

**Governor's Higher Education Task Force Committee Meeting**  
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Mr. Chairman and Task Force members...thank you for giving me this opportunity. I've looked forward to meeting with you on your vitally important task. I have an individual copy of my report that I will leave with you.

I am honored to represent the research sector and its unique role in higher education. According to state statute (Section 59-103-15 (B) of the S.C. Code of Laws), the mission of research institutions is threefold: We are to provide college-level baccalaureate, master's, professional and doctoral degrees that lead to continued education or employment; conduct research, and provide public service. Many other institutions also engage in post-baccalaureate education, research and public service, but state law [Section 11-51-30 and Section 2-75-5] specifically designates Clemson University, the University of South Carolina and the Medical University of South Carolina as the state's research universities.

In representing these three distinctively different institutions, I will focus on the aspects of our mission that are common and perhaps different from other higher education sectors. Specifically, I will address (1) our unique role in economic development, (2) our mandate to provide a high level of academic rigor, and (3) our need to compete on a national rather than a state level.

Along the way, I will address head on five (5) myths about our research universities with facts that should bring some clarity to your charge.

First, we have a role in economic development that South Carolina's leaders have recognized and generously funded over the past five years. While all colleges and universities contribute substantially to economic development by providing job training and an educated workforce, the research sector has an added obligation to support high-technology and knowledge-based industries. This is accomplished by a focus on innovation, science and technology, which experts say is the key to competing in our new global economy. The era is over when South Carolina could compete on the basis of low taxes and low wages.

Other states have built strong economies by leveraging the power of their research universities. We need only look to the Research Triangle Park in North Carolina or the vibrant technology clusters located in Georgia to find proof that the strategy works. Research Triangle Park is home to more than 100 R&D facilities employing more than 37,000 people with a payroll of more than \$1.2 billion. Georgia's investment in the Georgia Research Alliance has been leveraged into \$2 billion in federal and private funds, 200 new technology companies and 4,000 new jobs.

Why is it important to focus on knowledge-based jobs? For one thing, they pay more. According to U.S. Department of Commerce figures, employee pay in high-tech industries is about 60 percent higher than pay in other industries. Raising per capita income is critically important for this state and its citizens.

Even though North Carolina and Georgia have a head start in the race to build a knowledge-based economy, we are gaining ground rapidly. I believe it is not an exaggeration to say that, since 2001, the State of South Carolina has done more to leverage university research for

economic growth than any state in the nation. Four major legislative initiatives have created opportunities to build research centers focused on existing industrial sectors, attract the best intellectual capital in world-class faculty members and students, and increase the potential for the development of new spin-off companies.

Those programs are already paying off with new jobs and significant private investments. Still, we must recognize that Georgia and North Carolina have consistently invested in research universities for decades. Knowledge-based economic clusters do not result from a funding strategy of starts and stops, or from constant re-engineering and restructuring. Knowledge-based economic clusters are the result of consistent support, focus, and long-term commitment.

Second, because of the types of degree programs we offer and our emphasis on research and education beyond the baccalaureate, research universities tend to be more selective in admissions. We need to recognize that high academic standards are appropriate, and that more and more South Carolina students are coming to our institutions with high expectations for academic quality.

This shift is largely due to the state's investment in the LIFE Scholarship and Palmetto Fellows program. South Carolina has made significant investments in direct aid to families, which has helped stem the brain drain of the early 1990s. This is particularly true in the case of Palmetto Fellows – students who rank in the top 6 percent of their high school class and score above 1400 on the SAT. They are our best and brightest. They can compete head to head with the best students in the nation, and they can attend just about any college or university in America. Five

years ago, most of these bright young people chose to seek higher education opportunities outside of South Carolina. That has changed.

According to information from the College Board, in 2001, only 16 percent of students scoring over 1390 on the SAT said they intended to attend college in South Carolina. This was unacceptable for South Carolina, and the Legislature recognized it. Today, almost half of those high-scoring students say they will attend school in the Palmetto State. The program is working, but only if we continue to provide the quality those students demand. We have to recognize that top students demand more than a scholarship. They expect outstanding academic quality, cutting-edge facilities and technology, and opportunities for enriching extra-curricular activities. I'll return to this quality issue . . .

These heightened expectations are being felt by all institutions, but because of the heavy concentration of Palmetto Fellows at USC and Clemson, we have assumed a greater responsibility to increase academic rigor. Clemson and USC enroll a little more than a third of all LIFE Scholars, but nearly 60 percent of Palmetto Fellows.

The third and final factor that distinguishes research universities is that our competition is national. Our competition is not each other – it's Georgia Tech, Virginia, Johns Hopkins, and other top-tier public science and technology-oriented, comprehensive and medical universities. In order to draw world-class intellectual capital to South Carolina, our compensation packages, scholarship offers, facilities and infrastructure must be comparable to the standards set by those outstanding institutions.

Against that backdrop, let me share the research sector's perspective on this committee's specific charge as it relates to the following: tuition, program duplication, business management practices, collaboration and statewide coordination.

I will say that I was disappointed to see that improving academic quality was not on your list of objectives. Quality is vital to your deliberations. I hope you will make quality part of your objectives.

As I said, I will try to dispel some popular myths about the cost and funding of higher education. Your first objective relates to tuition, so let's start with . . .

**Myth #1:** The cost of a college education at one of the state's research universities has risen to the point where most South Carolina families cannot afford it.

**Fact:** Because South Carolina has one of the nation's most generous scholarship programs, there is a significant difference between tuition and what South Carolina students actually pay. In 2005, **not one Clemson freshman from South Carolina paid full tuition.** The average tuition paid by in-state freshmen was \$1,826, or 23 percent of the "sticker price." The average tuition paid by all South Carolina students was \$3,285, or 42 percent of the "sticker price." For LIFE Scholarship recipients, Clemson is more affordable now than it was a generation ago. In 1950, tuition represented 15 percent of average per capita income in South Carolina. For a LIFE Scholarship recipient today, tuition is about 7.4 percent of average per capita income. The sky is not falling.

But tuition is definitely rising. The question is: Why? In the research sector, there are three primary causes of tuition increases:

(1) the rising cost of doing business, particularly in academic programs related to science, engineering, and health care,

(2) unprecedented cuts in state funding, and

(3) the increasing expectations for academic quality that I mentioned earlier. Any effort to reduce tuition at the research universities will have to change one of those three factors. Since there's little we in South Carolina can do to reduce inflation, that leaves us with a choice of decreasing academic quality or increasing state funding.

This leads us to **Myth #2**: Higher education in South Carolina is generously funded, with the state spending about 18 percent of its budget on higher education – far above the national average of 10 percent.

**Fact:** The 18 percent figure includes lottery revenue that funds LIFE, HOPE and Palmetto Fellows scholarships as “higher education funding.” However, **lottery-funded scholarships go to families – not institutions. Lottery-funded scholarships do not add a single dollar to the funds available to institutions.** It makes no difference to the university's budget if a family pays tuition out of pocket or from a scholarship. If the value of the scholarships were doubled tomorrow, it would not increase our budgets by one dollar. If the lottery program ended tomorrow, it would not decrease our budgets by one dollar.

**Closely related is Myth #3:** In *total* dollars, college and university budgets have *not* been cut in the past five years.

**Fact:** This statement is often made by those who consider lottery-funded scholarships part of higher education's budget. But it simply does not align with the facts. According to data compiled by the independent Southern Region Education Board (SREB), South Carolina leads the region in *cuts* to higher education budgets.

\* **Over the past 10 years**, state appropriations for higher education-related operating expenses have increased by 11 percent in North Carolina and 23 percent in Georgia. During the same time period, **South Carolina decreased appropriations by 26 percent.**

\* **During the past five years**, Georgia increased funding for higher education by 4.2 percent, North Carolina dropped slightly (1.5 percent), while **funding in South Carolina plunged by 30.2 percent.**

\* Today, South Carolina's higher education appropriations are **72 percent** of the southern region average, while Georgia's are **112 percent** and North Carolina's top the list at **137 percent** of the average.

\* In dollars, **South Carolina appropriates over \$4,000 less per college student than North Carolina, over \$2,500 per student less than Georgia**, and over \$3,500 per student less than Florida.

The bottom line is clear: There is a direct correlation between state appropriations and tuition. Therefore, the surest way to reduce pressure on tuition is to increase base state funding. The alternative of reducing quality is unacceptable.

No one likes paying higher prices, but if price were the only driver of the college selection activity, we would not continue to see record applications year after year. These students are responding to increasing quality, not increasing costs. What will drive these students out of state is not having the option of a quality education in South Carolina.

We all are sensitive to the fact that college is a significant investment, and we are working to ensure that families get the most for their dollars. I will point to a number of programs that are helping reduce the cost of attending college:

- \* Tutoring and other support programs offered by the Academic Success Center at Clemson has helped increase the freshman-to-sophomore LIFE and Palmetto Fellows Scholarship retention rate from 48% to 63%. Two-thirds of USC's Life and Palmetto Fellows scholarship winners maintain their grades and keep their scholarships.

- \* At MUSC, Provost and Dean's Scholarships have been created out of annual operating funds to provide assistance to students based on financial need and merit.

- \* The new "Bridge to Clemson" program allows students to start their academic career at Tri-County Technical College with enhanced services and access to Clemson facilities, advisors and programs. USC has developed agreements with Midlands Technical College that allows for many students to complete up to two years of study that is fully transferable.

- \* A revamped undergraduate curriculum at Clemson has eliminated much course duplication and is helping students graduate on time.

Your second objective is to reduce duplication. We need to differentiate between foundation courses that all institutions must offer as part of a broad general education curriculum and duplication of focused degree programs where a single institution may have the capacity to meet the demands of the marketplace. If we are not meeting the demands of the market, we should think long and hard about eliminating degree programs just for the sake of reducing duplication. South Carolina's economy depends on having the educated work force needed by our major industries.

Speaking for the research sector, we have found that the best way to avoid unnecessary duplication is by focusing on our core competencies. In 2001 at Clemson, we identified eight emphasis areas where we are concentrating our resources in order to build nationally competitive programs. These areas were chosen because we have existing faculty strength, significant opportunities for external funding, and because they align with state economic priorities, such as automotives, advanced materials and restoration. MUSC is focusing its research efforts on discovery and development of new drugs, bioengineering, patient safety and clinical effectiveness, and addressing health disparities. USC has prioritized four research areas—the environment, nanotechnology, biomedical sciences, and Future Fuels—that will be the focus of its new Innovista research campus.

The Health Sciences South Carolina initiative clearly demonstrates that we can find ways to collaborate effectively while focusing on our core strengths. USC, MUSC and Clemson all bring

different expertise and capability to the initiative, and we each benefit by leveraging the strengths of our other partners.

Another noteworthy example, still in progress, is the integration of the USC and MUSC Colleges of Pharmacy. Independently, both schools have long histories and individual strengths, but the fragmentation of resources has not allowed either entity to be a national leader. By combining the two schools, the new entity has the critical mass of faculty, students, clinical facilities, and research to compete with the very best pharmacy schools in the country. The new, unified South Carolina College of Pharmacy will admit its first students this fall.

Your third objective is to find ways to improve business management practices.

This brings us to **Myth #4**: If our universities were more efficient and less duplicative, they could deliver a quality product for less and reduce tuition.

**Fact:** The research universities are delivering a high-quality product *very efficiently*. This is why both Clemson and USC were included among the nation's best values in higher education by *Kiplinger's Magazine*. The total **cost of educating a student for one year is \$17,000 at Clemson, compared to \$27,000 at Georgia Tech and \$28,000 at the University of North Carolina. Clemson's administrative and support costs are 47 percent of UNC's and 58 percent of Georgia Tech's, and 47 percent of UNC's. The comparative figures would be similar at USC.**

Furthermore, the substantial budget cuts of the past five years have forced all institutions to re-examine business practices and find ways to reduce administrative and support costs so that we

could protect funding for core mission areas. Clemson has established a standing “Discovery Council” to continually look for new efficiencies. Since 2001, Clemson has cut or reallocated \$15.6 million, which has helped minimize fee increases. USC’s Strategic Directions Initiative identified several ways to maximize or redirect resources to vital academic programs.

The Medical University has downsized its state workforce by about 600 FTEs over the past seven years, which represents roughly 15 percent of its work force. This has been accomplished with very limited reductions in force, relying mostly upon attrition and not replacing vacated positions. Overall employment at MUSC is about level, since grant-funded workers have been hired and are not dependent upon support from the state of South Carolina.

Your final stated objective is to find ways to improve and increase statewide coordination and collaboration.

**Myth #5:** A targeted budget cut that affects only the research universities will encourage collaboration.

**Fact:** The environment for collaboration within the research sector is strong – as evidenced by this 12-page list of current, ongoing collaborative projects. [Report attached.] Rather than attempt to force collaboration through budget cuts, the state should encourage it through incentives. The Endowed Chairs program offers an excellent model in that it includes collaboration as part of its evaluation process.

On the issue of statewide coordination, the greatest need for the research sector is increased flexibility and regulatory reform. In other states we see a new trend beginning to emerge that grants greater autonomy to research universities in order to make them more competitive nationally. In Virginia, Florida, Colorado, Texas and Georgia, discussions are under way to rethink the way research universities are governed. There is growing recognition that research universities cannot be treated like traditional state agencies if they are to maximize their potential for economic growth. This task force could be the beginning of a similar breakthrough in thinking in South Carolina. Let me unequivocally state that Clemson, USC and MUSC have strongly opposed more central bureaucracy.

The key question is this: In America, what has proven over time to be the best and most effective governance system: local oversight or management from a distant location? It's always best to keep authority local, with systems in place to encourage coordination and collaboration.

In conclusion, let me thank each of you for your commitment of time, energy and brainpower. I will be glad to try to answer any questions you might have.