

**Second Annual Report To
The Board of Trustees of The University of Alabama
By Chancellor Thomas C. Meredith
June 25, 1999**

As caps and gowns are packed away, diplomas framed, and students go on to summer school or work (or both), we mark the end of the last academic year of the 1900's.

While the challenges of the past twelve months have been formidable and sometimes frustrating, they were eclipsed by tremendous achievements at UA, UAB, UAH, and the System Office.

I cannot begin to review this past year without first thanking President pro tem Jack Edwards for his support and friendship. Jack, as a keen and respected strategist, you have helped me learn the nuances of Alabama politics. You are a wise counsel and a true statesman. I've been privileged to work with you over these last two years. Thank you.

In the next few minutes, I want to:

- Summarize some System accomplishments.
- Measure our progress toward last year's goals.
- Set new targets for the year ahead.

Spring Commencement exercises at our three institutions recognized almost 8,400 of the best and brightest students. The Class of '99 included more than 5,000 bachelor's degree recipients; 2,600 master's degree recipients; and over 800 first professional and doctoral degree holders.

You already know from our outstanding Presidents, Frank Franz, Ann Reynolds and Andrew Sorensen about the academic profile of our newest graduates. Diversity reached record levels, scholarship soared, and, for our graduates, the prognosis for getting good jobs after graduation is bullish. That is what we are all about.

As our graduates move on to pursue their dreams, they are followed by a group of entering freshmen whose academic talents shine even brighter. Grade point averages and college board scores continue to climb – with significant numbers of National Merit and National Achievement Scholars, valedictorians, and honor graduates from high schools large and small. Our students are also getting more campus assistance in the form of scholarships and fellowships. Thanks to donors, academic financial support is up 12% from fiscal 97 to fiscal 98.

The harvest of incoming scholars doesn't spring from the ground. It is the culmination of intense work by our admissions offices, alumni associations, writers, designers, and student ambassadors who promote our universities. This achievement is all the more noteworthy as we face a competitive market unparalleled in American higher education history. I want to thank everyone working behind the scenes who has helped "grow" our student body. We depend on your creative talents and enthusiasm...and you continue to deliver.

When it comes to delivering, our faculty are hitting balls right out of the park...the research park, that is. Last year saw a new benchmark for total grant and contract expenditures. The increase was a sizable 10%. This year, we are seeing a 5.4% jump (for just the first six months) in external grant and contract activity by faculty and students in The UA System. Presidents and Provosts, please extend our hearty congratulations to your brain trust on these winning performances in this tough national arena.

This year I had the chance to tell The University of Alabama System's story to many different audiences. In December, it was to members of the Legislature who packed our Law School for an orientation session (organized and well executed again by Bob McCurley of the Alabama Law Institute). Then there were presentations to Leadership Alabama and numerous civic clubs. Our three Presidents were also out there carrying this message throughout the year.

Audiences wanted to know how we are making a difference in Alabama. They wanted assurances that the public's

investment is being safeguarded and enhanced. They listened for affirmation that we are operating these institutions in a sound, business-like way. Thanks to the excellent work of our campus Presidents, their senior management teams, and because of astute governance by this Board, I could tell elected officials and CEO's what they hoped to hear...and more.

By our very existence, we strengthen Alabama's economy. The budget for our three campuses creates a \$1.6 billion industry for our state. Total economic impact exceeds \$3 billion. The Legislature appropriates to us a little over \$300 million, which multiplies into more than a 5 to 1 return on investment. This return happens every year. That's hard to beat, even in a skyrocketing stock market!

In all the talk about economic impact and return on investment, it is very important that we not lose sight of the size and scope of this enterprise known as The University of Alabama System. Consider these facts:

Our total enrollment exceeds 40,000 students.

Total faculty numbers 3,275 and staff size is almost 16,500.

We award almost one-third of all bachelor's degrees earned at all Alabama's public four-year schools...and 41% of all graduate degrees.

This year, The University of Alabama System will receive almost 35% of the total higher education appropriation in the fiscal 2000 budget.

As you can see, there is progress on the funding front. Two weeks ago today Governor Siegelman signed the education budget, the second successive year of a turnaround for higher education.

Thanks to the Governor and Legislative leadership, we are closing the gap on a return to the 2-1 split in new education budget dollars. Colleges and universities received almost 31% of the new dollars given to higher ed and K-12 this year. It will take awhile to make up for devastating losses of past years, but we are headed in the right direction.

By moving toward the traditional funding split, "fighting" with K-12 and the two-year schools is reduced. Time is better spent on building in a positive way. I want to thank legislators as well as Alabama's education Governor, Don Siegelman, for their support. We see good things ahead.

However, this year's final budget did not meet our request. Lawmakers failed to fund the RSA contribution off the top, penalizing both UAB and the University of South Alabama because of their academic medical centers and teaching hospitals. The shortfall is serious, as you know, and I appreciate your pledge of help as we work with the Governor to seek release on October 1 of the \$2.4 million conditional appropriation for the UAB hospital.

While much remains to be done, the turnaround is significant – thanks to our grassroots network. In completing Year Two of our plan, faculty, staff and students were joined by alumni in the network. As Year Three approaches, the corporate community is being asked to weigh in for the universities.

This is a classic team effort. Our Legislative liaisons, Bill Jones, Gary Smith and Wayne Echols, coordinated by Bill, worked non-stop before and during the Session. Our Presidents again played their roles effectively as did you, the Board of Trustees, especially when I called on you to help. The critical communication flow was handled by Kellee Reinhart, with weekly newsletter updates, videoconferences and countless other activities. Much credit must go to our faculty, staff, students and alumni for the way they responded. We are becoming a player in the political arena.

The case can easily be made for competitive funding for Alabama's research universities. Staffed adequately, and equipped with the necessary tools, we will move this state forward.

In Georgia, there is a mechanism already in place to give research universities the necessary funding enhancements their mission requires. I want to thank Trustee John Oliver for opening doors that will, I believe, lead to creation of a similar alliance here in Alabama. John has seen such a consortium at work -- the highly-successful Georgia Research

Alliance, chaired by Synovus CEO Jimmy Blanchard.

Seed money from the Georgia Legislature, matched by corporate dollars, is providing differential funding for Georgia's research universities. Through the Research Alliance, this money supports joint projects, business incubators, and public-private collaborations. The results are creating high-wage jobs, attracting industries, and positioning Georgia as a frontrunning high-tech state.

Alabama stands to profit enormously when we get something similar off the ground. The climate is right and the partners are receptive. John, despite your retirement from this Board, we hope you will continue working with us to move this research alliance forward. We need your help.

We have had a tremendous year in Washington, the result of yeoman work by Presidents Franz, Reynolds and Sorensen and the federal relations team, working with John Hicks. Through this outstanding effort, the System secured \$43.5 million in Federal appropriations for designated projects. We are grateful to the Alabama Congressional delegation for their consistent support.

Last year I outlined five goals for The University of Alabama System. Let me update their status.

Goal 1: Do a better job of defining who we are and what we want to become. A core planning group of senior System staff, Presidents, Provosts and faculty senate leadership is undertaking a thorough strategic planning process. The charge is to find new opportunities for Systemwide collaboration and strategies to improve the quality of education in Alabama. This is on a fast track.

Goal 2: Relates to service to Alabama. We sought to link our academic programs even more closely to the state's current and emerging needs. Among dozens of examples:

The UAH Manufacturing Extension Program (MEP) is ranked among the nation's top ten by the U.S. Commerce Department. Faculty and students help business partners in light manufacturing, aerospace, defense and high-tech start-ups by providing hands-on expertise and filling resource gaps.

UAB has recruited a major new tenant for its research park. PCS, the pharmaceutical distribution company, is building a state-of-the-art facility and will bring 1,000 new jobs to Alabama in one of the country's fastest growing industries.

The Alabama Productivity Center at UA is working with U.S. Pipe and Foundry on costing, forecasting, scheduling, inventory planning and stockyard layouts. This partnership has improved corporate profitability and helped U.S. Pipe build up over \$20 million in inventory to meet seasonal demands efficiently and effectively.

The Alabama Commerce Commission, created by Governor Siegelman, and for which I have been asked to serve as Vice Chair, should open many new doors of service opportunities for our campuses.

Goal 3: Develop linkage with K-12 and two-year schools. We have initiated a new reporting system which will tell K-12 and two-year schools how their students are doing when they come to our campuses. Thanks to Vice Chancellor Charles Nash, Kim Thoma, institutional research officers, registrars, provosts, and a battalion of K-12 superintendents, high school principals and two-year college officials, the Feedback Program for high schools was piloted and is rolling out this summer. The Feedback Program for two-year colleges is in the pilot phase now and will be implemented during the next school term.

By assessing performance and reporting results back, we can partner with high schools and two-year schools to help students succeed. It will also give us a way to see if problems we identify are rooted on our own campuses.

Goal 4: Assess the performance of our graduates after they leave us for jobs or for more education.

The assessment of our graduates' performances will follow after the feedback program is under way. Some departments are already following up with their graduates. It must become universal.

Goal 5: Commit to technology. The System Office of Academic Affairs is on the move in partnership with our campuses:

Assisting with development of the Gulf Central GigaPop, our Internet2 connection, in cooperation with the Alabama Research and Education Network (Supercomputer), and ITC DeltaCom.

Helping ADECA develop a state plan for telecommunications technology.

Upgrading IITS sites and incorporating satellite down-links.

Linking with other sites, here at home and around the U.S., including the Information Services Division of the State Finance Department.

Helping organize the Alabama Mathematics, Science and Technology Education Coalition with partners like NASA, the State Department of Education, K-12, and industries.

We are advertising for the new position of Vice Chancellor for Information Technology and Outreach, to be funded by reallocating System budget dollars. The person in this position will provide Systemwide and statewide leadership in all aspects of information technology.

Our goal is to provide the leadership that will make sure all elementary and secondary schools in Alabama have the necessary tools of technology. We will not stop until we get there. The UA System needs to lead the way in planning and helping to build Alabama's technology infrastructure for all of education. The new Vice Chancellor will play a key role in that effort.

Overall, management of The UA System focuses on concepts that have guided us since Day One:

- Quality
- Cooperation
- Effectiveness
- Efficiency
- And now, Accountability has been added as a major area of renewed focus.

As public universities, we have always been mindful of our responsibility to the citizens of Alabama. Our goal is to strengthen that commitment. Let me mention a few new initiatives:

Vice Chancellor JoAnne Jackson, working with campus financial officers, established a Prime Investment Fund to maximize interest rates for operating cash. In just nine months, we have more than doubled earnings, with no increase in staff. Fund managers also reduced the fees they charge.

The Owner-Controlled Insurance Program, called "wrap-up insurance," is a powerful tool for reducing construction costs. Over five years, we can save \$7-\$10 million for our three campuses. This legislative action, initiated by The UA System, passed during this Legislative session. Jim Garland and Brooks Baker of UAB deserve enormous credit for shepherding the project.

The Systemwide Purchasing Task Force continues to coordinate activities among our three campuses. Among shared contracts now in place:

- Scientific apparatus and supplies
- Computers
- Internet2
- Telecommunications and long distance service

Every day, the Task Force is looking for ways to capture economies for our three campuses. Contracts being worked on now range from plumbing and delivery services to electrical work and office supplies. The secret to this strategy is that substantial savings recur annually.

The Office of Internal Audit, headed by General Auditor Warren Spruill, is a model for service to System campuses. The quality of service is excellent, cost savings are dramatic, and cooperation is at a zenith. As Warren reported recently, Y2K assessments are right on schedule and we fully expect a smooth transition.

Audits remain clean. Credit goes to the System auditing staff and to the excellent work of the chief financial officers and their Presidents.

Warren, in establishing our Office of Internal Auditing you have set an extremely high standard of excellence. We are indebted to you. As you enter retirement, I ask that you remain available with your storehouse of knowledge and that you accept our thanks for a job well done.

I also want to mention the work of General Counsel Glenn Powell, who ensures that our campuses are represented by a first-rate legal team. Their #1 goal is preventive law. Their work speaks for itself.

In closing, let me leave you with a few things we need to be thinking about for the future as a System.

We need to enhance our common data base. There is no efficient way to look comprehensively at this System from a statistical standpoint -- as a sum of its parts. Enhanced computer capabilities should make that more do-able. I hope we can use those tools to better explore the components of this complex education enterprise.

Build on our partnerships with business and redouble our work in economic development. The time is ripe and opportunities are unlimited.

Increase our investment in technology. This will enable us to decisively assume the leadership role I outlined to you a few minutes ago. With the new staff position in the System Office as a tool, our partnership with K-12 will benefit directly and immediately.

Assess the strengths of similar programs on our campuses, so we can chart pathways to excellence by drawing on the resources of all three universities.

Let me thank all of you for the chance to be a part of this vibrant, growing enterprise, The University of Alabama System. I am looking forward to the year ahead with anticipation and enthusiasm.