

APPENDIX A

Molly Corbett Broad
President's Report to the Board of Governors
UNC General Administration Building Board Room
January 10, 2003
10:30 a.m.

State and Federal Environments: The Current Context:

With the start of the 2003 state legislative session now less than three weeks away, we face uncertain times and a very complex political environment. Remarkably, nearly a third of our state legislators are new to the job—the largest turnover in recent memory. As you know, the Republican Party gained a slim majority in the state House, while the Democrats retained a narrow majority in the Senate. Inevitably, the University will be working with many new committee chairs on both the Senate and the House.

As noted earlier in the Public Affairs Committee meeting, the fiscal picture for North Carolina is mixed. On the one hand, North Carolina was one of the few states whose current budget (2002-03) reflects revenues that are adequate to cover approved levels of expenditures, thanks to tight fiscal discipline and tax collections that were running a bit ahead of the budget plan at the end of December. In this light and given that our enrollment growth this year exceeded the number of students funded in the budget, we hope that funding for UNC being withheld will now be released and that UNC will have the full amount approved in the budget. So, the current year's budget looks secure, pending war and other disasters.

On the other hand, state budget shortfall projections for *next* year (2003-04) still exceed \$1 billion, in part because the current budget uses one-time monies to pay for some recurring operating costs. And President Bush's proposal to eliminate taxes on corporate dividends announced this week has induced hand wringing in states across the nation because the states stand to lose this stream of tax revenue, as well. Estimates of the future revenue loss in North Carolina if the Bush proposal is ratified range upwards of \$200 million.

Many expected President Bush's proposal to provide some federal relief to the mounting deficit in many states. Help with the growing costs to the states of Medicaid is one of those possibilities during the Congressional session.

In such a tenuous environment, the challenge for the University is to secure the resources required to achieve our highest priorities, while minimizing the impact of further cuts that are anticipated across state government.

NCSU Conference Center Action Postponed

During your November meeting, the Board adopted a resolution authorizing NC State University to proceed with securing Council of State approval for the construction of an executive conference center, hotel, and golf course on the Centennial Campus. This week, after we had extensive discussions with members of the Council of State and

others, Chancellor Fox asked the Council to defer until a later meeting any action on a proposed land lease for the complex. The requested delay will allow the campus to extend renewed efforts to identify a private-sector partner to construct and operate these facilities.

Let me say just a few words about a couple of other items before you:

Resolution on Tuition for 2003-04:

This morning you will consider a resolution from the Committee on Budget and Finance recommending that campus tuition rates be maintained at current levels for the 2003-04 fiscal year. I recommended a tuition freeze to the Committee. While the state economy is still struggling, we are all in agreement that tuition must not become an *accepted* source of revenue to fund educational access in this state, a point this Board made quite emphatically when it adopted steep across-the-board tuition increases last year. We also must be mindful that thousands of North Carolina workers have lost their jobs over the course of the past year, and that the ability of many families and students to pay higher tuition even with the help of financial aid has been sorely strained.

University Assessment and Accountability:

During yesterday's Planning Committee meeting, Dr. Mabe provided a report on academic assessment and accountability. I commend that report to you, as it captures UNC's progress in developing a very comprehensive set of metrics to track performance in many different areas.

UNC Bond Program Status/Introduction of Richard Moore:

And finally, it is my great pleasure this morning to introduce State Treasure Richard Moore. Treasurer Moore has a long history of public service to the state, having previously served in the NC House of Representatives and as chief executive of the Department of Crime Control and Public Safety.

Among his many responsibilities as state treasurer is the management of public debt. In this role, he has played a pivotal role in the ongoing execution of our \$2.5-billion capital bond program approved by state voters. I need not remind you how vital predictable cash flow is to the ultimate success of our capital program, and Treasurer Moore is to be commended for astutely managing the sale of these bonds in a manner that maximizes benefits to state, while minimizing the accumulation of debt service. Throughout this process, he has been an ardent supporter of keeping the bond program on track, acknowledging that the higher education bonds have provided an important stimulus for the state's economy, particularly the construction industry.

Mr. Treasurer, I'm pleased to report that work continues apace, with 42 bond projects completed and another 270 in some phase of design or construction. Please keep that cash flow flowing. To conclude this introduction, I'd like to share a very brief video clip depicting bond construction in progress at Winston-Salem State University, which has truly been an exemplar in our efforts to carry out this program on schedule and within budget. The footage is narrated by Jorge Quintal, director of design and construction at Winston-Salem State. I invite Treasurer Moore to come to the podium at the conclusion of the video.

Mr. Chairman, that will conclude my report.