

**Margaret Spellings**  
**Report to the Board of Governors**  
**Center for School Leadership Development**  
**May 26, 2016**

Good morning. It's great to be here with all of you — and to finally spend more than a few days at a time in the office, now that my campus tour has come to a close!

It's also great to see our dear colleague David Belcher here today. Glad to have you back. And I want to publicly recognize Steve Ballard and his service to East Carolina University and the entire UNC system. As you all know, Steve steps down at the end of June after 12 years as ECU's chancellor, and Cecil Staton will take over in July. We toasted Steve last night; let's thank him again for all he has done at ECU. Steve — will you please stand?

Since we met in April, I finished the last round of visits to complete my 17-campus introduction to the UNC system. We finished, appropriately enough, at the most recent addition to the UNC family: the North Carolina School of Science and Mathematics. While I was there, a pair of student researchers fitted me with a heavy backpack — stuffed with physics textbooks — and measured the effect on my walking style. I look forward to reporting the results of that study back to all of you just as soon as I have them.

What a thrill it's been to see first-hand the remarkable work happening every day across the University and the state. I am profoundly grateful to the students, faculty, staff, trustees, and campus leaders who offered such hospitality, generosity, and goodwill. I also want to recognize and thank the team at General Administration—and especially Jonathan Kappler—for making the tour such a success.

Of course, a \$9-billion enterprise ought to be able to walk and chew gum at the same time, so we've been plenty busy on the home front. Junius Gonzales and I hosted our first Chancellors' retreat at the end of April, which gave us the chance to hear in detail about the state of each institution, our leaders' biggest opportunities and challenges, and where we collectively want to go as a University. It was energetic, intellectually rich, and collegial in exactly the way you'd hope from such a talented group of leaders.

I've said before that our chancellors must be front and center in our discussions and decision-making, and we plan to hold this retreat as a twice-yearly event.

Not surprisingly, I have spent a good part of these last few weeks in Raleigh—meeting with state legislators and staff, learning their perspectives and concerns, and advocating for the needs of our system and its students.

As you'll hear later today in the Committee on Budget and Finance, we're about halfway through the legislative budget process. Our top priority continues to be merit-based pay raises for faculty and staff, a step we all know is needed to keep and develop top talent in the University. We're continuing to push for smart investments in data analytics to boost student success and give us better measures of accountability, as well as new efforts to turn part-way-home students into all-the-way-home students and future alumni. And we'd very much like to remove the private fundraising cap, as we've discussed previously.

We are also working to extend the carry-forward authority we earned last year, which allows campus leaders the flexibility to better manage their institutions and address key needs. We often talk about the lessons higher ed can learn from business, and carry-forward is a good example of how state policy can encourage the right kinds of strategic management and certainty.

We are, as we discussed last month, working closely with House and Senate leaders to tackle the issues raised by NC GAP. Everyone at the table agrees we can and should do more to help students make responsible, informed decisions about their educational paths and options.

I'm grateful for the leadership of so many legislators who care deeply about the underlying issues—Senator Berger, Speaker Moore, Senators Apodaca, Barefoot, Robinson and Representatives Fraley, Horn, Haines. We've worked alongside our partners in the Community College System throughout this effort, and there's mutual agreement that UNC needs to craft a plan that focuses on improving student outcomes. I've committed to bring such a plan before the BOG and the legislature before the end of this year that will tackle these priorities.

And we are also engaging in constructive conversations surrounding S.B. 873, and working closely with our Chancellors to identify ways we might strengthen that proposed legislation. But there is no doubt that we share the underlying goals of making college more affordable; making the cost to students and families more predictable and stable; and encouraging more students to pursue an education at UNC institutions that can and will welcome them.

We continue to hear about serious concerns regarding House Bill 2 and its various effects on the University system. As public discussion continues, we are in the process of engaging legal counsel to represent the University in the two related lawsuits that have been filed against us.

In other matters, I would also like to take this opportunity to announce the formation of an online learning task force. As I have mentioned previously, we need to know more about what we are doing with online learning and how we can maximize the tech platforms to meet our core mission and track progress and measure success. This task force will include faculty and administrators from the University, as well as independent experts. Their work will commence in June and wrap-up by the end of the calendar year.

From my earliest days on the job, you've heard me talk about the need for more policy and strategy discussions during these Board meetings, enabling us to use our time together — and the presence of the chancellors — more effectively to tackle high-level, top priority concerns. That notion was reflected in the in-depth interviews that BCG conducted with many of the people in this room. Those conversations also honed in on the need for a new strategic planning process, which the full Board approved last month.

Based on conversations with Chairman Bissette, Governor Mitchell, and the Strategic Planning Committee, we are beginning to realign our Board meetings to more clearly focus on the major priorities within that strategic planning effort, guided by our five key themes of 1) access, 2) affordability and efficiency, 3) student success, 4) economic impact, and last, excellent and diverse institutions.

I hope you all will feel energized by this process, and will come away from these meetings pleased by the depth and quality of our deliberations. We're going to move away from the just-in-time planning that has too often characterized these gatherings, working instead to telegraph topics and reading well in advance so we can all arrive prepared and ready to engage. You should have received a master calendar and strategic planning overview as part of your packet of information for this meeting, and you'll note that it lays out discussion topics for the months ahead.

We want to start handling the routine administrative and transactional business of each committee in appropriately noticed meetings to be held by conference call about one week before the regularly scheduled Board meetings. As approved, these items would then be included on the full Board's consent agenda. This work has already begun as P&T and Budget and Finance held pre-meetings earlier this week to work through these items.

And in keeping with our goal of empowering chancellors and using system leadership more strategically, the P&T committee is now discussing two policy revisions that would further streamline the Board approval process for salary adjustments.

In addition, the Board's standing committees will collectively take up the work of strategic planning, with each Committee focused on one of the five key themes.

In keeping with the guidance from the Strategic Planning Committee, the Committees will assess what is working well within their assigned areas of focus, where we have gaps, and how we can best move forward. Each of you brings a wealth of valuable experience to these deliberations, and we want to make sure our chancellors are playing a leadership role, as well.

We'll also bring in experts from around the country to share data, best practices and other insights to inform our discussions.

Which brings us to our policy discussion this morning.

Today we are joined by J. Puckett from BCG, whom we have asked to set the stage for the strategic planning process. I want to thank J for going above and beyond the call of duty and their initial scope of work.

Next, we will hear from Andrew Kelly, resident scholar and director of the Center on Higher Education Reform at the American Enterprise Institute, who will present on emerging national trends in higher education. I have known Andrew for over 10 years, and he is one of the most well-respected higher education policy experts in the country. He has worked on behalf of business organizations, national philanthropists, and in conjunction with other state systems of higher education. He is a Phi Beta Kappa graduate of Dartmouth College, where he earned a degree in history in 2002. He also holds a master's degree and Ph.D. in political science from the University of California, Berkeley, where he was a National Science Foundation research training fellow and was honored as an outstanding graduate student instructor.

And I am thrilled to announce that as of August 15, he will serve as Senior Vice President of Strategy and Policy here at UNC. The University is lucky to get him and I know you will enjoy working with him.

Following Andrew's presentation, we will hear from our own Dr. Jim Johnson of the Kenan-Flagler Business School at UNC-Chapel Hill, who will share data and insight on the future of North Carolina.

Mr. Chairman, this concludes my President's Report.

Thank you.