

APPENDIX A

Molly Corbett Broad
President's Report to the Board of Governors
UNC General Administration Building Board Room
November 8, 2002
11:00 a.m.

The 2003-05 Budget Request

As was discussed during today's meeting of the Public Affairs Committee, the General Assembly that convenes in January will have a much different composition from the one that adjourned a few short weeks ago. Under the best of scenarios, we know that we once again will be called upon to meet escalating enrollment demand in a period of scarce financial resources.

As we catch our breath from the so-called "short" session and look ahead, we are well aware that the state's economic health remains tenuous and uncertain. In addition to implementing University-wide cuts required by the 2002 state budget, our chancellors are also managing necessary reductions in monthly cash allotments imposed by the Office of Budget and Management. Nonetheless, we are immensely grateful that Governor Easley has stood firmly by his commitment to protect all sectors of education to the fullest extent possible. It remains to be seen whether these mandatory allotment reductions will remain at current levels or extend throughout the fiscal year.

Against such a backdrop, you will consider today the adoption of a University-wide budget request for the 2003-05 biennium, one that meets this Board's statutory obligation to present to the Governor, the General Assembly, and the people of the state the true needs of the University, whatever the current fiscal outlook. As was discussed yesterday in the Finance Committee, it represents our best estimate of the resources required to preserve and expand affordable access to the University, attract and retain the best faculty and staff, sustain academic quality, and respond to critical state needs related to the public schools, health care, and economic development and competitiveness.

It is a large request, and we are realistic about the likelihood that it can be fully funded in this biennium; however, it is important that the Board provide a clear statement of the investment required for the University to meet the expectations of North Carolinians. It is our hope that it will enable the Governor and legislators to make more informed decisions about the University's most pressing needs and highest priorities.

Let me say just a word about the request for academic salary increases. Given the 2002 General Assembly's inability to provide *any* appropriations for salary increases for University and most other state employees, and given the lack of any appreciable increase in 2001, it is increasingly difficult to attract and retain the best UNC faculty and

administrators. The quality of a university rests squarely on the quality of its faculty, and we ignore that truth at our own peril.

We are extremely sympathetic to sentiments expressed by faculty members concerning the importance of merit-based salary adjustments. There is complete agreement on that score; however, our ability to offer meaningful adjustments on the basis of merit is wholly dependent on an adequate pool of funding for this purpose. With no state appropriation for academic salary increases in the current year, to suggest that we were in a position to provide widespread merit increases would have raised expectations that could not possibly be met. We simply were not willing to engage in what would have amounted to a cruel hoax. The budget request before you seeks the funding required to address this pressing need in the next biennium. And while the salary request for the University's SPA employees is not within the purview of the Board of Governors, we must publicly acknowledge that the lack of competitive salaries for these critical support positions is an area of growing concern approaching crisis proportions. We must press in the coming legislative session to address salaries for our critically essential support personnel, those covered by the SPA designation.

In keeping with the identification of Access as the Board's highest priority, full funding for projected enrollment growth and incremental expansion of UNC's Need-Based Financial Aid Program form the largest item in the expansion request.

Another critical component of the expansion request responds to the imperative that North Carolina reshape and strengthen its economy, and I'd like to speak to it briefly. You will recall that UNC has used recent state investments in faculty research to capitalize on increased federal funding for research in areas of strategic importance to North Carolina. In this same vein, the Public Service component of the request would position the University to play a more active role in fostering statewide economic development. Building on a concept we first broached to the Rural Prosperity Task Force several years ago, the Governor's Economic Development Board has encouraged us to create a one-stop electronic "portal" that would enable state government agencies, businesses, and not-for-profits to readily access the full array of economic development and public service resources across the University. A proposed Economic Development Alliance would provide the critical intellectual support for the portal and related tools rely.

To envision the potential of such a service, one need only consider the extensive reach and phenomenal success of CFNC.org, North Carolina's central portal for prospective college students and their parents. As you've heard in Planning Committee updates, CFNC has taken much of the mystery and confusion out of the college decision-making process, providing a single, convenient "gateway" that offers direct access to every college and university in the state, as well as all the information students and their parents need to plan for, apply for, and pay for college. The economic-development counterpart to CFNC would provide citizens across the state with a single point of initial entry to locate pertinent information and resources on any of our 16 campuses, and well as tap the

expertise of our Small Business and Technology Development Centers and other University affiliates.

2002 Enrollment Continues Strong Growth Trend

Yesterday Dr. Mabe provided a comprehensive report on University enrollment during the Board's Planning Committee meeting. That final report confirms a sustained trend of extraordinary enrollment growth across the University. Despite severely constrained resources, our campuses continue to deliver on the promise of access and opportunity conveyed during the 2000 bond campaign. University-wide enrollment is up by nearly 7,200 students, reaching a historic high of 176,967. This increase, larger than the entire student body of Western Carolina University, exceeded campus growth targets and budgeted enrollment by more than 1,300 students.

Copies of the report are in your folders, and let me take just a moment to mention a few highlights:

- Every UNC campus experienced growth. Seven absorbed more than 500 additional students this fall. Another came just one student shy of that threshold, and ECU absorbed more than 1,100.
- We experienced significant growth in every identified racial category, with minority enrollment increasing at more than double the rate of white enrollment.
- Enrollment growth was especially strong among our focused growth institutions, critical to managing University-wide growth over the decade. We are now seeing very tangible results of legislative support provided to help these smaller campuses build capacity in enrollment management, fundraising, and other areas.
- For the third year in a row, student demand for distance education grew by more than 20 percent. More than 11,200 students (a cohort larger than the student body of UNC Wilmington) enrolled in courses taught at a distance, including more than 2,750 who also were taking regular on-campus courses.

UNC to Participate in Global Access Project

Turning to other matters, I'm pleased to report that the University of North Carolina is one of only ten institutions chosen to participate in a pilot Global Access Project sponsored by the American Association of State Colleges and Universities and the U.S. Department of State. The goal of the two-year project is to increase student's understanding of international affairs and the work of the State Department, and to stimulate interest in careers in the field of international relations and public diplomacy. Our participation is in keeping with the strategic priority the Board of Governors has placed on producing UNC graduates who are capable of functioning effectively in a multiethnic and global society.

Mr. Chairman, this concludes my report.