

APPENDIX C

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President's Report to the Board of Governors
UNC General Administration Building Board Room
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Update on Legislative and Budget Developments

The 2004 session of the General Assembly convened on Monday, and what a difference a year makes. While our state's economy isn't out of the woods yet—by any stretch of the imagination—for the first time in recent years legislators have begun their budget deliberations with a revenue surplus instead of a sobering budget shortfall.

Also on Monday, Governor Easley released his proposed 2004-05 state budget, and we are grateful that his proposal is very well aligned with some of this Board's highest legislative priorities. His draft budget would fully fund projected UNC enrollment growth and, as this Board recommended, would again draw on the state's Escheats Fund to support and enlarge our Need-Based Financial Aid Program. It also would provide important new funding for the Distinguished Professors Endowment program, the UNC Center for School Leadership Development, and several economic development initiatives, including bioprocessing initiatives at North Carolina Central University and North Carolina State University.

Importantly, debt service on the 2000 higher education bonds would be covered. And the Governor also proposes a 2-percent salary increase for most state workers, including those in the University, as well as a one-time bonus of \$250.

On the other hand, the Governors' draft budget would impose permanent cuts to the University's operating budgets totaling \$28.5 million, coupled with additional non-recurring cuts of approximately \$5.7 million. Importantly, he recommends that the University have full flexibility in administering these proposed reductions. You are well aware of the cumulative impact of repeated reductions in the University's budget, and it is crucial that they be kept to a minimum.

In related action, the Joint Select Committee on Economic Growth and Development recently forwarded its final report for consideration by the General Assembly. Some of that committee's recommendations are consistent with our efforts to promote targeted research and development and to respond to pressing health needs in the state.

We will keep you apprised of new developments as we continue to work with Governor Easley and the General Assembly in the weeks ahead.

Grant Activity Within the Office of the President

As we acknowledged earlier in this spring, research and other sponsored program awards to faculty across our 16 campuses have continued to grow at a remarkable rate over the past decade, rising from \$425 million in Fiscal Year 1993 to \$941 million in Fiscal 2003. I'm particularly pleased that within the Office of the President, our success in attracting grant funding for University-wide or multi-campus initiatives has mirrored this upward trajectory, totaling \$26 million for fiscal year 2003. To name just a couple of recent examples:

In partnership with the North Carolina Community College System, the NC Department of Commerce, and others, we are participating in Project HEALTH, a joint effort to enable displaced North Carolina workers to be trained as registered nurses. This effort is being funded by a \$1.5-million grant from the U.S. Department of Labor, with an additional \$100,000 coming from the Commerce Department. UNC's primary role is to produce more master's-level nurse educators who would serve as regular and clinical faculty in expanded community-college nursing programs. To that end, UNC will use its \$342,000 share to provide one-and two-year fellowships for master's degree candidates who commit to teach in a community college nursing program. Within this two-year period, we expect to train 21 fully-qualified nursing faculty members, enabling the community colleges to enroll larger numbers of nursing students.

Also in keeping with our efforts to address changing workforce needs, the Sloan Foundation has awarded a \$45,000 grant to the Office of the President for a needs assessment to guide the development of Professional Science master's degree programs.

Reflecting the complex set of skills needed to compete in today's biotech marketplace, such degree programs would blend a traditional science curriculum with supplemental coursework in business and management, informatics and computation, law, and communications.

In a related vein, the Office of the President has just funded four multi-institutional proposals—all led by UNC campuses—to develop advanced research and education applications in computational science, computer science, high-performance computing, and information systems. Funding for these competitive seed grants, which total \$2.3 million over two years, comes from the legislative appropriation originally earmarked for services provided by the NC Supercomputing Center, which closed last summer. The intent is to help fill the resource vacuum in the higher-education community created by the loss of the Supercomputing Center, *and* to leverage existing and emerging IT infrastructure across North Carolina.

While four UNC campuses—Appalachian State University, UNC Asheville, UNC-Chapel Hill, and UNC Wilmington are the primary or lead institutions in this ambitious project, they will be partnering with eight other UNC campuses, as well as three community colleges and three private universities.

Changing of the Guard Within the University

I need not remind you that this is the season of commencement, perhaps the most important and symbolic event in the life of a university. Over a span of several weeks, our 16 campuses will award well over 30,000 undergraduate, graduate, and professional degrees. Our ultimate goal, of course, is that these new graduates leave equipped to continue the learning process *throughout* their lives.

As noted earlier, several of our campuses are in the midst of important transitions as they experience a changing of the guard within their senior leadership. In recent weeks, Rosemary DePaolo and T.J. Bryan were formally installed in office. Steve Ballard takes the helm at East Carolina on June 1, and Ken Peacock will officially move into the role of

chancellor at Appalachian as of July 1. And in the next few weeks, I plan to identify an interim chancellor to succeed Marye Anne Fox at NC State.

These transitions are, in part, a reflection of the age profile of our chancellors. But they also are consistent with national patterns on the longevity of chancellors in these increasingly complex and demanding jobs. I am confident that you will do everything possible to help these new leaders make a smooth transition into the life of the University.

National Trends in the Supply and Demand of University Faculty

Across UNC, we also are approaching a major transition within the faculty that has serious implications for the future. Continuing a trend we have witnessed in recent years, more than 200 UNC faculty will retire this spring. The vast majority (more than 75%) have been with the University for more than 20 years. Nearly half have been with the University for 30 years or more. The loss—in one fell swoop—of hundreds of our most seasoned and experienced teachers and researchers underscores the hiring challenge we face in a period of unprecedented enrollment growth.

I recently was asked to speak at a national conference sponsored by the TIAA-CREF Institute that addressed the collective challenge universities across the U.S. will face in finding and keeping faculty in the years ahead. Today I'd like to share with you a few key points that bring that challenge into sharper focus.

Nationally, university faculty are aging along with the general population, with dire implications for the future. Large numbers of faculty hired in the 1960s and 1970s in response to the baby boom are in their 50s and 60s and approaching traditional retirement age, just as the “echo boomers” are enrolling in unprecedented numbers. Already, the percentage of instructional faculty at our nation’s two- and four-year institutions who are under age 40 has declined below 25 percent. The percentage of all faculty over age 55 is approaching 40 percent. In the not too

distant future, this large cohort of older faculty will retire, and we must ask ourselves, “Who will replace them?”

During the 2001-02 academic year—the most recent year for which national statistics are available—U.S. universities conferred just under 40,000 doctorates, marking a 6% decline since 1998.

If you look at national trend data from the past 30 years, you find that some fields have gained in the relative share of doctorates awarded, while others have lost ground. Fields experiencing steady or significant gains include the biological sciences, computer sciences, health sciences, and engineering. No surprise there. Yet in the humanities and social sciences, most fields barely held their own, with Ph.D. production in many fields now below 1972 levels. Even in core academic fields such as chemistry, mathematics, and physics and astronomy, the number of doctorates awarded in 2002 fell below 1972 levels.

U.S. citizens received only 70 percent of all doctorates earned in 2002, continuing the steady increase in foreign doctoral enrollment. The number of doctorates awarded to U.S. citizens actually declined slightly over the past 30 years, while foreign students on temporary visas accounted for virtually all of the overall growth in the number of doctorates awarded. The five leading countries of origin for foreign students are China, South Korea, India, Taiwan, and Canada. China alone accounts for 7 percent of all U.S. doctorates awarded. Foreign students are concentrated in the natural sciences and engineering fields, accounting for more than half of all U.S. enrollments in these areas.

Among U.S. citizens, only 55% of those with firm employment commitments cited education as their intended work sector. About 30 percent of those with post-graduation commitments planned to enter a postdoctoral study program, the highest level ever recorded in the Survey of Earned Doctorates.

Each of these trends contributes to a growing set of challenges associated with ensuring a sufficient pool of faculty for the future. We know that there is no single solution. Within UNC, we are pursuing several strategies grouped around greater management flexibility,

more competitive personnel policies and programs, a phased retirement program for faculty, and the use of surveys targeted at faculty in varying stages of their careers.

Higher education has never been more important to economic competitiveness, and we are not alone in this realization. Other nations are implementing economic development strategies founded on increasing their college-going rates and investing in technology and research infrastructure. In such an environment, successfully overcoming the challenge of recruiting and retaining high-quality faculty in sufficient numbers is a prerequisite to maintaining the superiority of American universities. Failure cannot be an option.

In Celebration of Teaching:

With that in mind, let me remind you that at our luncheon today, we will celebrate the core mission of this University: teaching and the transmission of knowledge. We will honor 16 of the University's best and brightest professors—a varied group that reflects a wide array of academic disciplines and teaching styles. All have in common, however, a deep-seated love of learning and a gift for inspiring excellence in students and colleagues alike. This is an important and symbolic event in the life of this University, one that shouldn't be missed.

Mr. Chairman, this concludes my report.