

APPENDIX A

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President's Report to the Board of Governors
UNC General Administration Building Board Room
February 14, 2003
10:15 a.m.

- We are pleased to have Chancellor Muse back in our midst and at nearly full strength following successful heart bypass surgery last month.
- In recent weeks, *Black Enterprise* magazine released its rankings of the nation's top colleges and universities for African Americans. Both NC A&T (19th) and UNC Chapel Hill (15th) ranked in the Top 20.
- Last Thursday evening, MSNBC broadcast a live edition of its popular "Hardball Campus Tour" from NCCU. Before an audience of about 1,200 students and faculty, host Chris Matthews interviewed Sen. John Edwards, who requested NCCU as the backdrop.
- Earlier this week, NCSU played host to its annual Emerging Issues Forum, which brought an international roster of experts to Raleigh to discuss the interrelated roles that government, industries, and universities play in fostering technology-led economic development.

Update on Legislative and Budget Developments:

As has been widely reported, leadership struggles within in the House of Representatives have dominated the early days of the 2003 legislative session. Last week, the House ultimately agreed on an unprecedented coalition structure to be led jointly by Democratic Speaker Jim Black and Republican Speaker Richard Morgan. House committee appointments and the selection of committee chairs are still pending. Needless to say, we will be advocating for the University's pressing needs in a very complex political environment, and there will be many new relationships to build. We are heartened that

Speakers Black and Morgan have been strong supporters in the past, and in recent days both have publicly reiterated their belief that University teaching and research will play a central role in the state's long-term economic recovery.

The evidence supporting that belief continues to grow. You will recall that last summer the national Council on Competitiveness completed a two-year project called the Clusters of Innovation Initiative. It asked, "What do our most promising companies need to survive and prosper in the future, and how do we as regional leaders attract the skilled workforce and foster the resources and conditions they need to thrive?" The study evaluated best practices in five high-performance regions, including the Research Triangle.

A new task force of business, community, and university leaders is now at work to follow through on the study's recommendation to connect urban and rural areas of the state through mutually beneficial clusters. The brainstorming sessions from the first full scale meeting of this "blue ribbon" group reveal quite clearly that the University is understood by all as the *single most important* institution in achieving economic transformation throughout North Carolina. In a similar vein, at this week's Emerging Issues Forum speaker after speaker identified our universities as the key ingredient in promoting the innovation that is the very lifeblood of a knowledge-based economy.

As confirmed this week in legislative budget briefings, North Carolina's fiscal outlook remains mixed. Revenue collections are still slightly ahead of projections, and North Carolina is now one of only 13 states not currently operating at a deficit. Nonetheless, we know that this year's budget is funded in part with non-recurring revenues and consequently, North Carolina faces a budget shortfall for the fiscal year 2003-04 as the National Conference of State Legislatures reports is the case in 36 states, with half of those states projecting shortfalls equal to at least 10 percent of their budgets.

While cautiously optimistic about early tax collections, state fiscal analysts believe robust economic recovery won't occur before 2004 and are expected to recommend a very conservative fiscal approach in this session. Adding to the uncertainty are the mass

deployments of North Carolina-based military personnel and the specter of war, along with their associated fiscal implications.

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. To this end, we are in ongoing discussions with Governor Easley and legislative leaders as they begin the work of crafting a viable state budget for the next biennium.

Let me now report on a very positive development.

UNC and Monterrey Tech Strengthen Relationship:

Monterrey Tech is the largest and arguably the most innovative university system in Latin America, encompassing 30 campuses across Mexico, with over 95,000 full-time students and 7,600 faculty. Over the past two decades, it has created research centers, strategic studies centers, centers of environmental quality, and a Virtual University, which is generally recognized as one of the most sophisticated distance-learning systems in the world.

In 1999, Rector Rafael Rangel Sostman of Monterrey Tech and I signed an agreement for educational exchange and cooperation that has grown into UNC's most active and valued international partnership. As a result of this agreement, some 200 UNC and Monterrey Tech students have participated in the student exchanges, and faculty collaborations have grown and flourished, as well. For example:

- Monterrey Tech is one of five distinguished international institutions participating in Kenan-Flagler Business School's OneMBA program. In addition, faculty from Kenan-Flagler and Monterrey Tech have worked together to develop effective ways to use instructional technology in teaching and learning.
- The business schools on Monterrey Tech campuses have formed partnerships with their counterparts at UNC Greensboro and Appalachian State University, allowing groups of UNC students and faculty to travel to Mexico for intensive learning experiences. Likewise, Monterrey Tech business students come to our campuses for classes and internships.

- Faculty from UNC Chapel Hill, UNC Greensboro, and Monterrey Tech have worked collaboratively to develop case studies for use in their business classes.
- The School of Journalism and Mass Communication at UNC Chapel Hill has forged strong ties to Monterrey Tech campuses and is now hosting three Monterrey Tech faculty working toward their doctoral degrees.

Last week we had the pleasure of welcoming Rector Rangel and a delegation from Monterrey Tech to North Carolina in order to explore the potential for expanded partnerships.

- Monterrey Tech is eager to forge new or expanded academic partnerships with UNC institutions, including NC State University and the University of North Carolina at Charlotte.
- One idea that generated considerable enthusiasm was a pilot project for teacher-education students from UNC campuses, who, while working as classroom teaching assistants in high schools operated by Monterrey Tech, would learn Spanish and explore the Mexican educational system. Just yesterday, the Planning Committee received the report of a University-wide Committee charged with devising strategies to expand access to foreign language study for UNC students and to address the critical need for foreign-language teachers in North Carolina public schools. The proposed pilot program is entirely consistent with the committee's recommendations.
- The group also explored opportunities to partner in order to serve North Carolina's growing Latino community. As recently announced by the U.S. Census Bureau, Hispanics are now the nation's largest minority group. Rector Rangel and I met with Latino community leaders from across the state to discuss Monterrey Tech's new system of Community Learning Centers. Taking advantage of their pioneering Virtual University technology, these Centers bring basic education, training, and information to citizens in 120 locations across Mexico and to immigrants in several U. S. cities.

UNC Strives to Become More Military-Friendly

As the war on terrorism has been brought very close to home, the armed forces are an integral part of North Carolina's economy and culture, and the University of North Carolina is moving on many fronts to become more military-friendly in our protocols and offerings. For well over a year now, we have been working intently with North Carolina military bases in every branch of the service to facilitate access to UNC degree programs at all levels for military personnel and their dependents, and we have been working with Army leaders in the Pentagon to explore ways the University might provide advanced degree training in science and technology for Army officers.

Given the high concentration of military units in North Carolina, the large-scale deployment of troops to the Persian Gulf has had a disproportionate impact on our state. In recent weeks and months, tens of thousands of North Carolinians in active military service, reserve units, and the National Guard have been deployed, and many more are on stand-by. At the meeting with the chancellors yesterday, we discussed the need for us to accommodate the disrupted lives of those reservists and national guardsmen who are our students and staff. I want to assure you that we are committed to returning tuition, making accommodation for completing courses at a later date and other policies of flexibility so that our service members do not suffer either loss of funds or loss of educational opportunity.

In closing, let me acknowledge that today marks the last Board of Governors meeting for Assistant Vice President for Research John Hardin, who has accepted a position as policy analyst for the North Carolina Board of Science and Technology. John, who joined the Office of the President in 1995, has assisted with the administration of UNC centers and institutes involved in research and public service activities. In his new role, he will be advising on the role of science and technology in the economic growth and development of North Carolina. We thank John for his service to the University, and wish him great success in this new endeavor.

Mr. Chairman, this concludes my report.