

APPENDIX B

Molly Corbett Broad
President's Report to the Board of Governors
UNC General Administration Building Board Room
January 14, 2005
10:30 a.m.

Tsunami Relief Efforts

Nearly three weeks ago, a massive earthquake occurred in the Indian Ocean, triggering a deadly tsunami of epic proportions. More than 150,000 lives were lost in a dozen affected countries, and hundreds of thousands were left homeless and destitute. As they did in the aftermath of Hurricane Floyd and other North Carolina disasters, I am proud that faculty, students, and staff across the University have sought out ways to participate in humanitarian efforts to assist the victims of this global tragedy. With the guidance and direction of the major disaster relief organizations, many campuses have facilitated opportunities for members of the campus community to make monetary donations. In addition, students and staff at NC A&T have manned phones for a local telethon; students at UNCW have launched a two-week drive to raise \$13,000 for the Red Cross; students at ECU are collecting donations at all home basketball games; and many student organizations are holding special fund-raisers, as well.

In some cases, individual faculty members or students have made a personal decision to travel to affected areas to lend their time and talents. To cite but one example, Dr. Thomas Kerkerling, chief of Infectious Diseases in the ECU School of Medicine, is currently in Indonesia as a volunteer with the Christian Children's Fund to help deal with immediate needs such as safe drinking water.

I'd like to take a few moments this morning to call your attention to several very timely issues that were the topic of committee discussion yesterday.

Bond Sales and Optimizing Capital Debt Financing

As the Finance Committee heard yesterday, our chancellors and finance staffs are using all the financial management tools available to them to stretch limited nonappropriated dollars and reduce costs. In particular, significant savings are being generated by the use

of special obligation bonds for projects previously approved by the General Assembly, by the periodic issuance of tax-exempt commercial paper bonds to provide interim financing for capital projects, and by careful timing of bond sales to achieve optimal market conditions. The use of such flexible, lower-cost approaches to debt financing have enabled our finance staffs to dramatically reduce administrative costs and obtain lower interest rates for our campuses. Our students ultimately benefit from those lower debt-service costs.

Educational Planning, Policies and Programs

The Ed Planning Committee had a very full agenda, as well.

Task Force on the Safety of the Campus Community

Last month each of you received the final report of the University-wide Task Force on the Safety of the Campus Community, and the Planning Committee reviewed the group's key findings and recommendations during its meeting yesterday. I'd like to publicly express special thanks to Senior Associate Vice President Bobby Kanoy for chairing the task force, with assistance from Vice President Leslie Winner. I am grateful to all members of the task force for the serious and deliberate manner in which they approached this important assignment, and we will set about implementing its recommendations as quickly as feasible.

Assured Admission Program for Community College Graduates

The Ed Planning Committee also heard an update on efforts to facilitate the transfer to UNC campuses of students who have completed an associate degree at a community college. With the implementation of the Comprehensive Articulation Agreement in 1997, the number of community college graduates who transfer to the University has grown steadily, and last year we enrolled nearly 6,800 community college transfers. Several UNC campuses already accept all transfer students with an associate degree and at least a 2.0 average, so there is always a campus available within the University. I am extremely pleased that we will be working with our colleagues in the Community Colleges to promote an Assured Admissions Program for community college graduates

with an associate degree and 2.0 average, and will develop a technical solution via CFNC.org—our web-enabled portal—to help direct community college transfers who may not be admitted at their campus of choice to those campuses that do have available capacity.

UNC Sponsored Program Activity, FY 2004

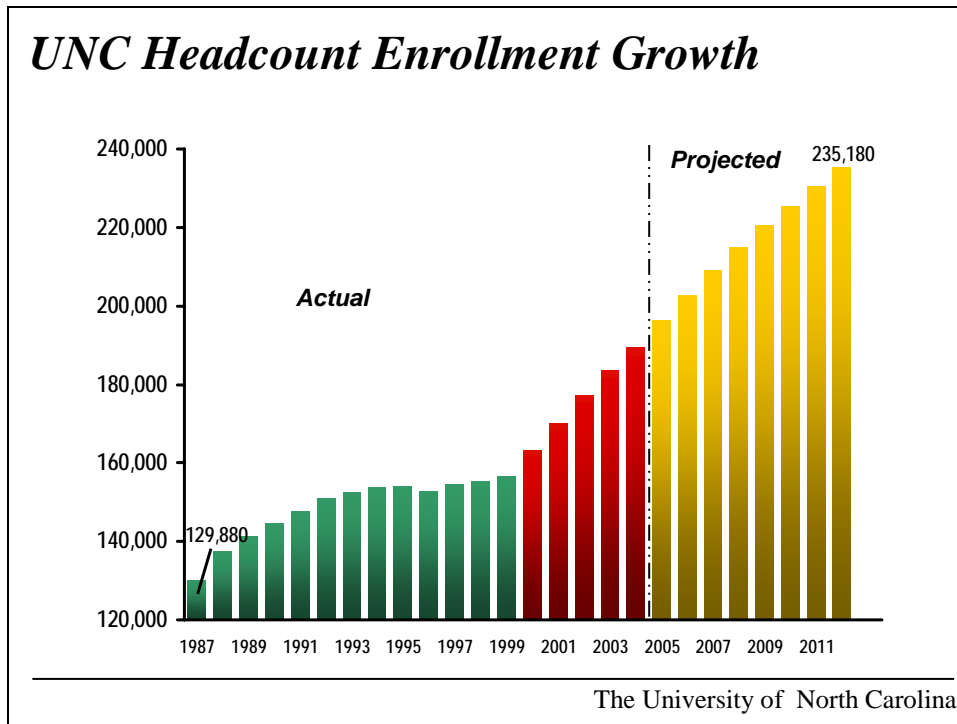
The Planning Committee also received a summary report from Vice President Russ Lea on competitive grants and contracts received by our campuses for research and other sponsored programs, and a copy of that presentation has been provided in your packets. In fiscal 2004—for the first time in its history—external awards to the University for research and other sponsored programs exceeded \$1 billion. This is a remarkable achievement. It represents an 8-percent increase over the previous year, and contributes to a five-year gain of 69 percent.

University Equity Acquisition Policy

Recognizing that our campuses occasionally have the opportunity to acquire equity in companies in relation to inventions that emerge from research or tech transfer, the Committee also reviewed a proposed University Equity Acquisition Policy. As explained by Vice President Lea, equity agreements are usually structured to promote technology transfer whenever cash reserves for new companies are not available for payment of intellectual property rights. This policy has been designed to limit issues of institutional conflicts of interest, as well as conflicts of interest of university inventors, departments, schools, and technology transfer offices and officers.

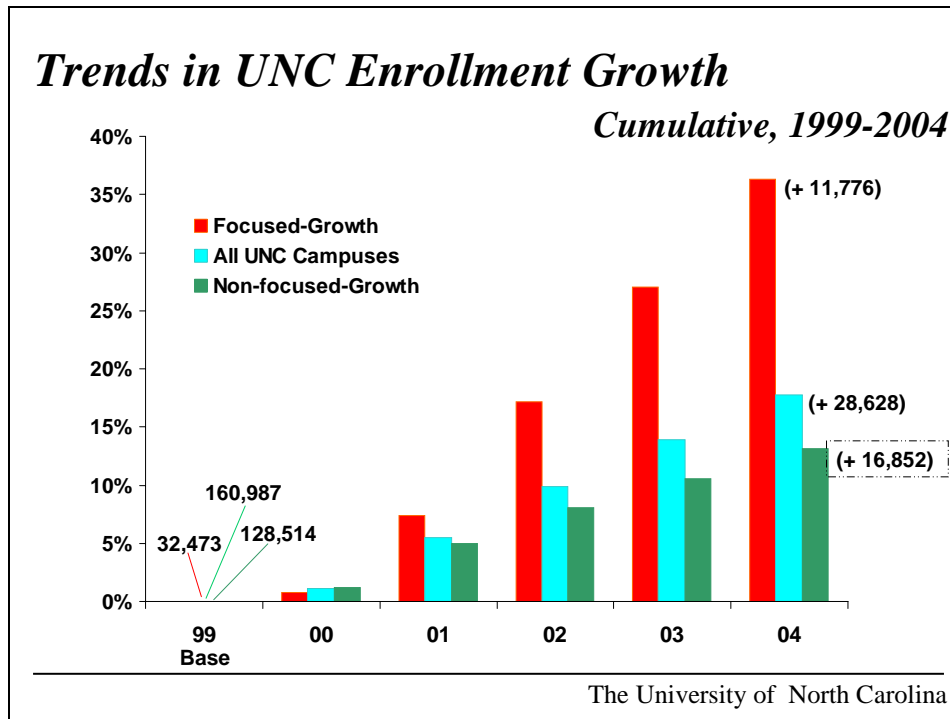
Progress Report on UNC Focused-Growth Institutions

You have at your places a copy of a five-year progress report on the efforts of our seven focused-growth campuses to help the University accommodate unprecedented enrollment demand. It documents a remarkable success story that is still unfolding, and I encourage you to review it carefully. While I won't attempt to address the report in detail this morning, I would like to take a few moments to call your attention to some of the highlights.



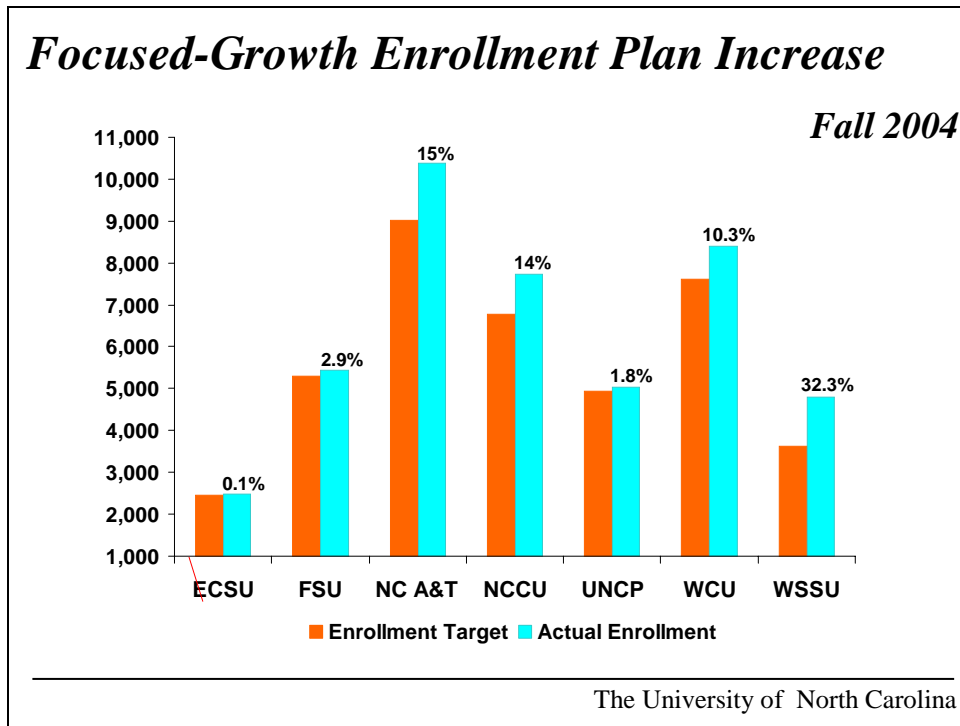
Visual 1: UNC Headcount Enrollment Growth:

- You will recall that to ensure that UNC would be prepared to accommodate enrollment growth projected for the first decade of the 21st century, the Board of Governors adopted its first ten-year enrollment plan in 1998. By this time, six campuses already were at or beyond their physical capacity, a significant factor leading to the 2000 Higher Education Bond Program.
- As part of a larger strategy to expand access to and participation in higher education, the plan sought to achieve more effective utilization of existing facilities, along with dramatic enrollment growth at those campuses with underutilized facilities and the physical capacity for future expansion.
- Every UNC campus assessed its ability to increase enrollment and adopted appropriate targets for growth over the decade. In consultation with the chancellors and local boards of trustees, seven UNC institutions with excess physical capacity and smaller enrollments were designated as “focused-growth institutions.” These campuses included UNC’s five HBUs, UNC Pembroke, and Western Carolina University.
- As this graphic reveals, data from the first five years covered by the plan (shown here in RED) confirm a sustained trend of extraordinary enrollment growth across UNC. Our campuses have absorbed nearly 29,000 additional students over this five-year period. That’s akin to adding the student body of North Carolina State University. As you can see, this dramatic growth is expected to continue through at least 2012.



Visual 2: Trends in UNC Enrollment Growth, Cumulative, 1999-2004

- As shown in this visual, during this same five-year period, the seven focused-growth institutions grew at more than double the rate of the University overall and at three times the rate of UNC's non-focused-growth institutions.
- Between fall 1999 and fall 2004, enrollment on these seven campuses grew by an astonishing 36 percent, or nearly 12,000 students



Visual 3: Focused-Growth Campuses—Increase Over Enrollment Plan

- While all focused-growth campuses met their enrollment targets established for 2004, some exceeded them substantially.
- As a group, the focused-growth campuses have exceeded their enrollment targets by about 4,500 students, or 11.4 percent.

Focused-Growth Enrollment Change Funding

1999-2005

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	Total
ECSU	(36,109)	56,665	1,077,085	0	469,265	0	1,566,906
FSU	709,501	1,639,500	0	2,468,290	3,794,053	56,588	8,667,932
NC A&T	(1,214,714)	255,852	1,689,357	5,924,758	2,965,792	6,472,423	16,093,468
NCCU	774,012	359,616	0	1,742,325	1,631,679	3,305,358	7,812,990
UNCP	832,695	209,318	2,915,620	4,160,022	3,169,982	1,718,755	13,006,392
WCU	691,743	225,290	483,654	1,655,952	899,589	4,272,242	8,228,470
WSSU	860,472	217,222	1,778,863	0	4,467,873	6,429,739	13,754,169
TOTAL FG	2,617,600	2,963,463	7,944,579	15,951,347	17,398,233	22,255,105	69,130,327

The University of North Carolina

Visual 4: Enrollment Change Funding to Focused-Growth Campuses, 1999-2004

- Despite serious pressures on the state budget, the Governor and General Assembly have each year fully funded the Board's budget request for enrollment growth.
- As a result, the focused-growth campuses have received more than \$69 million in new enrollment funds to support this unprecedented influx of new students.

Impact of Special State Funding

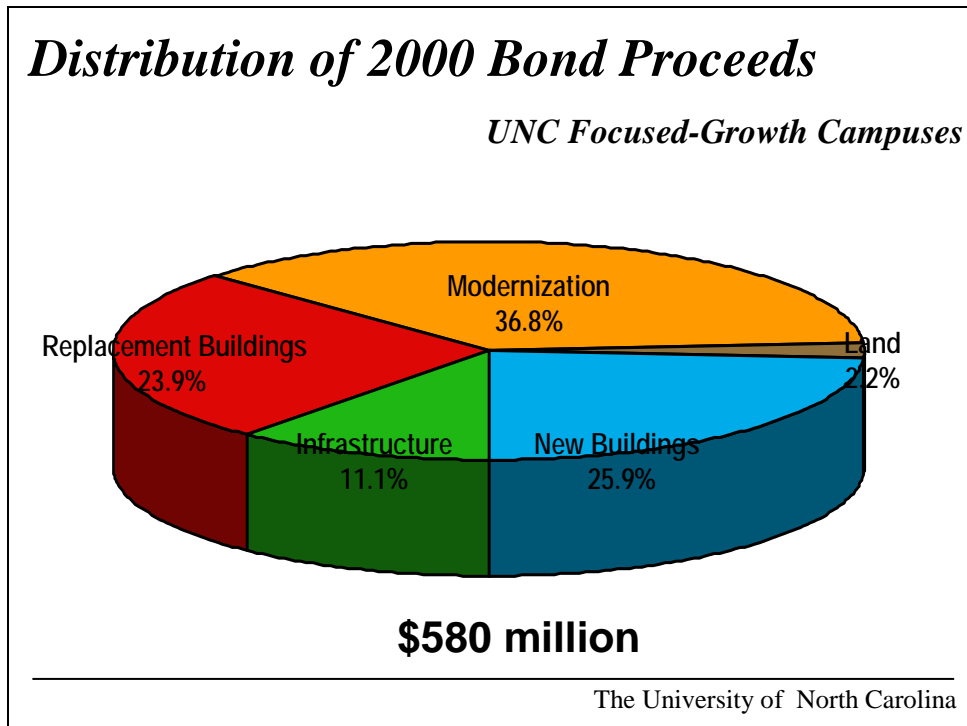
Focused-Growth Campuses

	2004-05 Appropriations Per Student	2004-05 Appropriations Per Student without Focused-Growth Funds included	Difference	Percentage Increase
ECSU	\$11,868	\$10,174	\$1,694	17%
FSU	8,033	7,251	782	11%
NC A&T	7,778	7,327	451	6%
NCCU	8,339	7,702	637	8%
UNCP	9,013	8,148	865	11%
WCU	7,867	7,395	472	6%
WSSU	10,678	9,679	999	10%
AVG	\$9,082	\$8,239	\$843	10%

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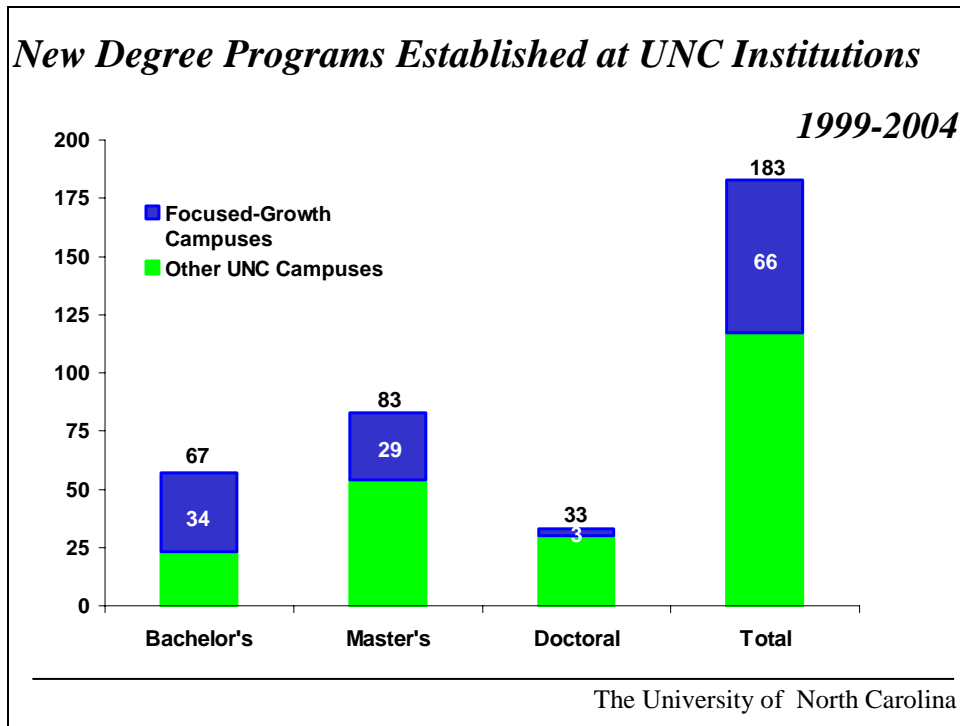
Visual 5: Impact of Special State Funding at Focused-Growth Campuses

- In order to aggressively strategize and position themselves to meet dramatic enrollment demands, these seven campuses needed additional resources.
- The 1999 session of the General Assembly appropriated \$10 million in recurring funds and directed the University to use an additional \$2 million from the President's Strategic Initiative Reserve to perform campus assessments and develop enrollment growth plans for each institution.
- On an ongoing basis, the focused-growth institutions have used these funds to develop comprehensive enrollment growth plans, improve instruction, develop new academic programs, promote greater operating efficiencies, enhance development offices, strengthen facilities management capabilities, and reduce additional stresses on campus services associated with enrollment growth.
- In response to the request by the Board of Governors for additional support, the 2001 General Assembly provided nearly \$2.3 million in recurring funds, while in 2002-2003, the legislature provided another \$11 million in recurring funds.
- Beyond significant enrollment-growth funding (\$69 million) and other funds made available by the General Assembly, this series of special appropriations has increased the annual operating budgets of these campuses by more than \$28 million. Another \$8.6 million has been provided on a one-time basis. On average, in 2004-05 these campuses have nearly \$850 (10%) more per student available to them solely as a result of the focused-growth initiative.



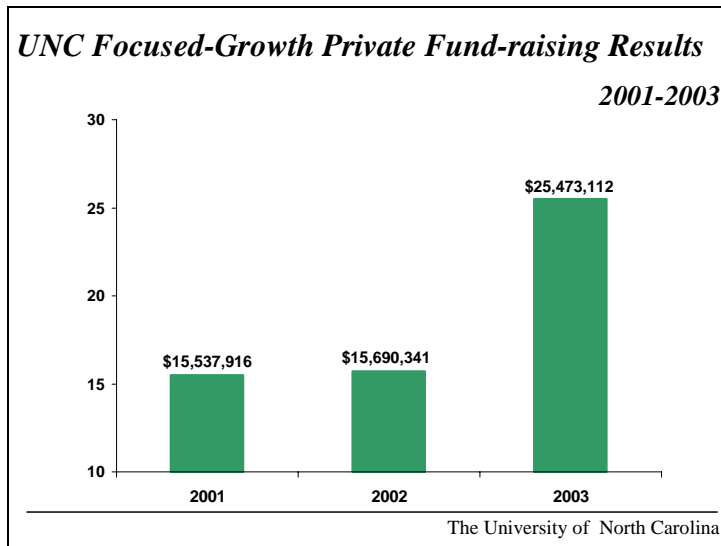
Visual 6: Distribution of 2000 Bond Proceeds

- Today it is nearly impossible to visit any UNC campus and not be awed by the physical transformation taking place as a result of the 2000 Higher Education Bond Program. The impact of the Bond Program has been particularly dramatic at the focused-growth campuses, since the bonds have made possible a record investment in the state's public HBUs and other UNC campuses with smaller enrollments. Proportionately, campuses with smaller enrollments have had a larger share of their capital needs met through the bond program.
- The state's unprecedented capital investment in the focused-growth institutions via the 2000 Bond Program totals \$580 million—more than these seven campuses had received in capital appropriations and statewide bond issues since they were brought into the University in 1972.
- As this visual reflects, about half of the bond funds are providing new or replacement buildings, while the bulk of the remainder is being targeted toward major renovations and infrastructure improvements.
- Without question, the modern classroom buildings and sciences facilities, new residence halls, and extensive infrastructure improvements emerging from the bond program are helping these campuses attract students, faculty, and expanded private support.



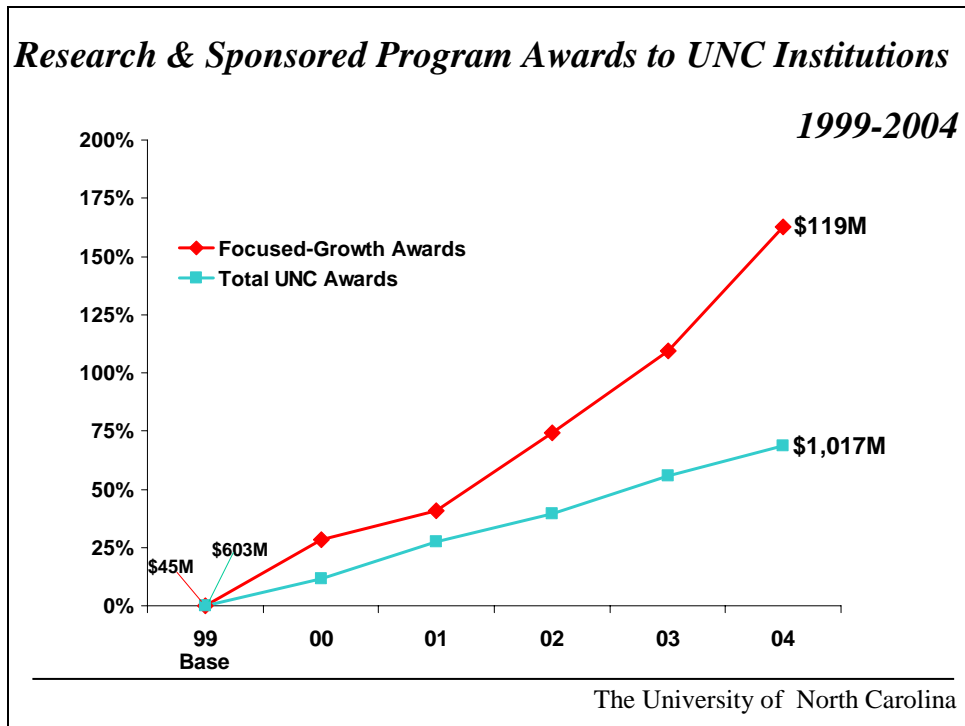
Visual 7: New Degree Programs Established at UNC Institutions, 1999-2004

- Since 1999, the Board of Governors has approved the establishment of 66 new academic degree programs at the focused-growth campuses, including 29 at the master's level and three at the doctoral level. Numerous others are in the pipeline.
- More than \$1 million of the focused-growth funds made available by the General Assembly has been used to create a revolving pool of funds to help these seven campuses develop and launch new degree programs. This seed funding has enabled the campuses to speed program planning and development, secure needed equipment and technology, and establish state-of-the-art programs.



Visual 8: Focused-growth Private Fund-raising Results, 2001-03

- Major fund-raising requires a long-term commitment of resources, people, and energy, and established advancement programs achieve success incrementally and progressively.
- The Office of the President continues to enhance advancement efforts of the focused-growth campuses by providing capacity-building and fund-raising resources that benefit each campus. Recurring focused-growth dollars have been used to fund specific operating expenses, as well as nearly 40 positions that were identified by the campuses as essential to increasing fund-raising capacity.
- In addition, at the request of the Board of Governors, the 2003 General Assembly modified matching requirements for the Distinguished Professors Endowment Trust Fund to facilitate greater participation in this important program by focused-growth and smaller campuses.
- As a result, the focused-growth campuses already are demonstrating great momentum. At the end of the first year of the focused-growth initiative (FY 2001), the seven campuses collectively reported private fund-raising totals of \$15,537,916. Just two years later (FY 2003)—with the infusion of financial and personnel resources noted above—the collective total had risen to \$25,473,112, a dramatic improvement.



Visual 9: Research and Sponsored Program Awards to UNC Institutions, 1999-2004

- With grant funding from the National Science Foundation, the University has launched a Technology Development Initiative (TDI) to build greater capacity on every campus to transfer faculty research and innovations to the marketplace. To encourage faculty, students, and staff to transfer innovations to the marketplace, the Office of the President has also organized resources to support commercialization across the focused-growth campuses.
- Consequently, the volume of research and sponsored program activity being conducted by faculty on the focused-growth campuses more than doubled between FY 1999 and FY 2004, soaring from \$45.3 million to \$119.0 million.
- As I mentioned earlier, the volume of University-wide grants and awards has grown by about 69 percent over this five-year period. As this visual reflects, it has jumped by an astounding 163 percent on the focused-growth campuses.

Concluding Comments:

Without question, the focused-growth campuses are meeting their commitment to dramatic enrollment growth during this decade. Between fall 1999 and fall 2004, enrollment on these seven campuses grew by an astonishing 36 percent, more than double the overall growth rate of the 16-campus University and three times the rate of the non-focused-growth campuses. Such results would not have been possible without unprecedented levels of public investment made available through the 2000 Higher Education Bond Program, special focused-growth funding appropriated through the General Assembly, and ongoing support from the this Board of Governors and Office of the President.

In combination, these critical infusions of funding and support have enabled the focused-growth institutions to modernize and expand their physical facilities, develop comprehensive enrollment growth plans, improve instruction, develop new academic programs, promote greater operating efficiencies, strengthen institutional capacity in fund-raising and facilities management, and reduce additional stresses on campus services associated with enrollment growth. As a result, these campuses are in far better physical condition, stronger academically, and strategically positioned to thrive and prosper as they serve North Carolina in the years ahead.

Mr. Chairman, this concludes my report.