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Molly Corbett Broad
President's Report to the Board of Governors
UNC General Administration Building Board Room
July 9, 2004
11:00 a.m.

As you are well aware, in just a couple of weeks Senior Vice President J.B. Milliken will become president of the four-campus University of Nebraska.

Over the past six years, J.B. has been remarkably effective in bringing diverse groups of University supporters and constituents closer together, best exemplified by his key role in securing passage of the 2000 Higher Education Bond Program. In addition, he has been extraordinarily successful in building and strengthening our statewide and federal government relations infrastructure and has greatly enlarged the University's role in statewide economic development. We are stronger and better equipped to face the future because of J.B.'s efforts, and I am immensely grateful to have benefited from his hard work, wise counsel, and political intuition.

While the General Assembly has yet to approve the 2004-05 state budget, final action is expected to occur within a matter of days. As was discussed earlier today during the Public Affairs Committee, most items related to the University's operating budget are no longer in contention.

Given the state's ongoing fiscal challenges, both chambers of the General Assembly have been extremely supportive of the University. It is now certain that the budget will fully fund projected UNC enrollment growth and—as this Board recommended—draw on escheats to expand our Need-based Financial Aid Program. It also will provide important new funding for the Distinguished Professors Endowment program, our focused-growth institutions, and several economic development initiatives, including bioprocessing initiatives at NC Central University and NC State University.

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After three years without meaningful state appropriations for salary increases, we are grateful that the legislature is expected to provide a 2.5-percent increase in the University's salary pool for faculty and other EPA employees. We should acknowledge that all SPA employees will receive increases of \$1,000 or 2.5 percent, whichever is higher.

Permanent cuts assigned to our 2004-05 campus operating budgets have been lowered in the Conference Committee, and there is agreement that the University should have full flexibility to determine how best to carry out required reductions. Importantly, this budget will not include tuition increases beyond those approved by the Board of Governors, nor the diversion of overhead receipts earned through campus research activity. In the current environment, these are very significant achievements, and we should let legislators know how much we appreciate their support on these issues.

We will keep you apprised of new developments.

As the spring semester came to a close, the entire University community was stunned and saddened by the tragic deaths of two students attending UNC Wilmington. I would like to publicly commend Chancellor DePaolo for the compassionate leadership and strength she has exhibited throughout this ordeal, and for the very straightforward and thoughtful manner in which the campus has responded and facilitated the healing process.

In the wake of these recent events, as well as tragedies involving students at other UNC campuses in recent years, we have a responsibility and a shared resolve to ensure that we are doing everything possible to provide a safe environment on each and every UNC campus.

Without question, all of our campuses currently commit significant resources to promoting the safety of our students and employees. Every campus, for example, has a standing committee on campus safety, a crisis management team, and/or a working task force on campus safety, sexual assault, or related safety issues. There are numerous ongoing education and awareness programs provided on every campus, as well.

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But our campuses cannot become walled camps. We serve more than 183,000 students and employ more than 30,000 faculty and staff. A commitment to access and openness defines the very essence of the American university, and we must strike a careful balance between preserving those historic tenets and ensuring the safety of the campus community. Recent events will undoubtedly prompt our campuses to carefully review their applicable policies and procedures. Likewise, it is important that we look across the entire University to gauge whether or not further steps can be taken to improve or strengthen our current policies and regulations.

Last week, this office hosted the initial meeting of a University-wide Task Force on the Safety of the Campus Community. This group is exploring not only issues and options associated with the admissions screening process, but also best practices for improving the overall safety of the campus environment. With the assistance of Associate Vice President Bobby Kanoy, Vice President Leslie Winner, and other members of my staff, I would hope that this task force can work expeditiously and report back to me in September.

At our May meeting, each of you received a copy of *Responding to a New Imperative*, a report by the North Carolina Business-Higher Education Foundation that showcased the mid-term progress of the \$3.1-billion Higher Education Bond Program passed in 2000. Just last week, the legislature's Higher Education Bond Oversight Committee echoed the report's finding that the bond program is moving forward on schedule and on budget. The Oversight Committee noted that favorable market rates have resulted in cost savings during the first three years of the bond program, and that participation by historically underutilized business (HUBs) has increased. Within the University, our HUB participation rate is now over 14 percent.

As the Budget and Finance Committee heard yesterday, the UNC Bond Program is shifting into a new phase of activity. Just past the mid-way point, this is truly a *construction* program now. More than 50 bond projects have now been completed, and committed bond funds for projects in design or construction is now well beyond the \$1-billion mark.

As we move forward, we are carefully monitoring market trends—such as those affecting the price of steel, concrete, and other raw materials—to ensure that this bond program remains on

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track. Each and every one of our chancellors understands that the next 18 months—which will bring an unprecedented level of construction activity across the University—is absolutely crucial to the overall success of this bond program. And I assure you that we fully intend to make good on the pledge of accountability we made to the voters of this state in November 2000.

Mr. Chairman, this concludes my report.