

Chancellor Hank Huckaby
Joint Appropriations Committee
Tuesday, January 20, 2015
Note: remarks as prepared

Thank you, Mr. Chairman, and members of the committee for the opportunity to address you today and provide an overview of our University System's budget request for Fiscal Year 2016.

I also want to start out by thanking you for the support the General Assembly has provided the University System over the years. While I was only in your shoes for one legislative session, I recognize and respect that there are great demands on the state's budget. I thank you for your leadership.

I also want to convey to you that our University System clearly understands we have a critical responsibility in stewarding the resources provided to us. Our objective has been and will continue to be simple and that is to be good stewards, look for efficiencies and reinvest savings into academics and programs for our students.

We are leading the country with our consolidation efforts, have entered into innovative partnerships, such as our P3 initiative for campus student housing, and making space management a priority. All of these efforts support our mission to graduate more students to meet our future workforce needs.

I could talk a lot more about these efforts; however, today, there are five specific areas I plan to highlight: salaries, major repairs and renovations, capital needs, new career initiatives and performance funding. While the dollar amounts vary, each area is an investment in higher education and ultimately our state's future.

Let's start with our people and the need to increase salaries for our faculty and staff. The Governor has recommended a salary increase again in Fiscal Year 2016 for the system, and for that we are very grateful. I ask you to support the Governor's recommendation and want to make it clear today that the salary increase is the top priority for the University System. It is a critical need for us.

Let me give you some data to point out why it is critical. In Fiscal Year 2000, we were ranked 5th among the Southern Regional Education Board states. Today, in the most recently available survey data, we rank 9th. This puts us behind our state neighbors, including: Alabama, Florida and South Carolina, along with North Carolina, Texas and Virginia.

For comparison at the institutional level, let's look at the flagship institutions we are benchmarked against. In Fiscal Year 2001 for the average salary comparison for full professorships, UGA was ranked 6th out of the 15 flagship institutions in the Southern Regional Education Board states. In Fiscal Year 2014, UGA fell to the bottom and was ranked last.

In average full professor salaries, states have moved ahead of us, including: Mississippi, Louisiana, Kentucky, Arkansas, South Carolina, Tennessee, Florida and Alabama.

I will share a few specific examples of how the average salaries of full professorships compare:

In 2001, UGA was \$3,000 more in average salary over the University of Florida. By 2014, Florida moved nearly \$19,000 ahead in average salary over UGA, putting Florida more than 17% ahead of us.

In 2001, UGA was more than \$7,000 above the University of Alabama in average salary, but by 2014 Alabama moved more than \$28,000 or 26% ahead of UGA.

To put it simply, we have fallen behind the competition.

This puts us at a competitive disadvantage in recruiting or retaining the best and brightest faculty and staff, which is critical to the success of our public higher education mission. We are faced with our most talented faculty having viable career options. And the issue is not just about present salaries, but also about perceived future prospects within the University System of Georgia.

And the competition extends well beyond our bordering states. The race for the best academic talent to develop the next generation of engineers, teachers, doctors and entrepreneurs is occurring across our country and the globe.

Allow me to share a few examples from our campuses that illustrate how stagnant salaries are impacting our institutions.

After serving as a faculty member for nine years at UGA, an associate professor in finance finally decided to relocate his wife and young children for a position at TCU, which offered a 22 percent pay increase.

At Georgia Tech, a distinguished professor and endowed chair in the Department of Biomedical Engineering left for an opportunity at Rice University in Texas, taking two nano medicine centers and a highly productive research program. In 15 years at Georgia Tech, this professor generated over \$50 million in sponsored awards.

And our research universities are not the only institutions facing talent risks. A professor in the education department at Georgia College and State University left our system for a higher paying role at Middle Tennessee State University.

These circumstances have triggered an on-going cycle of replacing faculty that could be avoided by providing merit-based pay increases. Replacing faculty is inefficient, costly and often involves higher salaries for new faculty. We also lose out on grant income while new faculty establish their research labs and projects.

We recognize funds are tight and that you have incredible demands for a limited amount of dollars. I understand fully that all of our state's employees have faced years of limited or no salary increases. I greatly respect the challenges you face, and I appreciate the chance to address the issue of salary increases with you.

Now for our second focus area: major repairs and renovations.

The University System owns 44 million square feet of space funded by the state for academic purposes. It is in these facilities that we teach our more than 310,000 students and where our faculty conduct research. Our facilities have an estimated replacement value of more than \$9 billion, which means we have a sizable responsibility to preserve the state's investment in these existing facilities.

To properly maintain facilities, the general rule of thumb is that you need to invest approximately 1.5 to 2.5 percent of the estimated replacement value annually on facility items such as: the HVAC system, roofing and code compliance.

Our own formula that is based on an outdated 1983 model calls for 1 percent, which means we should be investing at a minimum \$90 million annually in our University System's facilities.

Yet, in Fiscal Year 2015, the appropriation for major repair and renovation was \$40 million.

To put this in perspective, if you adjust for inflation from the late 1990s, the MRR appropriation we received in the current fiscal year equals less than \$27 million. So, we are investing today nearly half the amount we invested in our facilities approximately 15 to 20 years ago. And during that time we have added 14 million new square feet, so we are actually investing far less in funds into far more space.

Today, we have a backlog need of \$244 million in renovations and repairs.

That is not a good practice for protecting and preserving the investment in the labs and classrooms where our learning and research take place. Again, I recognize that funds are tight, and often replacing a roof or windows is not as appealing as constructing a new building, but our MRR program is critical if we are to provide the essential facilities for conducting our education mission.

To invest in the upkeep and management of our current infrastructure and facilities, the Governor has recommended \$60 million for major repair and rehabilitation, and I urge you to maintain that amount.

Now, we will cover capital needs as our third focus area.

As I have shared with you before, our system has identified and outlined criteria that must be met in order for new buildings to be proposed for planning, design and construction. Our capital projects must demonstrate how they will help improve student success, support students towards college completion and provide needed capacity beyond what current facilities can provide.

Last year we completed a more than year-long effort to create a four-year capital plan for the University System. That plan represents in an ordered way the new construction and significant repurposing needed on our campuses. The

recommendations our Board make reflect that plan and the sequence of priority for them.

In a sense, each capital project, or building for that matter, tells a story about students.

For example, Savannah State University is proposing a combination of renovation and new construction totaling 50,000 square feet for its Science and Technology Facility. The capital project will expand instruction and research in its flagship Marine Science program, as well as other STEM fields of study. The project will combine new construction and renovation for the best overall value and impact in expanding offerings in science and technology for students.

The University of Georgia will add instructional capacity and expand research capabilities in Biochemistry and Molecular Biology with its new Center for Molecular Medicine. The additional laboratory space will expand opportunities for students and faculty and leverages institutional funds, too.

We ask that you please consider supporting our capital needs.

The fourth area of our budget I want to bring to your attention is for the Georgia Film Academy. The Governor referenced this initiative last week, and I would like to give you some more insight to our plans.

With Georgia becoming one of the fastest growing entertainment production markets in the U.S., we have an opportunity to utilize our resources and infrastructure to meet current and future film industry workforce needs.

In partnership with the Technical College System (soon to be called the Georgia Career College System), we plan to pull together and enhance our current capabilities being mindful to avoid any duplication.

Our immediate priority is to provide the necessary skills that studio and production teams need now. So, we will be developing certificate programs that include: camera operation, set design and construction, lighting, electricians, production assistants and sound design to name a few.

We also plan to dedicate a position to lead this initiative and drive the coordination and implementation between our University and the Technical College systems.

Some potential opportunities that we are excited about for our students include developing a system-wide clearing house to connect students and film and digital entertainment companies in Georgia with workforce needs. This will involve the development of internships, co-op experiences, or simply connect students with employment opportunities.

We also will explore opportunities for our best students to have an “on-set” experience to accelerate the transition of these students from formal education to their first jobs in the industry. The goal is to keep our best students here in Georgia.

Our budget request includes \$2,565,500 to support our Georgia Film Academy plans today, which we see as an investment to protect and grow the more than \$5 billion the film industry created in economic impact in Fiscal Year 2014. We are also keenly aware of one statistic that forecasts the number of productions in Georgia is set to double in the next three years, and we need to be prepared to meet this opportunity.

The Georgia Film Academy is a prime example of how we are using the resources of our University System to support the economic goals and needs of our State.

The final element I would like to share with you before closing is a look ahead to the future of funding for public higher education.

As you know, the University System is currently funded under an enrollment-driven formula. This long-standing approach to funding has simply meant that adding new students generates additional state dollars.

The good news is that we had a modest increase in our Fall 2014 enrollment. Unfortunately, that enrollment growth is not spread evenly across our system.

I believe the time has come for a new approach

In 2011, the Governor established a Higher Education Funding Commission to look at funding for higher education in regards to his Complete College Georgia Initiative. The Commission recommended an outcomes-based formula that rewards

student progression and retention, degrees and certificates conferred as well as transfers and remedial completion.

I support the Complete College Georgia initiative including performance funding. We should be incentivizing our institutions based on performance versus attendance. We clearly understand that for Georgia to continue to be competitive in the global marketplace, our University System must continue to increase the number of students graduating from college. Performance funding can be a key driver to our mission.

I appreciate the concerns about the potential impact on institutions and recognize that enrollment will always matter. However, I believe the State, our students and our institutions are better served by focusing on the results we are delivering with the number of students graduating versus the number of students enrolling.

And for those institutions experiencing long-term enrollment declines, performance funding offers them an opportunity to see positive allocations if they meet the performance measures.

There are certainly many other items in our budget request. I recommend them to you, but wanted to highlight the areas of significance. The University System is large and complex, and touches every corner of the state with its teaching, research and service missions.

Our goal is to increase the number of Georgians who have a degree of some kind, and the number of graduates continues to climb each year, to almost 59,000 last year. Having more graduates makes us more competitive as a state and improves the quality of life.

And that is why budget items as mundane as construction and repair requests matter, why salary increases matter – the space and the people are essential to carry out our mission. I appreciate what you do, and I certainly respect the work that you do and the challenges you face. Thank you for your time today.