

APPENDIX Q

PRESIDENT BOWLES' REPORT BOARD OF GOVERNORS MEETING AUGUST 11, 2006

Now let me turn to a few issues that have occurred since the last time we met. First, I would like to give a short overview of our Legislative Session, particularly as it relates to the state budget. If you see a member of the legislature, kiss them. Man, woman, or child...kiss them. They have been phenomenally supportive of this University. It is incredible what occurred during the last session of this General Assembly. It occurred because all the people sitting here to my right, all of you, the members of our legal staff and finance team worked as one. We worked as one in combination with our students and our faculty. All of us had one agenda and the results speak for themselves. Please, if you see a member of the General Assembly, thank them for their generosity. For the first time in five years, we had absolutely no cuts to our base budget. We received full funding for enrollment growth, full funding for financial aid for our neediest students, our faculty and staff got the highest raises they have gotten in over 15 years, and we got a \$5 million grant for faculty recruitment and retention so that we will not lose our best faculty to any other university. We were able to meet a large number of our requests in high need areas of North Carolina for health care, nursing programs, and K-12 education. More than \$220 million in new recurring operating funds will flow to this University, and more than \$288 million in new capital funds will flow to us for planning, construction, repairs, and renovations. If my arithmetic is correct, that is over \$500 million of new funds. I cannot thank the people in this room enough for working together as one team and producing these results. This would not have happened without Mark Fleming. I am telling you, I have worked around people in government relations in Washington and Raleigh for a good portion of my life, but I have never worked around anyone as effective as Mark Fleming has been. Jim said that he was trusted and

respected. That is true, but I have never seen anybody else in that business that is trusted, respected, and liked. Mark Fleming is. He is trusted, respected, and liked by people of both sides of the aisle, by people who are members of the General Assembly, and by people who work for them. He did a remarkable job for this University. We owe him a huge debt of gratitude; please give him a round of applause.

Now Mark, I think it was Winston Churchill who said that the graveyard is full of irreplaceable people. We have replaced Mark Fleming, and we have replaced him with somebody even better! I thank you, a bit in advance I think, for your support of my recommendation of Andy Willis, currently assistant to the chancellor for external affairs at NC State, as our next vice president for government relations. (The reason that Jim Oblinger is not here today, is that he wants personally to shoot me for stealing Andy.) Andy is the exact right person for this job. Since graduating from NC State some 16 years ago, he has served the state of North Carolina in a large number of different capacities. He has an understanding of higher education, and of financing higher education. Andy is at home in the halls of the General Assembly; he has earned the trust and confidence of legislators and staff and has worked closely and in collaboration with Mark and each of our 16 chancellors. I am confident that he will represent this University with distinction and I know he can look forward to the support and assistance of each of you in this new role. Andy, please stand up. Give him a welcoming hand.

Let me report to you quickly on a few other issues. On our PACE (President's Advisory Commission on Efficiency and Effectiveness) Initiative, James Smith has done a fabulous job leading this effort from an internal viewpoint of this University. I cannot tell you how many hours he has worked and the leadership he has provided. Please give him a round of applause. He weighed 180 pounds when this started. We have made great progress on the PACE effort

under James' leadership and under the great leadership of Krista Tillman, the head of BellSouth. She has provided phenomenal leadership. We have now mapped out the expenses on each campus and allocated them by functionality. The data is fully available and transparent to all the campuses, so one campus can compare what they are doing to another campus. We have formed working groups to address system wide issues and to identify opportunities for savings. Each campus has begun to examine its own operations introspectively. In addition, since I believe in leading from the front, we have cut our own expenses here at General Administration by just over 10%. None of those cuts did any of us relish, but I made a commitment to you when I took this job, the first day I stood at this podium. I also committed to the General Assembly that if they would fund us that I would guarantee them that we would operate this University as efficiently and effectively as we possibly could and reallocate as many dollars as we possibly could from the administrative side of the house to the education of our students, and we are doing just that.

Yesterday you had two workshops, which I thought were both informative and thought provoking. They dealt with the Pappas report, which I believe provides us with a strong foundation with which to customize a plan and road map that lays out how the University and each of our campuses can best meet the needs of North Carolina over the next twenty years. The work that Eva Klein is doing and the work that we will do going forward from there, I think will far better position us to refine and reshape the roles of our campuses in the North Carolina of tomorrow. I have asked our chief academic officer and senior vice president, Harold Martin, to lead and oversee this effort. I think we have it in the exact right hands to do that. There is not a more important work going on in the University today. I think Harold's guidance, ideas, and efforts in this area will lead us to making the right kind of decisions for the University of

tomorrow. Let me also update you on the Kauffman initiative that is going on. As many of you all know, great work has gone on as result of the grant that the University of North Carolina at Chapel Hill received from the Kauffman Foundation to turn it in to an entrepreneurial campus. I have seen with my own eyes, the results of that. In addition, having spent my life as an entrepreneur, I can assure you that the work they are doing to increase the supply of entrepreneurs in North Carolina is great. We are going to take the \$5 million that we have received in a grant from the Kauffman Foundation to expand their work and our work in this entrepreneurial attitude and way of thinking for our students, faculty, and the campuses as a whole. We are working now with 6-10 of our other campuses to get that grant matched by a grant of an equal amount from the Golden Leaf Foundation and from other foundations, and we are working with the campuses to raise some local matching funds. I believe, with this funding, we can do our part to make sure that North Carolina is the best place to start and grow a business.

Let me also update you on our work on the tuition policy, which you charged me to review when you gave me this job. I expect that we will have information available for the tuition policy task force two weeks prior to our September board meeting, and that we will be able to come to you with information for your review at the September board meeting.

Finally, let me close by publicly thanking Brad Wilson again for his leadership as chairman of our board. As I said last night, for me, a newcomer to the University, to have had Brad's wisdom, experience, expertise, guidance, and care was invaluable. Nobody could have a better mentor, teacher, or friend than I have had in Brad Wilson to help me understand the ins and outs of this University. Brad, I thank you for all you have done for this University, for your guidance, for your wisdom, and for your public service. I added a little bit here since last night

John Davis pointed out that I had not sucked up to Jim Phillips at all. Having been a really poor politician, I thought I would correct that. We are fortunate and blessed to have another dedicated and committed leader. No one can question Jim's love for this University and his devotion to it since his days as president of the student body at UNC Chapel Hill. He does bring great energy, enthusiasm, and sound judgment to this job. Jim, I look forward to working in close partnership with you, my friend, to continue to move this great University forward.

That concludes my remarks, Mr. Chairman.