

**For the Record from Dr. Nancy Muller, Director
Lowcountry Graduate Center
Board of Directors Meeting
September 28, 2016**

Programs and Enrollment:

There are just a few charts covering financials and enrollment data at the Lowcountry Graduate Center (LGC) prior to diving into discussion of the Consortium Agreement in accordance with the published meeting agenda. I speak to these considerations for the record.

By way of background, 18 months following the hire of Dr. Godfrey Gibbison as Dean of the College of Charleston's North Campus, I was hired in November 2013 as Director of the LGC. The state had recovered from the deep economic recession, and the Charleston Metro Area was growing robustly. Boeing, Blackbaud, and BenefitFocus have all since announced expansions adding thousands of jobs, and we now have Volvo's North American headquarters and automotive manufacturing on the horizon to add still more jobs. Over the next five years, our region of the state is projected to experience the highest growth rate in software & IT at 20% or 10,700 positions. Our region of the state is now recognized as the 4th fastest growing tech center in the nation, after Silicon Valley, Research Triangle, and Austin, TX. Growth in manufacturing jobs ranks second, at 18%, over the same period, representing 18,300 positions by 2020. Meanwhile, the projection over the next five years is a 12% job growth rate in healthcare with a whopping 35,900 positions by 2020 in the tri-county area.

The CRDA and Charleston Metro Chamber have updated their 2016 Talent Gap statistics identifying hundreds of job postings unfilled in accounting and software engineering among other careers requiring post-undergraduate education and training. At present, the highest paying jobs, Avalanche Consulting revealed in July, are being filled by more highly educated, imported talent. Meeting current and future talent pool needs are the CRDA's chief concern in sustaining economic growth for the region. Fortunately, the LGC embraces the right mission and is located strategically to fill those jobs with educated SC talent instead.

The visionaries of the LGC's creation 16 years ago – Harry Hallman and Arthur Ravenel – who saw a need for a graduate center for classes off the Peninsula were not off base and still aren't. They only underestimated the rates of growth and transformation of our region's economy into advanced manufacturing, engineering services, software development, and new start-ups, with the accompanying population explosion. I am pleased the LGC Board publicly celebrated this original vision only a year ago, upon the retirement of Dr. Sam Hines from our Board. As Senator Ravenel recanted the history to us, the vision was truly about serving community needs – its citizens and employers – first and foremost.

The LGC has synced its target sectors for new graduate programs, based on published research and economic data, with those of the CRDA and formed three separate advisory councils representing employers in the area and specifically those individuals responsible for professional recruitment and development.

For instance, K4-12 Teacher Education and Administrative Leadership is a targeted area. Just last week, the *Post & Courier* reported “student enrollment ticked up in tri-county school districts by 1,700 students.” According to a report from Clemson University, Berkeley County School District’s student population could skyrocket to 55,000 from 34,000 by 2035, signaling the need for 23 new schools to be built in the Berkeley County area alone.

The LGC is also focusing on healthcare management and community wellness through our advisory council because we are already filling a thousand jobs every year in this region’s longstanding and growing medical community. With SC ranked #2 in child obesity in the nation, we face a daunting healthcare tab if this epidemic is not reined in quickly. Employers, especially larger self-funded ones, are more worried about managing and containing healthcare costs than any other single aspect of their operating expenses. That’s why the LGC continues to push for an interdisciplinary, graduate certificate in preventing childhood obesity. We strive to be responsive to local employers and the social fabric of our community.

In less than three (3) years since I was privileged to be selected as Director, the LGC has doubled its number of partnering institutions providing graduate programs to respond to the aforementioned unmet marketplace demand, welcoming USC's new, interdisciplinary MS in Engineering Management, supporting the CHE approval of SCSU's new Healthcare Management MBA, and announcing Anderson University's Masters in Criminal Justice. In addition, the LGC has helped Clemson accelerate its offerings of graduate mechanical and electrical engineering programs at its new Zucker Family Education Center, with a start-up, multi-year "bridge" of classes at the LGC.

Unfortunately, the LGC's efforts to provide the graduate level educational programming required to meet our region's growing needs have not always been supported by its founding member institutions.

For instance, initially both Embry-Riddle Aeronautical University, whose graduates are needed by Boeing and other local employers, and Anderson University, whose Criminal Justice program helps law enforcement officers, were not allowed to use the LGC for classrooms. And, prior to these rejections, the LGC had not been permitted to allow USC's Darla Moore School of Business to host MBA classes when it inquired. Instead, it went downtown and signed a lease around the corner from the College's own B School and 2 miles from The Citadel's downtown evening MBA classes.

Another example: The Washington D.C. based Education Advisory Board (EAB) identified for us the significant shortfall in accounting support and especially CPAs and urged the LGC in its report last winter to offer immediately a masters in accounting or at least a graduate certificate. Consequently, in February (2016) I asked the College of Charleston to bring evening classes to the LGC. The College graduated only five (5) individuals of this program in May 2015 and is fully staffed downtown with tenured professors. Two weeks ago and with nothing underway, I asked permission of the provosts to approach other institutions in the state with such programs – USC, Clemson, or Furman. Instead, the College refused to allow other institutions to be approached with the promise that by December it would have a “plan” and a “timeline.”

In addition, LGC founding member institutions have reduced their programming at the LGC. For instance, the College of Charleston has pulled its graduate computer science, urban planning, communication, and education programs back downtown. Consequently, its student enrollment has tumbled by half at the LGC, causing a 26% decrease in aggregate class enrollment since the LGC moved into double-the-square-footage space in August 2014.

Meanwhile, The Citadel revoked its public commitment in 2015 to add its Literacy Education for teachers at the LGC for ease of access by those in outlying counties. The Citadel’s Student Affairs program offering is non-existent today at the LGC even

though it was a thriving program with 18 enrolled in classes only two (2) years ago. Graduate courses in Psychology, Business, and Education have all been pulled as well. Just last week – ten days after the LGC’s Academic Affairs Committee meeting with provosts – the LGC learned informally of the Citadel’s firm decision to take its highly successful Project Management graduate program at the LGC – which alone has generated \$2.9 million in tuition revenue to The Citadel over just the last five (5) years – out of the classroom to offer it exclusively online beginning next fall. This is after the LGC produced consumer research last winter that our region’s working professionals in manufacturing, IT, or engineering prefer hybrid instruction and are least interested in strictly online. Only one in seven of the recent survey’s respondents prefer classes in Charleston’s inside city limits on the Downtown Peninsula. Additionally, the earlier referenced EAB report – distributed to this Board in March - congratulated the LGC on hosting Project Management because of demand for such skills sets strongly surfacing in its commissioned study of job postings. We were told to place a priority on supporting this program, as it exists.

While at present and relative to marketplace needs, the LGC remains program-starved especially in engineering and high tech realms, I remain optimistic about our future. This “report” to you – for the record – substantially contributes to the rationale for the new charter that Dr. Gibbison and I have submitted as the new Consortium Agreement to be considered today, already incorporating input received from you.

In other words, while The Citadel and the College of Charleston have consciously retrenched from using this campus for its graduate programs to meet community and employer needs, the LGC will still be able to fill the clearly demonstrated need for advanced education by working with other institutions. I have a full day of appointments across the USC campus on Monday, for example. Even if all three founding member institutions wish to exit the Consortium, the LGC still has a vibrant and valuable role in educational fulfillment to satisfy critical talent pool deficits – current and projected - in this half of the state. The largest population and business growth is off the Peninsula, so such decisions do not negate the continuing need for access to graduate level programs nor the responsibility of the three founding member institutions to serve the greater good of the community as they were originally mandated. And I am prepared to go the state’s department of commerce, the commission on higher education, to elected officials and to the Governor’s Office to insure our continued presence to assure this full commitment to all taxpayers of our region.

Public Awareness and Support:

In addition to the program side of the LGC, I was charged upon being hired with administrative oversight to organize and operate the LGC in “the most economic and effective way practical.” Doing this required rebooting efforts related to publicity and gaining exposure, following over 3 years of silence.

The first accomplishment in these areas was in securing in the first half of 2014 a \$300,000 state appropriation for marketing, as I was instructed to seek by this Board. This was necessary because public awareness of the LGC had fallen to nearly zero in the 3 ½ years the director position had gone unfilled following my predecessor's resignation. To engender communications with elected officials as encouraged by the LGC Board, we presented for the first time in 2015 before both the SC House Ways & Means Subcommittee on Higher Education and the Charleston Delegation, in addition to the SC Commission on Higher Education. We have added these elected officials to our ongoing news correspondence. In the last three years, the LGC has generated more news releases of new announcements than at any other time in its history. We have secured not once but twice Governor Haley's attention by agreeing to proclaim a Manufacturing Week in SC. For exposure, we have courted high school and college students with career events encouraging entry into advanced manufacturing with STEM education. We have created a satellite of Clemson's student chapter of SME and connected for meeting times with videoconferencing, even organizing guest speakers from The Lowcountry. We also have a more highly functional web site and have implemented more contemporary, cost effective digital marketing aimed at rekindling a community of awareness among prospective graduate students. The ability of the LGC to create awareness of its varied graduate programming also contributes to the rationale for the new charter that Dr. Gibbison and I have submitted as the new Consortium Agreement to be considered today.

Clearly for the LGC's business model to be sustainable, given the reluctance of founding member institutions to be more supportive, more programs and higher enrollments from institutions outside of Metro Charleston must be allowed, just as the University Center of Greenville has flourished by offering programs from institutions 30 miles or more from downtown Greenville where it is located. Under the draft prepared by Dr. Gibbison and myself, the LGC allows neutrality for different institutional brands under one roof and recognizes the legitimacy of "associate" institutions. Even the Board's 2014 enactment of a 5% assessment against tuition dollars flowing to institutions holding classes at the LGC represented a symbolic acquiesce to the expressed desire by both former Governor Sanford and current Gov. Haley that the institutions – not the state – fund the LGC.

Financial Reporting and Operating Management Efficiency:

For the record, it has been difficult and time-consuming to assemble a financial statement that fairly represents the cost of only the LGC's operations, as I am charged to do. Part of the problem is that the LGC's fiscal agent, the College of Charleston, can reach into the LGC's fund balance without documentation or permission and deduct funds for what the College considers its needs for lease payments, utilities, , personnel expenses, and even consultants it has hired. This is despite my repeated requests for a rationalized formula based on the LGC's actual use of the facility. The 7-year lease agreement was approved by the State Budget and Control Board on October 31, 2013 "to house its North Campus and the

Lowcountry Graduate Center” so it was clearly and legally identified as a location to be shared for the duration of that agreement including any extensions for the two entities. The increased square footage of the new building over the International Boulevard site was justified entirely on the back of the College of Charleston’s undergraduate classroom space requirements. Assets such as furniture, classroom technology, and computer equipment, however, once purchased with LGC funds for the previous SCRA location on International Boulevard have disappeared physically and otherwise from our books, upon the relocation and despite our inquiries, without explanation or documentation. While items may have been depreciated, there is no way to tell the financial consequences to fund or physical asset balances. I have never been able to view a complete balance sheet since being hired, only a single line “fund balance” as an indication of net assets which I had to construct largely from documents supplied at Board meetings over a 10 year history. Needless to say, the LGC’s books and accounting practices accompanying them, to my knowledge, have never been audited separately by an independent, qualified firm. Had this been undertaken, the accounting errors made by the College of Charleston in recording appropriations from the state seven (7) years ago and only found in recent weeks would have been readily unearthed, corrected, and reported to this Board in a timely fashion. Instead, the LGC found the silent correction by the College of Charleston of those errors – in the amount of \$95,726 – and were forced to go to the head of the Commission on Higher Education for verification, an explanation, and the timing of the downward adjustments made across the board in

higher education by the state government due to the shortfall in tax revenue at the depths of the recession.

My biggest concern in terms of fiduciary and management responsibility to this Board and to the tax-paying public has to do with the co-mingling of the LGC's funds with the needs of the College of Charleston. A certain amount of sharing of employees and assets can be efficient through job-sharing. However, ill-defined, undocumented, and unsupported co-mingling has persisted for years. At least as far back as 2009, the then director Dr. Skip Godow was quoted in the minutes as telling the Board he "had happily used a disproportionate share of LGC funds in order to make the creation of new positions possible." He admitted that the split of percentages of salaries between the LGC and the College of Charleston of shared personnel reflected neither student services or use of the facility. This practice did not end with my predecessor's departure. Even a year after I was hired, I was still struggling to fully separate or remove altogether from the LGC's personnel expense budget multiple individuals - some who had little or nothing to do with the LGC - from the LGC personnel budget that this Board had approved year after year. Such job sharing should be allowed only with full disclosure, financial justification, documentation in job descriptions and performance reviews, and with agreement of all parties including the employees themselves. Over the years, this has not been done in accordance with best practices and generally accepted accounting and human resource management principles.

Even the “Administrative Fee” additionally charged annually (\$55,000) by the College of Charleston is levied without evidence of any documentation as to its source or rationale....and perhaps stems from a period eight years earlier when with twice the level of today’s state appropriations, the LGC had more purchases from vendors to be processed by its Controller’s Division and deservedly owed such administrative fees to the College. At best, this “Administrative Fee” is out of date even though it continues to this day.

It is time to move forward, with transparency.

Concluding Remarks and Summary:

Without a doubt, the LGC as a high technology facility and educational resource for working professionals to access advanced education is needed more than ever for the social and economic vitality of our region. However, the LGC can fulfill its role in achieving this vision only if granted the flexibility to fulfill the mission it was given. This includes, for instance, having the ability to support diversity such as through the inclusion of SCSU as a partner institution. This includes, for instance, preparing our law enforcement officers with advanced training to achieve improved race relations and social justice, with such programs as Anderson University offers. This includes not stonewalling but inviting specialized expertise such as from Embry-Riddle, from whom Delta Airlines hires more graduates than any other company in the world. In conclusion, to enable the LGC to be proactively part of this state’s

future and help support this region's growth, Dr. Gibbison and I have presented this Governance Board with an appropriate and relevant proposal for a new charter for the LGC and in a timely fashion for full reflection and input.

This concludes my report - for the record - on the LGC's current financials and enrollment and our future, as agenda items on this meeting's agenda.

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