

APPENDIX A

PRESIDENT BOWLES' REPORT BOARD OF GOVERNORS MEETING JANUARY 13, 2006

After introducing several of the chancellors and representatives of affiliated organizations in attendance at the meeting, President Bowles remarked as follows:

As most of you all know, since I have driven you absolutely crazy with questions, I've tried to do all the homework I could possibly do to get myself prepared for this job. One of the things that came to me as a part of that homework is an enormous respect for my predecessor. I believe the history books will look back on the years of Molly Broad's reign as president of this organization with enormous respect. All you have to do is walk around any of the campuses to see what an extraordinary job she did in leading that bond campaign to make the remarkable changes that have occurred on the campuses possible. However, she has also done things like the College Foundation of North Carolina that have made it possible for literally hundreds of thousands of North Carolinians to have a chance to go to college. That is an effort Molly pushed over and over again. Therefore I am telling you, I have remarkable respect for this woman and I want you to please give her a round of applause.

While I think we have made great progress in the last several years, and we owe all of you a debt of gratitude for that, I think we have two really enormous challenges ahead of us in the days ahead. I think we as a state and we as a University are facing what I would consider to be an *economic tsunami* heading our way. All of us have seen the enormous change that has occurred in the economy of North Carolina because of the losses in the textile, apparel, and furniture industries. However, we haven't seen anything yet, and if we don't get more people better educated, we are going to be in no position to face up to this tsunami that is heading our way.

Let me just give you one anecdotal example. In the little city-state of Singapore, over 40% of their eighth-graders scored at the most advanced level in math and science. In this country, less than 7% of our kids do. When you look at the NEAP (National Assessment of Educational Progress) scores in North Carolina, less than 34% of our kids are even proficient in reading, math, science, or writing, and less than 14% of our low-income kids are. And what happens to those eighth-graders today that we are depending on so greatly to compete in the new global market place? For every 100 eighth-graders, 58 graduate from high school, 38 go to college, 28 come back for the second year, and 18 come out of that pipeline with a college degree. That won't cut it in this new knowledge-based, global economy.

This was all right in my generation, when supposedly the best and brightest came out of that funnel, and we had a lot of low-skill but moderate-income jobs available. But as [Board of Governors member] Bunny [Sanders] and I talked just yesterday, those jobs are gone and they are not coming back. People who tell you, "Don't worry. America is going to create the next new thing," they better worry, because if we don't get more people better educated, that next new thing is not going to be created here. It is going to be created in China or India or Singapore, and those jobs of the future will be there and not here. We in this room have an enormous responsibility to get more people better educated.

I think our challenge is complicated by the next big challenge we face. That is the fact that we live today in a time of limited resources. If you look at the state budget—which we depend on for almost \$2 billion a year—it is under enormous pressure, particularly from Medicaid, which is eating the state budget alive. And because Medicaid and other areas have increased so much, there are fewer and fewer dollars to allocate to other priorities.

Don't let anybody tell you that our state is not very generous to higher education, because it is. Whether you look at the percentage of the state's budget and compare what we get to other states, or whether you look at it on a per capita basis, our state legislature is very generous to us. Yet we are in a time of increasing need. Look at the federal budget, which is under equal pressure. Of our \$1 billion of competitive research dollars, over two-thirds of it comes from the federal government. If you look at the rising cost of the entitlement programs—Medicare, Medicaid, Social Security—and look at our overseas involvements, you can see that the federal budget is also under enormous pressure. Those budgets are our two biggest sources of funding, and our third biggest source of funding is tuition. We have a commitment—not just a state constitutional requirement, but also a commitment as a people—to keep that tuition low. So we face enormous challenges in the future.

I want to tell you what I hope we can do about it. First of all, I commit to you that I am going to do everything that I possibly can. I am going to use all of my 30 years of practical real-world business experience. I am going to use every bit of financial acumen I can, as are our chancellors, to make sure that we manage this organization in the most efficient, effective manner we possibly can, to free up resources to educate these 196,000 kids. We are going to do everything we can to make sure we operate this place in a manner that you can be proud of, that any organization could be proud of. And secondly, we are going to do all we can as a team to make sure we do those kinds of things that will get more people better educated.

Let me tell you the prisms that I am going to try to look through as I think about each and every opportunity that comes to us. The first prism is we have to do everything we can to improve K-12. We have to. We have an enormous responsibility there. We affect it equally. If you think about it, we have a 9,000-teacher shortage in North Carolina. We are responsible for

turning out those teachers and we have a plan to meet that capacity need. We also have to raise the quality, since we are directly responsible for that. We have to make sure that we are turning out enough math and science teachers. And we are also responsible for making sure that we have a qualified principal in every school, because we train the principals and nothing happens without great leadership. So K-12 is the first prism I want to look through.

The second thing, as I have told [Community Colleges President] Martin [Lancaster] over and over again, is that we must have a seamless relationship with the community colleges. That means collaborate, collaborate, and collaborate at every opportunity. It just makes good common sense for the students and for the taxpayers.

The third prism is access and affordability. We have got to make sure that every qualified kid in North Carolina has a chance for higher education. That means low tuition. It means scholarships, and it also means utilizing these facilities we already have as much as possible. We can't continue to invest in bricks and mortar. So we have to use these facilities. It means, as we discussed with the chancellors yesterday, we've got to use them at all hours of the day and evening and on weekends. It means I have to convince the legislature that summer school just makes good common sense. We also have to make sure that we join the 21st century and that we duplicate throughout the system what's going on at East Carolina University, and that is we have got to really invest in distance education and continuing education. It is the future. It also makes good common sense because it is a way for us to increase our revenues without investing in bricks and mortar.

We're doing a good job today in getting kids into the University, but one of our big jobs and one of those prisms I am going to look through is that of keeping them here once we get them. Our retention rates are not acceptable. We have got to do better. We have got to get more

of these students better educated. There is no sense making an investment in them that first year to lose them in the second year. And not only do we have to retain them, we have to make sure they get a quality education. We have to make sure that they get those critical thinking skills, those problem-solving skills, and those communication skills. This is not just a vocational exercise we have here at this great University system. We have to make sure these kids are prepared to be the leaders of tomorrow. And we have to make sure they are prepared for the jobs that are going to be out there tomorrow. That means we have to focus on industries like advanced materials and advanced manufacturing, logistics, biotechnology, nanotechnology, and on teachers, healthcare professionals, and nurses.

We also have to keep up our commitment to public service, because we don't want to just turn out the captains of industry of tomorrow, we want to make sure we turn out our future community leaders. We have to maintain our commitment to research, to quality research. We need to do it for the advancement of mankind, but we also need to do it for our own economic well-being, for tech transfer and commercialization.

Most importantly, that last prism: none of it makes sense unless we have great faculty. We have to be able to attract and keep great faculty, and we have to provide them with facilities and the equipment they need to do their jobs because they are our biggest asset and we have to be able to compete nationally for the best faculty we can get.

I commit to you today that these are areas that I am going to focus on and our team is going to focus on. But none of it will happen unless all of us in this room decide that we are going to work together as one University. I committed to the chancellors yesterday that our number-one priority at General Administration will be to make sure that we do all we can to help them. They are the guys on the ground making it happen. And they committed to me that they

would work together. I want to promise you that our group that works for this Board of Governors is going to wake up every single day thinking about just one thing: those 196,000 students that we have responsibility for and what we can do today to make sure that they get the knowledge they will need to succeed in both life and work.

Thank you, Mr. Chairman.