



**State of the University Address  
The University of North Carolina at Chapel Hill  
For Delivery by Chancellor James Moeser  
September 26, 2007  
Great Hall, Frank Porter Graham Student Union**

Good afternoon. Let us begin by recognizing several people who are important to the success of our University. I will ask them all to stand so we may recognize them as a group.

We are honored to be joined by the president of the University of North Carolina, Erskine Bowles, and four former chancellors: Bill Aycock, Christopher Fordham, Paul Hardin and Bill McCoy. These are great leaders for North Carolina.

Members of our Board of Trustees are here for meetings today and tomorrow. Let me ask Chair Roger Perry to stand along with all of our trustees: Vice Chair Karol Mason, Secretary Rusty Carter, Philip Clay, John Ellison, Paul Fulton, Alston Gardner, Barbara Hyde, Nelson Schwab, Sallie Shuping Russell, Don Stallings, Bob Winston and Eve Carson. Joining them are our four most recent trustee chairs who, together with Nelson Schwab, represent a great legacy of leadership at Carolina. They are Tim Burnett, Richard "Stick" Williams, Anne Cates and Richard Stevens.

Let me ask the Chancellor's Cabinet and all academic deans – an exemplary team – to stand. I am pleased to recognize Faculty Chair Joseph Templeton, Employee Forum Chair Ernie Patterson, and Chapel Hill Mayor Kevin Foy.

We also celebrate this year's winners of the C. Knox Massey Award for Distinguished Service. They are Terry Bowers, electronics technician; Carolyn Cannon, associate dean and academic advising director; Sue Klapper, now retired senior associate undergraduate admissions director; Michael O'Malley, associate director of the Lineberger Comprehensive Cancer Center; Kirk Pelland, director of the Grounds Services Department; and Wanda Thompson, housekeeper in Winston Residence Hall. Please join me in showing our appreciation for their outstanding devotion to UNC.

**State Budget Positions Carolina for Success**

Let me say a word about the North Carolina General Assembly's budget, which may be the best in the University's history. I think the major reason for this success is President Bowles' dynamic leadership. Erskine, on behalf of all of us and the people of North Carolina, thank you. When Erskine came almost two years ago, he said he wanted to be our partner. He has been that and more. He is a leader we are proud to follow.

The General Assembly made a stunning series of allocations including meaningful salary increases for faculty, a well-deserved raise for our staff and the creation of the University Cancer Research Fund that will help put Chapel Hill on the map as one of the world's pre-eminent institutions leading cancer research. Other highlights included significant recurring funds to support excellence in the School of Law, capital construction for genomics and dentistry, and new faculty positions for the nutrition institute at the Kannapolis research campus.

Governor Easley and our legislative leaders – especially Senate President Pro Tem Marc Basnight and House Speaker Joe Hackney – demonstrated a keen recognition of the role that the UNC system is playing in North Carolina's future success. We are grateful.

### **Personal Comments**

Before getting to the substance of today's remarks, please allow me some personal comments. People often ask if I dread making speeches, especially this big one every year.

I have a confession. This is one of the most enjoyable aspects of my job.

Remember, I am a performing artist by profession. Performing can be a humbling experience. Early in my career I was about to give the final concert of a small Midwestern town's community artist series. Just before I went on, I heard the series board chair appeal to the audience to give generously to the series, in her words, "so that next year we can afford better artists."

The principal lesson I learned as a concert artist was always to get off the stage before the applause stopped. Nothing is more embarrassing than being stuck out there with no applause. The second lesson was to be conservative with encores. "Always leave them wanting more," my teachers said.

Those lessons stuck, and I think they apply to me as much today as they did in my years on the concert stage. Thus, I am announcing today that I shall relinquish the position of chancellor of this great University at the end of the fiscal year, June 30, 2008.

Let me hasten to add that this is not a retirement for me. After a year's research leave, I shall return to the campus with the most exalted title this University can confer on an individual – professor.

I make this announcement today to give the Board of Trustees time to begin a search for my successor, with the hope that this individual can assume his or her responsibilities on July 1, 2008.

I will be fully engaged as your chancellor in the year ahead. I know what I have told our fourth-year students will be equally true for me – that this year will pass in a flash, and before we know it, we will be in Kenan Stadium in graduation gowns. I do not intend to waste a minute.

## **Celebrating Success: Building Momentum for Excellence**

This University is on an incredible roll. It is a great tribute to our students, faculty, staff, trustees, alumni, parents and friends, as well as President Bowles and the leaders of the UNC system and North Carolina. There is a lot to celebrate in Chapel Hill because we are making great progress on virtually every priority that we have set for ourselves.

### **Enhancing the Learning Environment**

This year's first-year class is again the most academically qualified in Carolina's history. We received over 20,000 applications, up from 16,000 a decade ago. The average SAT score for this fall's first-year class was 1302; 10 years ago it was 1220. This year 77 percent of our newest students graduated in the top 10 percent of their high school class; a decade ago it was 66 percent. This year's class is also more diverse than ever.<sup>1</sup>

Carolina leads the nation in access and affordability. Through several key policy decisions, Carolina has become more affordable to a larger number of North Carolinians than ever before. *Kiplinger's Personal Finance* magazine has concluded six consecutive times that we are the best academic value in public higher education. Universities and entire states are following our lead when they model programs after the Carolina Covenant, and this May we will graduate our first class of Carolina Covenant Scholars.

We also set the bar high for graduation rates, a critical measure of undergraduate quality. Our goal is to match the six-year rates for Berkeley, UCLA and Michigan by 2010. Last year, they were at 87 percent, while we were at 84 percent. It is too early to report progress on this front. On the four-year rate, even though last year's results exceeded those three same peers, we set a target of 75 percent by 2010. Here, I am pleased to report some success. Since last year, we have improved the four-year rate from 71 percent to 73 percent.

For the first time in several years, the General Assembly included additional funding for tuition remissions to help us recruit and retain outstanding graduate students, who constitute nearly 40 percent of our students. They are the faculty's partners in teaching and research and make invaluable contributions to undergraduate education.

### **Strengthening Faculty Resources**

With regard to faculty, we have improved how we pay, recruit and retain them because they are this University's number one priority. Our goal is to take average faculty salaries up to the 80<sup>th</sup> percentile of our peers. We are roughly at the 50<sup>th</sup> percentile, and we may reach the 80<sup>th</sup> percentile as early as next year with another solid legislative session and a modest increase in campus-based tuition.<sup>2</sup> State appropriations helped slash the gap between current salaries and the 80<sup>th</sup> percentile from about \$21 million last year to \$11 million this year for all tenure and tenure-track faculty. This is real progress.

More competitive salaries are helping recruitment and retention. Last year we retained 72 percent of faculty who received outside offers to whom we made counter offers. That was our best showing in five years. We were at 52 percent in 2006 and 40 percent in 2003. We received almost \$1 million from the recruitment and retention fund created by the Legislature at President

Bowles' request. Those dollars helped attract nine nationally known scholars and keep six of our strongest faculty who received outside offers. Most importantly, as our salaries become more competitive, fewer faculty will even be tempted by outside offers. This is a healthier culture for all.

### **Nurturing Research and Creativity**

This year faculty again demonstrated remarkable creativity in the advancement of new knowledge. The most critical problems of our society require all the resources of a great research university – in ethics and values, the creative arts, as well as science and technology. For example, cancer research is not just a medical or public health problem, nor is the study of the environment. This is where Carolina excels, where the low stone walls of our campus become a metaphor for our ability to work together to solve big problems.

For our science faculty, the principal metric of success is sponsored research. Total grants and contracts grew by 2.9 percent in 2007 to over \$610 million – more than double where we were a decade ago. These gains came even as funding from the National Institutes of Health began to shrink after its budget doubled in the 1990s. Our strategy of investing in big ideas, pulling together our strongest programs across the campus, has worked. This approach has paid big dividends in genomics, advanced material science and nanotechnology. It has also worked in medieval and early modern studies, which just received a major grant from the Andrew W. Mellon Foundation.

### **Creating the Margin for Excellence**

The Carolina First Campaign, the most successful fund-raising effort in University history, ends in three months well over the \$2 billion goal. We exceeded that goal in February when we recorded the largest single pledge in UNC history, the \$50 million commitment to the School of Public Health by Dennis and Joan Gillings. Our campaign total does not include the magnificent \$100 million gift to the John Motley Morehead Foundation from the Gordon and Mary Cain Foundation, nearly doubling its endowment.

This morning, we announced an anonymous \$5 million gift to benefit the honors program through five new endowed professorships to recognize Peter Grauer and William Harrison – alumni who have served Carolina with great distinction. That exceeds the campaign goal of creating 200 new endowed professorships. We are heading to the campaign's finish line with a special drive for faculty support, increasing that goal by an additional \$100 million to \$500 million.

For students, our donors have established 544 undergraduate scholarships and 188 graduate fellowships. Our endowment has surpassed \$2 billion, over twice what it was seven-and-a-half years ago, a result of gifts and successful endowment management. These private funds are the fuel that is transforming this University, going from greatness to pre-eminence, to be the leading public university.

## **Transforming the Physical Campus**

Our massive building program is adding 6 million square feet to the main campus. This program is grounded in core values of architectural quality and sustainability. The 2000 Higher Education Bonds brought \$515 million for new buildings and renovations, and we more than kept our promise to triple this investment by North Carolina taxpayers. We have completed nearly 80 percent of those 49 bond projects and expect to finish in January 2009 within two months of our original projection – and on budget.

The total \$2.1 billion building program, including projects funded by gifts, research grants and our own revenues, is giving the campus community the physical space in which to excel in ways we have never been able before. The campus is being transformed. One of America's most beautiful campuses is becoming even more beautiful.

## **Carolina Connects: Serving North Carolina**

Carolina has a long and cherished tradition of service to North Carolina, but we can and must do more. Vice Chancellor Mike Smith has formed the Carolina Engagement Council to help set our course, leading a campus dialogue on engaged scholarship. The Golden LEAF Foundation has committed at least \$10 million over the next five years to support the faculty's work in rural communities across North Carolina.

Our ongoing work on this campus ties in naturally with the University of North Carolina Tomorrow Commission created by the Board of Governors and led by President Bowles. This commission is holding forums across the state to learn directly about community needs and how the UNC system can respond. We are continuing our own "Carolina Connects" initiative, launched in 2004, to listen to the people, to understand their needs, and to show what this University, with its statewide mission, is doing or ought to be doing to serve them. One thing we have learned is that we need to do a much better job of telling our story – of how this University touches people's lives in all 100 counties of North Carolina in the issues that matter most to them – their health, the education of their children, and the economic prosperity of their region.

## **Advancing Carolina North: Our Future**

Carolina North will be critical to our ability to help build the 21<sup>st</sup> Century economy for North Carolina. Finally, after years of study and conversation, we are ready to begin. Later this afternoon, we expect the Board of Trustees to act on our plan for Carolina North. With their approval, we will begin the process of formal submission to the Town of Chapel Hill. We have identified our first building for Carolina North – an Innovation Center, where fledgling companies, using intellectual capital drawn from faculty research, can take their very first steps toward full viability. This partnership with a private developer, and the companies it creates, will pump new tax dollars into the community and support the local economy. Later, these new companies will create products and procedures that improve human health and the welfare of us all.

We have listened to the community and sought input from a broad spectrum over the past year. The Leadership Advisory Committee, chaired by former law dean and Chapel Hill Mayor

Ken Broun, developed principles that have guided a series of draft concept plans presented to the community in meetings since last March. Carolina North's Executive Director Jack Evans and his colleagues have done an excellent job with this phase of work. The campus community and our neighbors have provided invaluable feedback, making the final concept blueprint better. The question of whether Carolina North will happen has been replaced by questions about how this mixed-use environment will function and how the University will consider the concerns and views of neighborhoods and the larger community.

At Carolina North, we will create strategic private-sector partnerships that will enable this University to be a more powerful force in the state's economy.

One issue closely related to Carolina North is our plan to close the Horace Williams Airport, which is where we will start the first phase of the new campus. Some see closing the airport as a lack of full support for the Area Health Education Centers (AHEC) Program. AHEC is the absolute anchor of this University's service to North Carolina, and the last thing we would ever do is diminish that service to communities, patients and health professionals across the state. I firmly believe that we can both build Carolina North and strengthen AHEC.

In the near term, Medical Air Operations, the transportation arm of AHEC, will remain at Horace Williams until the Innovation Center is ready for occupancy. In the mid term, MedAir will move to Raleigh-Durham Airport. We will work closely with AHEC physicians and staff to make that transition go smoothly.

In the long term, the University believes that a general aviation airport is important to the future of AHEC, the University itself, and to the economic success of Orange County. We pledge to work earnestly with local, state and federal agencies to help create a general aviation authority for a new airport.

### **Bringing the World to North Carolina**

UNC has taken some critical steps toward becoming a great global university, bringing the world to North Carolina and taking North Carolina to the world. On University Day, October 12<sup>th</sup>, we will dedicate the FedEx Global Education Center and convene for the first time the Global Leadership Circle, a task force of visionary alumni and friends, to help us develop a strategic vision for global engagement.

Last year, I went to China, where we co-sponsored a forum on health-care reform with Peking University. Next semester, we will host our Chinese colleagues at a similar conference focusing on health issues in the United States.

We are a world power in global health. Building on our faculty's historic strengths, we have launched the Institute for Global Health and Infectious Diseases, led by Dr. Mike Cohen. Through this institute, we will become even more effective in our research in infectious diseases, water quality and nutrition – work that is already improving and saving lives here and around the globe.

Ultimately, achieving our global objectives may be one of the most important things we do for our state. North Carolina's competition is not South Carolina or Georgia. It is Singapore ... China ... India. UNC must be a presence in the world so that North Carolina can compete in the world. It is as simple as that.

### **Looking Ahead: Challenges and Opportunities**

Every part of the University is positioned for the kind of distinction that we expect at Carolina. We have come a long way, and I am pleased to report that the state of the University is excellent. However, I am not going to use my last year as chancellor for an extended victory lap. We have some real challenges to face. I want to do all I can this year to address the issues that, I believe, will dominate my successor's tenure. There are four major challenges.

### **Future Challenges: Growing to Serve North Carolina**

First, enrollment growth will be, without question, the single most critical issue facing my successor. The UNC system expects to absorb approximately 80,000 additional students by 2017. Chapel Hill is already growing, and we will grow more to respond to the needs of an expanding and more diverse population seeking access to higher education in North Carolina. This is a huge challenge, and we must meet it. We cannot freeze-frame this University or embed it in amber. Rather we must continue to evolve and change to serve the public that created us and sustains us.

This fall, for the first time in our history, enrollment exceeded 28,000, about 4,000 more students than we had when I arrived seven years ago. Under our current trustee-approved plan from several years ago, enrollment will increase to nearly 30,000 by 2015. The question is, given what we know about the state's growth, will this be enough? And, if not, how will this University accommodate more?

The limiting factors for growth are resources and quality – resources for faculty and support staff; the necessary infrastructure of classrooms, offices, parking and transportation that allows the faculty to be a presence on the campus; and the amenities for student life that support the personal and social development of our students.

Quality is the other metric of control. We must ensure that admissions standards for undergraduates remain highly selective, and we must continue to push for higher graduation rates, which in itself will create more capacity. We must do nothing to degrade the quality of the entering class or of a Carolina degree. And we must increase support for graduate students, ensuring that Chapel Hill will continue to attract the world's finest young scholars to our graduate and professional programs. Indeed, it will be critical that we maintain the roughly 60-40 ratio of undergraduate to graduate and professional student population. This is crucial to the academic ecology of a research university.

I do not minimize the challenges that growth brings. While we should never compromise on quality, we and our successors must never send the message to the people who own this University that the door to opportunity has been closed.

This fall, we will undertake a comprehensive update of our campus master plan, beginning with a space needs assessment for various degrees of growth, to incorporate recent master planning by the UNC Health Care System and the School of Medicine, and also to take into account the possible programmatic uses of all of our outlying properties, including Carolina North and Mason Farm.

### **Future Challenges: Competing in the Research Arena**

The second most urgent challenge facing the University is the intensifying competition for research support.

In my installation address in 2000, I described the investment that we had just made in 18 faculty positions to support a new genomics initiative. That dramatic investment speaks for itself. Seven years later, UNC is a world leader in genomics and genetics research. Later, we made a similar investment in advanced materials science and nanotechnology.

Last year, I announced a goal of securing \$1 billion in external research funding by 2015. It remains the audacious goal I described: “to take UNC to another level of excellence and prominence as a research university.”<sup>3</sup>

To reach this goal, we must make some fundamental course adjustments. UNC has benefited enormously from the run-up of the NIH, but now we face a new federal reality – the decline in real dollars at NIH and a new federal escalator in the physical sciences, energy and technology areas under legislation signed last month by President Bush. This initiative received initial Congressional funding this year and will ultimately double funding in these areas. One of the principal architects of this new federal thrust is Chancellor’s Eminent Professor Dan Reed, who sits on the President’s Council of Advisors on Science and Technology and chairs the policy board for the National Energy Research Scientific Computing Center.

To be successful in this new environment, we must make new strategic investments. We must increase our research capability in the physical sciences and build even more bridges between the biomedical and physical sciences. We must define new technical areas and approaches that create a competitive advantage for Carolina.

Simply put, we must devise a new strategy for innovation that builds on existing strengths, but that also includes recruiting and supporting new faculty who will foster multidisciplinary collaborations and lead new initiatives, both large and small.

I have asked Vice Chancellor Tony Waldrop to chair a faculty task force to develop a short list of big ideas for new investments.<sup>4</sup> The objective is to position Carolina to be successful in this new environment. This group will identify three to five broad thematic areas in which UNC will invest to increase its competitive position, taking into account existing strengths, as well as new opportunities. One of these broad themes has been given to us by the North Carolina General Assembly: cancer research.

### **Future Challenges: Finding the Resources**

The third challenge will be to identify the resources for new investments. Let me be perfectly candid about what this means. Today, we could not make the investment in genomics that we did seven years ago because we do not have the resources available centrally. We have prided ourselves on placing our assets in a distributed manner, as close to the ground as possible. This has been an effective strategy for individual principal investigators to be successful in an environment of steadily increasing funding. It has maximized individual entrepreneurship. With this strategy of decentralized deployment and control, we have created internationally competitive departments, schools, centers and institutes. However, there is a huge downside to this strategy when the rules of the game suddenly change – and they have suddenly changed. We have little ability to steer the ship to change its course.

Realistically, we cannot expect the state to provide all of the new resources we will need for major new initiatives to the degree that it has done for cancer. We must find these resources internally. In a budget of over \$2 billion, finding sufficient new investment capital should not be an insurmountable challenge, but it will challenge our traditional ways of doing business. Over the coming year, I shall ask the provost to develop with the deans a satisfactory method of capturing funds sufficient to allow some significant new investments in selected priority areas.

### **Future Challenges: Replenishing Faculty Resources**

The fourth challenge is the essential resource of people – especially tenured and tenure-stream faculty – the people who do this research and provide service to the state. They are the key to everything. This is the supreme challenge.

According to a white paper by Bob Lowman, associate vice chancellor for research, nearly 41 percent of our faculty are 55 years of age or older.<sup>5</sup> Nationally, about half of all faculty leave the workforce by age 66, and 90 percent will have stopped working by age 70. (I should note that more and more faculty remain highly productive well into their 70s, a trend that I find myself applauding more and more. It is amazing how my own views about this have changed in the past few weeks.) Based on these national trends, we expect at least 500 tenured faculty members to retire in the next decade. That is more than double the rate of the past several years.

Besides those 500 new hires required by retirements, we will have to replace 1,300 faculty who will resign or not be reappointed, and find another 225 faculty to cover the current enrollment growth projection for 2015. That suggests, according to Lowman, “the need to recruit and hire approximately 2,000 new faculty members over the next eight years, or about 250 faculty per year.”<sup>6</sup> This number does not include potential new faculty hires supported by the cancer research fund or accelerated enrollment growth.

To put these numbers in perspective, we now have nearly 3,300 full-time and part-time faculty. Hiring 2,000 faculty in eight years is the equivalent of replacing about five of every eight faculty.

The overwhelming prospect of replacing that many faculty is even more daunting when we remember that every other college and university in America will be facing similar problems of aging faculty, if not the same growth in enrollment.

This has huge implications. I suggest that we cannot approach this issue of faculty replenishment in the old mode of doing business – where departments and programs essentially clone the appointments made in the 1970s. In some cases, we may choose to replace a retiring specialist in the organ music of J.S. Bach with another Bach specialist, but I do not believe that even that position (which is probably mine, by the way) ought to be made without serious examination of larger alternatives.

Some of our major competitors are recruiting whole faculty teams, not just individuals. We have seen that in some of their raids on our best research groups. Clearly, they have an institutional strategic purpose in these recruitments. That is the nature of the game today, and not only in big science. This is how we would build expertise in faculty with global or environmental perspectives, to name just two examples. Carolina has many individual strengths and an interdisciplinary culture that position us well to play in this game. Now, we need to take it to the next level.

This is a challenge and an opportunity to position UNC to realize its goal of being the leading public university – one of international pre-eminence.

### **Embracing Change and Holding Fast to Our Culture**

There are a few advantages to having come late to Carolina with first-hand experience of other university cultures. This University is truly unique. It is a place that is open and free, that celebrates excellence wherever it occurs, that honors teaching and embraces selflessly a tradition of public service. We are a university with a healthy ego, but an innate modesty and lack of pretension. We take literally, sometimes too much so, I think, the motto of the State of North Carolina – *Esse quam videri* – *to be, rather than to seem*.

This is a place that, for many years, I held in high esteem from afar. I shall never forget the first time Susan and I walked on these brick paths eight years ago, knowing that we were about to have the high privilege of leading this great institution. I got goose bumps then. ... I still get them today.

This is a place we have come to love with every fiber of our being. I understand how it captures our students, who fall in love with it on their first visit; how, as World War II Veteran O.G. Grubbs wrote so beautifully in words inscribed in our new alumni memorial, “Chapel Hill is in my blood just as much as the sand and pebbles from the walks used to be in my shoes.”<sup>7</sup>

I believe this University has the strength of character and maturity to embark on the bold and audacious initiatives I have described and not lose or endanger that wonderful culture of openness, freedom, civility and collegiality. We love this place, but we must not let our love of it lead us to complacency and self-satisfaction. Once again, Carolina is called to lead – to lead change – to reinvent itself for the 21<sup>st</sup> Century, holding fast to the incredible ethos of our bedrock values.

Over the course of the next year, I look forward to working with the trustees, provost, deans and faculty in addressing these critical issues that will, in my opinion, determine Carolina's future. My pledge to you is to bring the same level of passion, energy and commitment in my last year as I did in my first seven years as your chancellor.

Let us set the course so that a hundred years from now, historians will agree that Carolina's third century was her best, a true renaissance of the human spirit.

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<sup>1</sup> Carolina ranked first among top universities – for the sixth time in eight years – in the percentage of African-American students in the 2006 first-year class as measured by *The Journal of Blacks in Higher Education*. African-Americans made up 12.3 percent of that entering class – the second-highest percentage ever reported by the Journal. Over the last decade, through 2006, Latino and Latina enrollment has quintupled, up 519 percent. Asian enrollment has grown by 68 percent. The fall 2007 first-year class includes 69.5 percent white students, down from 80 percent in 1997.

<sup>2</sup> Current projections show the University is capable of reaching the 50<sup>th</sup> percentile this academic year in all areas except the School of Medicine, for which all peer data are not available.

<sup>3</sup> Moeser, James. "State of the University Address." Chapel Hill, N.C. Delivered September 6, 2006.

<sup>4</sup> Members of the strategic research planning task force, chaired by Tony Waldrop, vice chancellor for research and economic development, are: Shelton Earp, director, UNC Lineberger Comprehensive Cancer Center; Barbara Entwisle, director, Carolina Population Center; Daniel Reed, director of the Renaissance Computing Institute and Chancellor's Eminent Professor; and Holden Thorp, dean, College of Arts and Sciences.

<sup>5</sup> Lowman, Robert. "Meeting the Challenge of a Changing Workforce." A white paper written about the University of North Carolina at Chapel Hill's future faculty workforce for internal discussion. Chapel Hill, N.C. May 29, 2007.

<sup>6</sup> Lowman, Robert, p. 3.

<sup>7</sup> Grubbs, O.J. Among the quotes featured as part of the "Carolina Alumni Memorial in Memory of Those Lost in Military Service," dedicated April 12, 2007, on the University of North Carolina at Chapel Hill campus.