

APPENDIX DD

**Molly Corbett Broad
President's Report to the Board of Governors
UNC General Administration Building Board Room
March 21, 2003
10:30 a.m.**

University Preparedness in a Time of Global Uncertainty

At a time of war and global uncertainties, I want to assure you that the Chancellors have undertaken steps to enhance security and preserve campus operations. Each of our campuses is accommodating all students, faculty who are called up to serve our nation in the war. The Chancellors and I discussed at our meeting yesterday the importance of upholding the University's mission, maintaining our strong sense of community and protecting members of the University family in a time of stress and divided opinions. We have created a network of senior campus leaders with responsibility for preparedness and fast-response and a means of maintaining communications. While this cannot be a time of "business as usual," we must carry on our regular business and prepare our students for the roles of leadership and responsibility they will assume in our society. In short, we must continue to fulfill our mission.

Update on Legislative and Budget Developments

As was discussed this morning during the Public Affairs Committee meeting, legislative and budget-related activity has picked up considerably since we last met. Earlier this month, Governor Mike Easley released his proposed state budget for the 2003-04 fiscal year. The budget seeks to address a projected \$1.7-billion revenue shortfall through a combination of cuts across state government, delayed tax cuts, carry-over of unspent 2002-03 funds, and tobacco moneys. It also would provide a 1.6-percent salary increase for most state employees, including those in the University.

Given the state's ongoing fiscal problems we are very grateful that Governor Easley's proposed budget responds positively to some of the Board of Governors' highest priorities. It would fully fund projected UNC enrollment growth and would again draw on Escheats Fund income to support and enlarge our Need-Based Financial Aid Program. In keeping with the Board of Governors' recommendation, it does not propose any tuition increase for students attending UNC campuses. And importantly, each UNC campus would retain full use of its overhead receipts earned through research activity.

On the other hand, the draft budget would impose permanent and one-time cuts to the University's operating budgets that fall just shy of \$100 million. Given the cumulative effect of previous cuts, these reductions would certainly have far reaching and long-term

impacts on University operations. The governor's recommendation that the chancellors have full flexibility in administering reductions would be imperative to minimizing their negative impact on academic programs.

In related developments, I've had the opportunity in recent weeks to participate in a House-sponsored seminar panel on economic recovery and to testify before the Joint Appropriations Committee, the Joint Appropriations Subcommittee on Education, and the Senate Committee on Education/Higher Education. While the specific agenda items varied from meeting to meeting, an underlying concern expressed repeatedly by legislators was the imperative to stimulate and strengthen North Carolina's economy for the long-term. And there is clearly a growing realization that higher education is the real linchpin in this important effort.

As a source of specialized resources and expertise, highly trained workers, and the research that fuels innovation, this University has a duty to help North Carolina successfully make the transition to a knowledge-based economy. It is a natural extension of our historic, three-part mission of teaching, research, and public service. To help focus and direct our intensified efforts in this arena, I have asked Vice President for Public Affairs and University Advancement J.B. Milliken to assume oversight for University-wide activities related to economic development, as well as policy analysis, institutional research, and strategy development. To better reflect the scope of these expanded responsibilities—which are well aligned with his division's ongoing efforts in state governmental relations, federal relations, communications, and advancement—his title will become Senior Vice President for University Affairs.

Let me now comment briefly on two important discussions that took place during yesterday's Planning Committee meeting:

UNC Sponsored Program Awards Continue Upward Trajectory

First, Vice President Russ Lea shared with the committee the annual report on research and other sponsored program awards to UNC. In Fiscal 2002, total competitive awards granted to our faculty topped a record \$840 million. Among public university systems, UNC still ranks third (behind the Universities of California and Texas) in external support for research and sponsored programs. At a time when state support for our campuses is declining, it is heartening to witness the dramatic increase in external funding to support our research mission—up nearly \$80 million over the previous fiscal year. This level of growth is a tribute to the caliber and breadth of research taking place across the University.

That said, let me offer a cautionary note: This steady upward trajectory will be difficult to sustain, given President Bush's budget recommendations for federal research funding. The National Institutes of Health, which has enjoyed significant increases in funding in recent years, accounts for nearly one-third of UNC's total sponsored program awards. The drastically lower rate of increases proposed for the NIH in future years will make it

increasingly difficult to for NIH grantmakers to sustain ongoing programs of research, much less to fund promising new proposals.

Policy on the Awarding of Joint Degrees

Yesterday the Planning Committee also considered a proposed policy on the awarding of joint degrees within the University of North Carolina. Increasingly, our campuses are collaborating on the development and delivery of joint degree programs. This trend is driven by several key factors: (1) expanded options for distance learning, coupled with our commitment to extend high-need programs to all regions of the state; (2) the need to conserve scarce financial resources; (3) the opportunity to leverage complementary areas of faculty strength and expertise; and (4) growing student demand for such programs. The joint master of science program in biomedical engineering that has been developed by NC State University and UNC-Chapel Hill offers a classic example. As the number of such programs grow, the awarding of degrees that display each participating institution's name on the diploma will more accurately reflect the student's actual course of study.

Other Developments in the Office of the President

In closing, let me mention a few other important developments in the Office of the President.

I am proud to announce that Walter Harris, who has been a senior executive fellow in residence this academic year, has been named provost and vice president for academic affairs at Loyola University in New Orleans. Walter will fulfill his year-long commitment in this office before moving to his new post at Loyola this summer.

I must also acknowledge that today marks the last Board of Governors meeting for Associate Vice President for Finance Kevin MacNaughton, who is assuming construction management responsibilities on the UNC-Chapel Hill campus. Kevin, who joined the Office of the President in 1998, played an instrumental role in the Eva Klein study that identified the University's most pressing needs, and since passage of the Higher Education Bond Issue, has provided important oversight of our bond construction program. We wish him great success in this new role, and are pleased that the University will continue to benefit from his experience and expertise.

Today, we also welcome Dr. Michelle Howard-Vital, who comes to us from UNC Wilmington, as Associate Vice President of Academic Planning and Laura Foxx, as Director of Advancement.

And finally, you will be pleased to learn that the Office of the President recently received an Award of Institutional Excellence from the NC Association of International Educators.

Mr. Chairman, this concludes my report.