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President's Report to the Board of Governors
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Update on Fall 2005 Enrollment/Progress Toward Enrollment Targets in Teacher Education

This fall's enrollment report confirms another year of extraordinary enrollment growth across the University. University-wide enrollment is up by more than 6,600 students, pushing us to a record 196,248. This marks the fifth consecutive year that UNC enrollment has risen by more than 6,000 students.

Copies of the full report are in your folders, but let me take just a moment to mention a few highlights:

- While Appalachian's enrollment remained steady and UNC Asheville had a small decline, every other UNC campus experienced significant growth this fall. Six absorbed more than 600 additional students.
- Once again, minority enrollment increased at more than double the rate of white enrollment. Our dramatic progress in raising the college-going rate for persons of color is now almost taken for granted. Yet, earlier this week, a major report entitled, "As America Becomes More Diverse: The Impact of State Higher Education Inequality," concluded that "the education and income levels of American workers will decline over the next 15 years if states do not do more to improve the number of college graduates from minority groups." In this University, we have achieved college-going rates among African American and Native American students that are fully comparable to those of white students, although the same can't yet be said about Hispanic students.
- Enrollment growth remained especially strong among our focused-growth institutions, critical to managing University-wide growth over the decade. As a group, these seven campuses grew by more than 8 percent. These rates are unheard of in other states.
- Student demand for distance education continues to rise, particularly among older, nontraditional students. More than 70 percent of students enrolled in off-campus distance-education courses this fall are age 25 or older.

In a related vein, some months back I shared with you a plan for enrollment growth in our programs of teacher education that was responsive to the severe shortage of qualified teachers for our public schools. *Part* of the challenge associated with closing the large gap between the demand for teachers and the supply is, of course, the poor retention rate of teachers coming into the profession. For example, we know that during the first five years in the profession, more than 40 percent drop out and must be replaced by new teachers. The *other* part of the challenge is the growth of North Carolina's school-age population.

As I reported last November, the University is committed to grow the annual number of traditional and alternative-licensure teachers we produce to 5,900 in five years, a 64-percent increase. If, over the same five-year period, teacher retention can be improved by 5 percentage points—keeping up to 4,600 more teachers in our classrooms—we will have increased the number of qualified teachers available to our schools by 10,500. That would virtually close the supply gap.

Our campuses have taken this ambitious challenge to heart and are employing a variety of strategies to grow the number of teachers in the pipeline—2+2 programs with the community colleges, consortia involving our military bases, our NCTEACH alternative licensure program, more on-line offerings, and new targeted scholarships, to name just some of our strategies to solve the teacher supply problem.

Early indicators are extremely promising. Over the course of the past year, UNC campuses produced more than 3,900 potential teachers through a combination of traditional and alternative-licensure programs. In addition, the campuses have been steadily increasing enrollment in traditional education programs – rising from under 6,500 in fall 2002 to about 8,500 in fall 2005, an increase of more than 31 percent. These are all crucial steps in the right direction, and the chancellors and deans are to be commended for their ongoing efforts.

The Financial Health of the University

One of my early goals as president was to be able to provide the Board of Governors with a consolidated financial statement that covers the entire University—in all of its many parts. Because of the nature of the State’s financial records system and the lack of a unified financial data system within the University, this has proven very difficult to accomplish. Much of the data has been available to us only in paper copy! I am very pleased to report that we have made great progress in building a new unified financial data model that integrates all fund sources:

- Operating revenues that include tuition, State and Federal grants, private funds, as well as independent and auxiliary operations;
- Non-operating revenues that include Federal and State appropriations, gifts and contributions, and investment income; and
- Capital and endowment revenues from all sources.

You may be surprised to learn that a pro forma on fiscal year 2004 indicates that annual revenues of this University exceeded \$6 billion; total assets exceeded \$9 billion—a number that will surely be substantially higher for 2005 and 2006 due to our building program. This report does not include balance sheet items of our State Education Assistance Authority and the College Foundation, in which outstanding student loans now exceed \$2.2 billion and in which Education Savings Accounts (529 plans) tally to several hundred million dollars.

As you look to the work of the Task Force on Best Financial Practices (which received a status report on this development this morning) and to your future fiduciary

responsibilities, it is important for you to know that the University over which you have these financial responsibilities is *huge* by any measure, and has grown at unprecedented rates in recent years. Most importantly, I am pleased to report to you that this University stands financially stronger and healthy as I pass the baton to my successor.

Reflections on the University of North Carolina: Past, Present, and Future

I have had the good fortune to spend my entire professional career in higher education, and leading UNC has been the greatest privilege of all. Nowhere, I believe, is there a public university that claims more pride over its history than is claimed by the citizens of North Carolina. That esteem derives in part from the fact that the University of North Carolina is the oldest public university in nation. But more than from age alone, this pride is deeply imbedded in what still defines North Carolina—a bedrock belief in the transforming power of education.

I have been blessed and honored to follow in the footsteps of this University’s giants:

- men such as Bill Friday and Dick Spangler, whose vast contributions are still fresh in our memories;
- others who came before them, such as Frank Porter Graham, who led the first multi-campus University out of the depths of the Great Depression;
- Edward Kidder Graham, who made service and outreach major university priorities; and
- Francis Preston Venable, who laid the foundation for UNC’s development as a leading research institution.

Over the past eight years—with your help, and with the help of a remarkable team of administrators and gifted faculty—we have sought to translate the strength and foresight embodied in UNC’s history into the capacity to help North Carolina meet the challenges of a very different future. Our accomplishments are team achievements coming from a group of vice presidents that are “best in class,” chancellors who are among the very finest leaders in American higher education today, an impressively dedicated and hard-working staff who love this University, and the thousands of academic faculty—our independent artisans—who collectively serve literally hundreds of thousands of students. The joy of our profession derives from being part of one of the most important and enduring institutions of our nation—one that is so much greater than any individual or group, and one that truly transforms the lives of students.

In my inaugural address, I highlighted several critically important issues that ultimately were among a set of strategic priorities adopted by the Board of Governors. Chief among them were commitments to expand affordable access to North Carolinians; to build on the excellence of our academic programs and our research mission; to help strengthen the state’s public schools; and to forge and strengthen collaborative partnerships with business, government, and the other education sectors to advance North Carolina’s economy. As I’ve reflected in recent months on our cumulative progress, I’ve been stunned at how much we have accomplished—together—in this timeframe.

By any measure, this Board of Governors has made sustaining and expanding affordable access to UNC its highest priority. Since my term as president began, our 16 campuses have grown by a staggering 37,000 students. That’s akin to adding another UNC-Chapel Hill, plus another

North Carolina A&T. Reflecting the phenomenal success of the Focused-Growth Initiative, minority enrollment has grown at more than double the rate of the overall student body. I am extremely proud of how every one of our campuses has stepped up to the plate to serve these additional students, even during periods of constrained resources.

We must acknowledge that this outcome wouldn't have been possible without significant support from the legislature and other state leaders, or without active collaboration with many partners. First, the Governor and General Assembly have consistently supported full funding for our budgeted enrollment growth, including students served at a distance. Special funding to support our Focused-Growth Initiative has been invaluable in making those seven campuses more inviting to students. The creation of CFNC.org has gone a long way in taking the mystery out of planning, applying, and paying for college, particularly for low-income and first-generation students. And the Need-based Grant Program first implemented in 1999 now makes more than \$59 million available to the University's neediest in-state students. In addition, the dramatic rise in students taught at a distance and the growing number of 2+2 programs developed in collaboration with the community colleges have helped extend the benefits of the University to those who are not within commuting distance of one of our campuses.

In large part, UNC's commitment to expanded access still hinges on our ability to provide the physical space and modern facilities needed to prepare graduates for 21st century jobs and a competitive global economy. We have acknowledged the dramatic physical expansion and transformation of our campuses made possible by the 2000 Higher Education Bond Program. By itself, that is a remarkable achievement. But it's just part of a much larger story. To put the recapitalization of this University in fuller perspective, consider that when I arrived as president in 1997, the total estimated replacement value of all the building assets of the University of North Carolina was \$5.1 billion. Since then—through the bond program, state funding for other buildings, appropriations for repairs and renovations, and more than \$2.5 billion in additional campus construction from our own balance sheet (i.e. *non-appropriated* sources)—we have completed or embarked on more than \$6.2 billion of construction University-wide. In short, we have more than doubled the capital assets of this University over the past eight years.

The more sobering realization is that we must continue to make capital investments in this University. I am increasingly convinced that for American universities to maintain their preeminence and for the nation to sustain economic prosperity in the 21st century, we must invest more capital in every student, faculty member, and worker in order to improve our productivity—especially our *intellectual* productivity. That means providing state-of-the-art laboratories and classrooms, along with scientific equipment and instrumentation. It means major investment in computer hardware and software, as well as robust networking and storage infrastructure. Across this University, we have stepped up to that challenge in the knowledge that information technology is now the scaffolding on which virtually all science and research are conducted. And increasingly, it's the means by which the teaching of the humanities and the arts and social sciences is enriched.

We've also made great strides in strengthening our academic offerings and expanding our research enterprise. Since 1997, our campuses have added more than 250 new degree programs—roughly 40 percent of them at the master's level—to serve the growing and changing

needs of the 21st-century workplace. Seventy-nine of those new degree programs have been approved at our focused-growth campuses. During this same period, competitive research grants and contracts won by our faculty have nearly doubled—and now exceed \$1 *billion*. The establishment of a Washington office also has helped UNC gain a stronger voice in national policy deliberations that have serious and long-term implications for UNC and the state.

Such achievements are a direct reflection of the brilliance of our faculty, the outstanding caliber of our 196,000 students, and the leadership of our chancellors. These are the individuals that make UNC great, and I am immensely proud of all that they have accomplished.

As I noted earlier, we continue to work diligently to carry out our pledge to help strengthen our public schools. Each year, more than 22,000 teachers and other school personnel participate in professional development activities provided by the UNC Center for School Leadership Development, which was created shortly after my arrival. In a related effort, the James B. Hunt Institute for Educational Leadership and Policy established by this Board is helping state leaders across the nation make more sound policy decisions. And we are bound and determined to be part of the solution to the state's teacher supply gap. As I noted earlier, our chancellors and deans of education have committed to increase the number of traditional and alternative-licensure teachers they produce by about 64 percent over the next five years, and to double the number of traditional graduates over the next decade. We're on track to meet that ambitious commitment. We can't solve this problem alone, but we are going to do everything within our power.

Over the course of my tenure, we've witnessed dramatic, fundamental changes in North Carolina's economy—and the relentless emergence of a global knowledge-based economy. With this Board's engagement and encouragement, our campuses have—by necessity—taken a larger role in statewide economic development and revitalization. It has taken many forms—Millennial Campuses modeled on the Centennial Campus at NC State; a focus on basic and applied research in areas of strategic importance to the state; increased technology transfer; the development of new degree programs responsive to emerging industries; biotechnology initiatives, including the Research Campus at Kannapolis; and the ongoing HB 1264 study. This is but one more example of how this University has drawn on its historic ties and strengths in order to help North Carolina meet changing demands and expectations. Our continued and expanded role in transforming North Carolina's economy is imperative if our state is to strengthen our economy to meet 21st century challenges.

The rate of change within higher education has never been greater, but from great challenges come greater opportunities. As author Thomas Friedman relates in his bestselling book, *The World is Flat*, the rapid convergence of information technologies, technical innovations, and key events has, in essence, leveled the global playing field. North Carolina no longer competes with Georgia or Tennessee or even the nation for knowledge jobs or knowledge workers. On this global, web-enabled playing field where geographic distance and physical barriers no longer matter, North Carolina is competing head-to-head with India, China, Ireland, and plenty of other countries in between. And in

this flat world Friedman explores, “work gets done where it can be done most effectively and efficiently.”

In large part, it will fall to the University to help North Carolina find its way in this flat new world. But if there’s any public university in America prepared and up to the challenge, it’s this one. After all, we’ve been leading the state through change for more than two centuries. But even in a flat world, you need guideposts and navigational tools to keep from falling into the precipice or becoming hopelessly lost.

Bear this truth in mind in the days ahead as you approach the important work of updating and refining the Board’s long-range plan and strategic directions. Please do not underestimate their importance to the long-term development and prosperity of the University enterprise. The development of a five-year long-range plan was one of the first duties taken up by the Board of Governors after it was formed in 1972. A revised plan has been adopted every two years since then.

In recent years, this Board has adopted a more strategic approach to long-range planning, one that draws greater external context from shifts in demographic patterns, globalization, and changing skills requirements in the world marketplace. This is a critically important exercise in a global economy in which the only constant is change. You must keep your vision clear and your eye on the horizon.

In my time as your president, I have found an impressive depth and breadth of strength in this University. The 16 campuses—which vary widely in mission, size, and history—truly represent a whole that is greater than the sum of its parts. Whatever lies ahead, you must never permit this magnificent strength to be diminished, nor this impressive differentiation to be homogenized. Our students, parents and alumni, our state’s leaders, and the people of North Carolina will demand no less.

As my tenure draws to a close, I want each of you to know what an honor and privilege it has been to work along side a remarkable team. This great University couldn’t function and thrive without their dedication and commitment, and I will always be grateful for their support and hard work. I owe a particular debt of thanks to Janie Morton and Mamie Yarborough (now retired) for their years of patience, good humor, and long hours. I am certain that President-elect Bowles will find that same level of support. He will need the full and unconditional support of this Board of Governors, as well.

Finally, more than I could ever adequately express, I thank you for the privilege of serving as the president of the University of North Carolina—without question the finest public University in America.

Mr. Chairman, this concludes my report.

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