

APPENDIX N

PRESIDENT BOWLES' REPORT BOARD OF GOVERNORS MEETING JANUARY 12, 2007

As hard as it is for me to believe, I have now had this wonderful job for a year. I want to thank you for it. I think it is rare in someone's life that they get to wake up, almost every morning, and say, "Gosh, what a great job I have." In addition, what a fabulous opportunity I have. If I really work hard and I am lucky, today something good might happen. That is how I feel in this job. People ask me why I am so excited about it and it is because of that chance to really make a difference. People always ask me, "Erskine, how is it not that the honeymoon is over?" I tell them the truth, I don't know. It's really because of the way I think of this job. I don't think of this job as what we can accomplish in the first 100 hours or 100 days. It's just not the way I think and it is not the way I manage. I think of this job in terms of where we want to take this University over the next twenty years. What are the needs of North Carolina? What can we do to make sure the kids of North Carolina, our future leaders, have the skills they need to compete in this new knowledge-based global economy? Then I try to think about what kind of goals, objectives, and timelines we need to get there. How do we get the right kind of accountability so that we can make sure something happens? Then, how do we execute, execute, and execute? That is how I spend my time. In my inaugural address less than a year ago, I laid out some areas of focus. I talked about that conceptual prism through which I want to view everything that we do at the University as long as I am here. Moreover, I think on an annual basis I should talk to you about how we are doing to get there, because I believe in accountability. I am preparing a long self-assessment to submit to the board. This morning I want to give you a brief outline of how we are doing.

The first thing I said in my inaugural address was that I want to make the University more efficient and more effective so that we could reallocate every dollar possible to the education of these 200,000 kids. I think we have gone a long way in this direction. We have built a great team here at the University. I cannot over stress how important I believe having a team with sharp minds, and not sharp elbows, is. And that is what we have, a team that works together. The real guts of that team are these ladies and gentlemen sitting right here. Nothing positive happens in the University that these chancellors do not buy into, or do not lead. We are working as one team and it makes an enormous difference.

We have taken steps to change the way the Board of Governors operates. We have worked hard to refocus your efforts on policy issues and try to remove the minutia that you had to deal with before. Because we need your brains and we need your input, otherwise we will never get this place going in the right direction. I believe the PACE initiative will make us more efficient and more effective. I think what we are doing with performance measures will make us more accountable. Lastly, I think the effort we have to understand what the needs of North Carolina are, and what the role of a University should be in meeting those needs, can really have the most significant impact of anything else we do. This effort is going to be led by Norma Mills.

The second thing I said we want to do is to improve K-12, and we have made great strides there. We have rationalized all of our schools of education on each one of our campuses. We will be able to turn out more teachers, better teachers, and more math and science teachers. We revamped the UNC Center for School Leadership Development and it is a very different place than it was a year ago. We prioritized K-12 in our budgets, we will provide more scholarships for new teachers, and we will be able to make sure that we have more mentors for

existing new teachers. I am very excited about the Guilford County project and the impact on education it can have nationally.

I said we want to build a seamless relationship with the community colleges. I can guarantee you that if President Martin Lancaster were sitting here he would tell you that we have broken down every single barrier that existed between the community colleges and the University. We have built real rapport with President Lancaster. We come together as management teams and meet on a regular basis. Associate Vice President Leslie Boney went to his first meeting and he said, "If the taxpayers could see how much money we are saving because we are working together, they would really be proud." Nevertheless, it just makes good common sense. We have also brought together the two faculty assemblies for the first time. We are working on how we can coordinate the education process in the future.

I said we want to improve retention and graduation rates. We were doing a great job of getting people into our universities, but we were not doing the job we should be doing to get them out and make sure they graduate with a diploma that means something. You saw yesterday the plans that all the campuses have gone through to improve retention and graduation. You see the work we are doing with the outside consultant and with the campuses to make sure we do just that. We are establishing new academic summer bridge programs so that more kids are prepared to enter the University ready to learn.

I said we want to expand research. We have identified the fastest growing industries in North Carolina for the next twenty years. We are going to be more *demand-driven*, and do *demand-driven* research in those areas. We have established research priorities. We started the Kannapolis project and we have a marine science collaboration with public and private universities throughout the state.

I said we want to maintain the University's focus on public service. I said yesterday, our campuses do a great job here. The campuses have their faculty, their staff, and their students involved in public service in many different ways. However, as a University, as a board, and for me personally, I think we failed here. That is something I want to address. Public service is an important part of our mission. I want something where we can all bring our collective energies as one University to focus on public service. I believe we can do better there and I feel it is one thing that I did not accomplish this year.

I said we want to increase faculty compensation. Our faculties hold the key to our future in their minds. I am proud of what we have done. We have taken the right first steps. We secured the largest state salary increase for our faculty in 15 years. However, we have much, much more to do. That's why you see in this new tuition plan that if there is any increase in tuition that at least 25% of that must go to your plan for faculty compensation until we reach the 80th percentile. Secondly, in this year's budget we are requesting the funds from the General Assembly that will take each of our campuses to that 80th percentile. If we don't have great faculty, you can build all the buildings you want to, but we will never provide the education that our students need to compete and win in this new knowledge-based global economy.

As for the next year, it's simple. We do not need any more new initiatives. These people tell me that everyday, and it's true. What we need is to execute, execute, execute, and execute. That is what we will do.

I want to recognize some of the achievements that have occurred on our campuses since our last meeting, and they are remarkable. Just this week, *Kiplinger's Personal Finance* released it's rankings of the 100 best education values, that means cost and quality, in the United States. The University of North Carolina at Chapel Hill topped the list for the sixth time. North

Carolina State was ranked 12th. Four other UNC campuses ranked in the top 50: Appalachian State ranked 31st, UNC Wilmington and UNC Asheville tied for 35th and UNC Greensboro is also ranked. Think about that, we had six of the top 50 schools. I think we can be really proud of that, because we are talking about value.

On the athletic field, we also had terrific results. Appalachian State trounced the University of Massachusetts last month to earn its second consecutive national championship in Division I-AA football. Also in December, UNC Chapel Hill's women's soccer team won its 19th NCAA national championship. North Carolina Central's football team posted its best season ever to win the CIAA conference title, and East Carolina University participated in a bowl game.

President Bowles introduced several of the chancellors and representatives of affiliated organizations in attendance at the meeting and gave the board an update of the good news and accolades afforded many of the campuses.

I would like to welcome the Cato family and share some exciting news with you. From day one, you have heard me talk about my growing belief that we must get more of our people better educated here in North Carolina if we want to compete in this knowledge-based global economy. I believe to do that we must keep the University accessible and affordable. To do that, not only do we need more state need-based financial aid, but we also need more private resources. That's why I am delighted—and tremendously grateful—to announce that the Wayland H. Cato, Jr. Foundation has just made an initial gift of \$365,000 to establish a Wayland H. Cato, Jr. Endowed Scholarship Fund on each of our 16 campuses. These new funds will endow one or more need-based Cato Scholarships on each and every campus. Recipients will be financially challenged undergraduates who have demonstrated the experience of working both

for pay and as a volunteer. We are honored to have two members of the Cato family here with us today, and I would like you to join me in welcoming them. Please stand, Wayland Cato, Jr., and his daughter, my friend, Clarice Cato Goodyear. Mr. Cato is a 1944 graduate of UNC Chapel Hill and he co-founded the Cato Corporation, a women's apparel retailer with more than 1,200 stores in 31 states, with his father. He not only led the growth of this great retail operation, but during his 33-year tenure as chairman of its board of directors, Mr. Cato has been responsible for the company's many charitable contributions. As a result of his personal and corporate philanthropy, there are now more than 65 endowed Cato Scholarship Funds at 23 colleges and universities. Cato Scholarships are awarded to more than 100 students annually, and we are delighted with the opportunity to increase that number by at least 16 in the coming year.

There are two other issues that I want to update you on this morning; I apologize for the length of this report. One is tuition and the other is the circumstances at North Carolina A&T State University.

As many of you know, the Committee on Budget and Finance began its review yesterday of the campus' requests for tuition and fee increases for 2007-08 that will come to you next month for consideration. I want you to know that we are reviewing the requests to make sure they are in compliance with your tuition policy and also for their consistency with our four-year plan. We are assessing where the campuses are in relation to their peers for resident and non-resident tuition rates. We are also looking at proposed increases in graduate and nonresident rates, as well as the mix between fees and tuition. I have asked the campuses to help me understand the driving factors for their requests, and how the revenues will improve the quality of education on our campuses. I will continue to have one-on-one conversations with the chancellors where I have concerns. I am making sure that each campus is setting aside at least

25% of new tuition revenues for need-based financial aid and at least 25% for faculty salary increases. With respect to fee requests, we have established an in-house review group with representation from finance, information technology, and academic affairs, led by Dr. Martin. That group is looking at every fee, in detail, to see how new revenues would be used and what the trends have been in recent years. We are also looking at detailed budgets and cash balances for all of our auxiliaries. We intend to wrap up this process in the near future. We will share all of this information with you well before your next board meeting.

As many of you have read in the newspapers, there are a number of problems that have occurred at North Carolina A&T State University. Chancellor Hackley, whom I can not tell you what a great job he has done for this university, came to see me in late December and made us aware of problems on the A&T campus that had occurred prior to his arrival. He asked for our help. We immediately sent our chief financial officer, chief of staff, general counsel, and members of our IT, and internal audit teams to look at the problems that Chancellor Hackley thought existed on the campus. We reviewed each of the issues he raised. In early January, we sent another team to the campus. That team is composed of three former state auditors, all of which have had heavy involvement as chief financial officers on various campuses. Those three individuals have over 90 years of experience. They are and have been looking at the controls and systems on the campus, examining the financial statements, looking at the use of proceeds, and examining various compliance issues. In addition, we sent Associate Vice President Vijay Verma from our Information Resources Division to the campus and he is in the process of revamping all of their IT systems. This week our chief of staff, general counsel, vice president for finance, and I went to Greensboro and met with our team at A&T and the campus' general counsel, head of research, head of human resources, board chair, and the director of internal

audit to get status reports. Based on the feedback from our team and from these meetings, we are sending in two additional people with expertise in human resources and compliance. Most of the problems at the campus center around lack of internal control, lack of proper systems, lack of IT functionality, financial irregularities, and the lack of control at its foundation. We are on top of it, and I promise you we are going to stay on top of it until it is fixed. That is our job.

Finally, this board has identified as a strategic priority to ensure that each and every one of our campuses, and the University as a whole, is actively engaged in the economic transformation of North Carolina. That is the only way North Carolina is going to compete successfully and win in a knowledge-based global economy. Within General Administration, Associate Vice President Boney is leading this collaborative effort. Therefore, to wrap up my report, I have asked Leslie to share a very early version of an electronic webpage we are creating to raise awareness of and access to the multitude of University-based resources, programs, and activities related to economic development and transformation. I am proud to say that Mr. Lail came to me and said, “This is something we have been talking about for years, how did this happen in just a few months?” It is because of leadership. Leslie really has done a terrific job. This is just the beginning, and we welcome your questions, feedback, and suggestions.