

APPENDIX A

Molly Corbett Broad
President's Report to the Board of Governors
Warwick Center, Ballroom I
University of North Carolina at Wilmington
February 11, 2005
11:00 a.m.

College Access and Affordability

In the fall of 2003, the NC State Education Assistance Authority began a longitudinal study to provide an annual assessment of the affordability of higher education in North Carolina. In the spirit of building metrics and standing accountable for our goal of affordable access, we asked SEAA as an independent organization, to undertake the development of key measures of success. To do that, researchers identified three key measures that—over time—are designed to provide a systematic and measurable way to assess affordability issues and to ensure that higher education remains accessible to all North Carolinians. They included:

- Changes in college attendance rates;
- Net prices after financial aid paid by individuals from various income groups for college attendance; and
- Average cumulative student indebtedness at graduation.

Yesterday, SEAA Director Steve Brooks met with the Budget and Finance Committee to share the findings of the second installment of this important study, and each of you has received a copy of the full report. I am heartened that it concludes that this University remains affordable for North Carolinians on all three of these key measures, relative to national trends. In general, remaining financial need after grant aid was applied remained within the capacity of most students in all income groups to fund with reasonable amounts of work and low-interest student loans. As the report notes, the creation and expansion of UNC's Need-Based Aid Program has been absolutely crucial to this outcome.

In a related vein, you will be asked to approve today an amendment to the Board's 2005-07 budget request that increases the level of funding sought for this important program. As widely reported, in late December, the U.S. Department of Education announced changes in the formula the government uses to calculate a student's eligibility for Pell grants and other forms of federal financial aid. An important design feature of our UNC Need-Based Aid Program is that it would protect our students from such unanticipated reductions in Federal student aid, if adequate state appropriations are provided. Preliminary estimates by the State Education Assistance Authority suggest that students attending UNC campuses will lose about \$3.2 million in Pell Grants due to the abrupt change in the federal methodology. Governor Easley's letter to us this week confirms his intention to recommend this augmentation to the funding in his Budget.

While the FY 2006 federal budget proposed by President Bush earlier this week would raise the maximum Pell Grant by \$500 over the next five years, it would pay for those changes, in part, by eliminating or imposing deep cuts in other student aid programs. We are particularly concerned that the proposed budget would end important programs that help motivate and prepare low-income students for college.

One of these programs targeted for elimination is GEAR UP, which has been phenomenally successful here in North Carolina. UNC's GEAR UP program—funded by \$7 million in federal grants—has targeted school districts across the state where the poverty rate is high and the college-going rate is low. Beginning when students are in seventh grade, GEAR UP NC has provided ongoing tutoring and mentoring, academic planning and preparation, financial aid planning, college tours for students and counselors, and professional development for teachers. We have seen first-hand the life-changing impact of this program, and its elimination would deal a blow to thousands of North Carolina children—and their families—who have had a whole new world of educational opportunity opened up to them.

Impact of Federal Budget Proposals on University Research

Looking to other parts of the federal budget that directly impact UNC, you will recall that at our last meeting, Vice President Russ Lea reported that in fiscal 2004—for the first time in its history—external awards to the University for research and other sponsored programs exceeded \$1 billion. In light of the proposed federal budget, that sort of yield will be extremely difficult to maintain or increase in the year ahead. Consider that the National Institutes of Health—which provided more than 30 percent of UNC’s total sponsored-program funding last year—would receive a funding increase of just 0.7 percent. Funding for the National Science Foundation would rise by just 2.4 percent. As a practical matter, these proposed increases are so modest that NIH and NSF would support less research next year than they do under the current budget. Several other agencies that provide most of the federal funds for academic research and engineering would endure actual declines in funding.

Without question, the state and federal budgets that are ultimately passed will have long-term implications on our efforts to ensure affordable access to the University, help strengthen North Carolina’s economy, and improve the quality of life for all our citizens. We will keep you apprised of new developments in the months ahead.

Mr. Chairman, this concludes my report.