to improve and increase the number of transfers that come to this university from the community colleges. We have total support in this effort from the Community College System, and I will ask President Scott Ralls to meet with you when you come back to Chapel Hill in November. Third, we have to move forward with the exploration of UNC Education Centers in various parts of North Carolina where we do not have a campus. We also have got to make summer school a viable option, and that means I have got to convince the General Assembly that this makes good economic sense. It doesn't make sense to utilize these glorious facilities we have only nine months out of the year. We also have to become more involved in the early colleges and the Learn and Earn Online programs so that more of the students coming to us are already prepared and already have taken several courses. We also have got to continue to work to simplify financial aid and to address the infrastructure needs associated with all this growth.

My last focus for this year will be strengthening our relationships with both chambers of the General Assembly and members from both sides of the aisle. We also have to build and maintain good relationships with the new Governor. I feel very fortunate to know both candidates very, very well and have a good working relationship with both of them, so I think we will be well served there. We also have got to get to know the new members in both the House and the Senate, and we've got to build a strong budget for the next biennium that keeps the pressure off tuition, encourages efficiency, and provides a quality education for those students that we are responsible for.

That is A LOT. But as Bill Friday told me, EVERY year it's a lot. This is an important organization and we have an obligation and a responsibility to meet. And, as I said earlier, please hold me accountable.