

APPENDIX S

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President's Report to the Board of Governors
UNC General Administration Building Board Room
September 10, 2004
10:00 a.m.

INTRODUCTION OF CHANCELLORS AND REPRESENTATIVES OF AFFILIATED ORGANIZATIONS

- As an outgrowth of dedicated financial support from the General Assembly and the ongoing emphasis this Board has placed on establishing degree programs that respond to emerging state needs, we have witnessed important progress on our focused-growth campuses in recent years, particularly in the area of graduate study. In this regard, A&T has reached a notable milestone this year. With 21 doctorates awarded in three different areas of engineering in 2004, and with a total of 35 Ph.D.s awarded over the past three years, the campus has now exceeded the threshold requirements for classification by the Carnegie Foundation as a “research intensive” university. A&T is now positioned to become the first public HBU to establish itself as a research institution. Chancellor Renick and Provost Carolyn Meyers are to be commended for this phenomenal achievement, they certainly are not resting on their laurels. A&T is already in the process of planning two additional Ph.D. programs.

It has now been five years since we established peer institutions for each of our 16 campuses. In the meantime, as exemplified by A&T, many campuses have experienced significant expansion of academic programming, dramatic increases in research productivity, and considerable enrollment growth. Given such developments, it is appropriate that during this coming year, the Board's Planning Committee will undertake a review of identified campus peers, one that will coincide with the Carnegie Foundation's issuance early next year of a new classification system.

- We welcome Dr. Barnhardt to his first meeting as interim chancellor.
- Carolina's School of Public Health recently received \$5.6 million from the national Centers for Disease Control and Prevention to expand its educational programming designed to help public health professionals respond to possible health threats.
- Chancellor Sullivan has been named to a three-year term on the advisory board for the Fulbright Scholars Program and the international scholar exchange program for the United States.
- UNCW's Coastal Ocean Research and Monitoring Program has received \$2.3 million from the National Oceanic and Atmospheric Administration (NOAA) to support its efforts to improve weather forecasting, climate change predictions, and coastal ecosystem health.
- We are delighted to report that the Exhibit Building at the Arboretum will be named in honor of Bud Baker, an Arboretum board member and former CEO of Wachovia, thanks to a \$1-million gift from the C.D. Spangler Foundation. This gift offers a crucial boost to the Arboretum's \$5.7-million capital campaign, still in its very early stages.

Retrospective on the 2004 Legislative Session

Because the General Assembly completed its work on the 2004 state budget after our last meeting, I would like to take just a few moments to re-cap how extraordinarily successful the University was in this legislative session even though it was another tough fiscal year.

We were particularly grateful that permanent and one-time cuts to campus operating budgets were held to under 1.5 percent—lower than initially proposed by the Governor, House, or Senate—and University leaders were assured full flexibility in determining how best to carry out required reductions. In addition, legislators fully funded our request for enrollment growth and expanded our Need-Based Financial Aid Program through the use of escheats. They provided 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. And importantly, the budget did not include tuition increases beyond those approved by the Board of Governors, nor the diversion of overhead receipts earned through campus research activity.

After three years without meaningful state appropriations for salary increases, the General Assembly provided a 2.5-percent increase in the University's salary pool for faculty and other EPA employees. All SPA employees, including those in the University, received increases of \$1,000 or 2.5 percent, whichever was higher. The net result is that our operating appropriations for the current year rose by \$142 million or 7.8 percent, not including an additional \$28.6 million in escheats. When escheats funding is coupled with appropriations, the overall increase rises to 9.25 percent. The addition of escheats also lifts state support to the University above the \$2-billion mark.

On the capital front, the legislature provided \$35.3 million from the Statewide Reserve for Repairs and Renovation. It approved \$355 million in self-liquidating capital projects across our campuses. And in the closing days of the session, legislators authorized the issuance of special indebtedness to finance new state facilities, including several health-related facilities on UNC campuses in the amount of \$388 million.

In a related action, the General Assembly also called on the Board of Governors, in collaboration with the State Board of Community Colleges, to conduct a comprehensive study of the economic development and workforce needs of North Carolina and to recommend academic programs and facilities responsive to those needs. Preliminary

results are to be reported to the legislature by April 2005, with the final report and recommendations due by December 2005. We have had very productive discussions with President Lancaster and his senior staff, and already are seeking proposals from external consultants.

In addition, other non-budget legislation of importance to the University was enacted. To cite but a couple of examples, the General Assembly provided in-state tuition to members of the military and National Guard stationed in North Carolina, as well as their dependents; and it authorized bond project modifications requested by several UNC campuses.

This level of support is all the more remarkable in the context of what is happening elsewhere around the country. In recent years, a growing number of states have addressed budget shortfalls by making draconian cuts in high-priority programs, including higher education. While fewer states took this approach in 2004, the damage continues to mount. Oregon's public universities, for example, saw their budgets reduced by another 12 percent this year. The California State University System bore an additional 7.6-percent cut; and the University of California system, another 6 percent. South Carolina cut its higher-education budget by 7.9 percent, and the Governor even suggested that some University of South Carolina campuses be closed and the remainder be allowed to convert to private institutions. That recommendation failed to attract legislative support. And once again, Kentucky's legislature adjourned without adopting a state budget, leaving its universities in financial limbo. In a number of other states that *were* able to increase appropriations to higher education in 2004, new dollars failed to make up for deep cuts in prior years. Here in North Carolina, we should take every opportunity to express our appreciation to the Governor, the legislative leadership, and our many supporters in both chambers of the General Assembly for their steadfast support of this University.

I also would like to acknowledge the extraordinary work done on behalf of the University by this board, our chancellors, and key staff within the Office of the President—

particularly by Associate Vice President Mark Fleming. As you know, Mark is a North Carolina native who brought significant state and federal government relations experience to his job as our chief liaison to the General Assembly, and we are benefiting greatly from his expertise and counsel. Following the departure of Senior Vice President J.B. Milliken, we have asked Mark to assume an even greater role in working with key staff within the Governor's Office and state agencies. Based upon your ratification, he also will assume greater responsibility for managing and coordinating the University's overall state and federal relations efforts, including an increased emphasis on gaining grassroots support at the local, state, and federal levels. To better reflect the scope of these expanded responsibilities his title will become Vice President for Government Relations. A search is now underway for a new Senior Vice President for University Affairs, and Mark will continue to report to the Senior Vice President.

Mr. Chairman, this concludes my report.