

Presentation to the Commission on Higher Education – 8/11/11

Dr. Walters, Chairman Wingate, Commissioners and Guests,

On behalf of the students, faculty and staff of Clemson University, I bring you greetings and our sincere appreciation for the opportunity to be here today to share Clemson's achievements and goals for the future.

By now, I hope you have received your copy of this year's President's Report. I have some extra copies, and I encourage you to read it if you have not already had a chance to do so.

The report highlights many of Clemson's major accomplishments over the past year –

- the public launch of a \$600 million capital campaign,
- announcements of new industries and new jobs brought to South Carolina in part because of Clemson,
- major research initiatives that are solving critical problems in health, environmental sustainability and energy,
- and progress on major academic, research and student support facilities.

And just in case you've already read this from cover to cover, I'm not going to spend much time talking about last year. Instead, I'd like to talk about the future.

The cover of this report boldly announces the general theme of today's presentation – Clemson University is back on offense.

For the past two years, we've been playing defense – looking over our shoulders and waiting for the next round of budget cuts. We had a good excuse: The Great Recession and the largest state funding cuts in history.

But because we made tough decisions and took aggressive measures to manage those cuts, we entered this year well positioned to start planning for the future.



The result is a new strategic plan called the 2020 Road Map, which was approved by the Board of Trustees in April.

So, what does it mean to be back on offense?

First, it means ensuring that we keep our best and brightest students in-state.

- The General Assembly has done its part by creating and – despite huge revenue losses – continuing to fund one of the nation’s most generous merit-based scholarship programs.
- Now, it’s up to us to ensure that a Clemson education is accessible to all South Carolina students who qualify for admission.

Second, it means providing the academic rigor, support services and quality of campus life those students expect and deserve.

Third, it means attracting and retaining outstanding faculty and staff, because a university is only as good as its people.

Fourth, it means providing nationally competitive facilities, infrastructure and technology so our students, faculty and staff can be as successful and productive as possible.

Finally, and possibly most importantly, it means a new kind of funding strategy that fits our “new normal” financial environment. Let me explain what I mean.

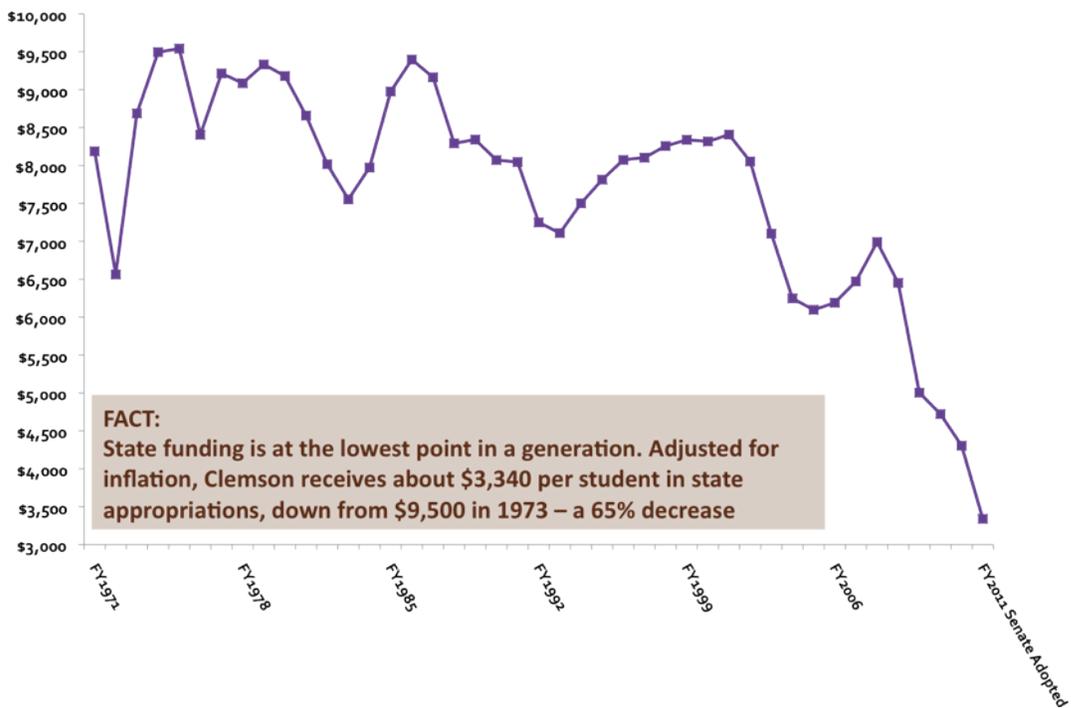
TRADITIONAL UNIVERSITY FUNDING MODEL

State Funding →→	Investments ←←	Tuition & Fees
Appropriations	Faculty & staff	General tuition
Capital bond bill	New facilities	Lab fees
Designated funds	New programs	Differential tuition
Lottery funds	Scholarships	Activity fees

This is the traditional university funding model. The state appropriates money or passes a bond bill, we raise tuition or implement new fees, and we have funds to invest in new ideas and programs.

Those of you who have been on the Commission for awhile may remember the days when we would come here to make a request for additional funding every year.

I miss this model. I wish it still worked.



But when you look at general appropriation trends over the past decade, it's clear that we need a different strategy. As this chart clearly shows, per-student appropriations directly to Clemson are the lowest in a generation.

Adjusted for inflation, Clemson's general fund appropriation per student is about 65 percent less than it was in 1973.

With predictions of a slow recovery and continued high unemployment, it is doubtful that we will see a return to these funding levels anytime soon. So we can't expect to fund our plan primarily through increased state funding.

And since families are feeling these same economic pressures, we can't expect to fund our plan primarily through tuition increases.

So where does that leave us?



FUNDING THE CLEMSON 2020 ROAD MAP		
Divestments →→	Investments ←←	New Revenue
Vacant positions	Core mission	Endowed chairs
Degree programs	New faculty	Summer revenue and online education
Indirect cost waivers	Engagement	Increased research
Existing resources	Graduate stipends	Private partnerships
Administrative costs	New facilities	Tuition and fees
Outsourcing	Technology	State Appropriations

It leaves us in need of a new funding model – and here’s ours. It’s responsible for a new catch-phrase on campus – “divest to invest.”

Simply put, if we want to add new degree programs, we may need to eliminate others. If we want to add faculty in focus areas, we may need to reallocate positions as people retire.

Although tuition and state funding will still be vitally important sources of revenue, this new model also challenges us to find others – through private gifts, revenue from summer school and online courses, increased research or new private partnerships.

Finally -- and this is the hard part – this funding model forces us to decide what we’re going to stop doing.

It sounds simple, but this is a fundamental paradigm shift. Universities are great at coming up with new ideas. We’re not as good at eliminating programs or activities. But we will not have funding for our plan without divestments and reallocations.

I assure you that Clemson will continue to seek additional state funding and support for major initiatives such as a capital bond bill when the time is right: But in the meantime, we need to make the best use of the resources and opportunities we have.

Although it is complex, the desired outcomes of the Road Map can be boiled down to this one-page handout.



GOALS

To meet Clemson's responsibility to students and the state

- ***Provide talent*** for the new economy
- ***Drive innovation*** that stimulates economic growth, creates jobs and solves problems
- ***Serve the public good*** by focusing on emphasis areas that address some of the great challenges of our time – such as health, energy, transportation and sustainable environment

This plan provides the implementation strategy for achieving these goals. It is a 10-year plan with a five-year funding horizon.

Our vision has not changed – We aspire to be one of the nation's top 20 public universities. This vision statement made a promise to students – that they would be able to have a top-tier education without leaving the state – and it made a promise to the state that we would help deliver a knowledge-based economy.

Our Road Map Goals –

1. To prepare talent for the new economy (that's our core educational mission. Our #1 contribution to economic development is a Clemson graduate).
2. To drive innovation that stimulates economic growth, creates jobs and solves problems.
3. To serve the public good by addressing some of the great challenges of our time – such as health, energy, environmental sustainability and transportation.

- This is the essence of public higher education.
- For too long we have let it be defined only in terms of higher earning potential for individuals – but that's only part of our role.
- We serve society, not just our students.
- We need to constantly remind ourselves and our constituents that public higher education *is* a public good.

The Road Map is a 10-year plan with a five-year funding horizon, because we believe that's as far as we can reasonably project.

It is intended to be a dynamic document – providing focus and accountability but also the flexibility to adjust to changing conditions or new opportunities.

Like a paper Road Map, it shows us where we want to go but offers different routes to take.



STRATEGIC OBJECTIVES

- **Enhance student quality and performance**
- **Provide engagement and leadership opportunities for all students**
- **Attract, retain and reward top people**
- **Build to compete – facilities, technology and infrastructure**

Our strategic objectives (and priorities for investments) are to

- Enhance student quality and performance
- Provide engagement and leadership opportunities for all students
- Attract, retain and reward top people
- And build to compete – facilities, infrastructure and technology



FY11-12 Priorities

- **Launch searches for endowed chairs and faculty in focus areas (~ 15 – 20/year)**
- **Launch first phase of 10-year capital improvements plan**
 - New facilities and renovations
 - Deferred maintenance
 - Technology and infrastructure
- **Recruit champions to provide focused, dedicated leadership for critical initiatives**
 - Student engagement and support
 - Online/distance education
 - Summer programs
- **Implement performance-driven compensation plan**

Here are some specific initiatives you can expect to see this fiscal year...

- We will be actively searching for world-class faculty to fill endowed chairs and positions in targeted focus areas – which align closely with the state’s economic development priorities. We anticipate hiring 15 to 20 faculty members per year over the next five years.
- We will begin implementing the first phase of a 10-year capital improvement plan that was unveiled at a Board of Trustees meeting in July. It includes new facilities and renovations to support teaching, research and student life, deferred maintenance projects, and technology and infrastructure. We ask for your support as these projects move through state approvals.
- We will be recruiting champions to lead critical university initiatives, specifically in support of student engagement and areas that will generate revenue. Yes, this means hiring administrators, but if we recruit the right people, the return on investment will be significant – both in terms of the student preparedness and revenue.
- We will implement a performance-based compensation plan to help us reward people who are driving the plan. We recognize that in this environment it may be controversial to give raises and bonuses, but competitive compensation is one of our strategic priorities. As I said earlier, a university is only as good as its people.



Anticipated FY12-13 legislative and funding priorities

- **Stable base funding**
- **Approval and implementation of accountability-based funding**
- **Increased flexibility tied to accountability and transparency**
- **Capital bond bill: Clemson priorities**
 - Engineering and science building
 - Business college building
 - Deferred maintenance and infrastructure
- **Restored funding for endowed chairs**

You asked us to share our anticipated budget request for fiscal year 12-13. Not surprisingly, our #1 priority is to protect base funding for our core educational mission.

But we also need to begin restoring lost funding as soon as state revenues allow – so we support Governor Haley’s accountability-based funding initiative as a means to reward performance through funding. We believe it holds tremendous promise for enhanced funding and flexibility tied to accountability for specific outcomes.

We continue to seek meaningful regulatory reform to help us cut costs, be more nimble and responsive to industry and students and generate more revenue.

- Last week I had the opportunity to attend a press conference where Governor Haley signed the Higher Education Efficiency and Administrative Policies Act, which provides some of the management tools we need to meet these challenges.
- It is a good first step, and it will allow us to prove that we can have greater institutional flexibility **and** still maintain full accountability.

We continue to work for a capital bond bill for higher education. Our 10-year plan prioritizes capital improvement projects, and they include many that would be appropriate candidates for state dollars, such as

- improved facilities to accommodate our most popular academic programs – engineering and science and business –
- as well as deferred maintenance, technology and infrastructure.

We have a \$230 million deferred maintenance backlog, many aging facilities, and an outdated, non-redundant electrical system.

Finally, we ask you to support and advocate for a renewed commitment for funding of the endowed chairs program.

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Clemson University's future is bright.

- It is one of the nation's top-ranked public universities -- financially strong, academically respected and in high demand. We have been ranked among the nation's top 25 public universities for three straight years.
- It has a written, Board-approved 10-year plan that provides a high level of focus, accountability and transparency and shows clearly where Clemson is going.
- We enter this academic year with a renewed sense of optimism and energy as we prepare to welcome a freshman class that is, once again, one of the brightest ever.

In closing, we want to thank the Commission not just for this opportunity but also for its leadership in developing a general higher education budget request and coordinating our response to Governor Haley's Accountability-Based Funding initiative.

I personally appreciate having the opportunity to ensure that Clemson is well-represented in this important conversation.

We believe that accountability-based funding is one of several initiatives – along with increased institutional flexibility and transparency -- that collectively have the potential to transform higher education in South Carolina.

I will be happy to respond to questions.