We’re here today to briefly share our budget strategies for 2009-2010, and ask for your approval of two key components – tuition and fees, and use of federal stimulus funding.

We believe that we have developed a responsible, strategic plan that creates a platform for future recovery and continued progress.
-- It addresses the need for students to have the courses they need to stay on track for graduation. It helps them avoid the expense of having an extra semester.
-- It honors existing obligations to faculty and students by providing for modest investments in start-ups, equipment, capital improvements and scholarships.
-- It includes a below-market general tuition and fee increase, and it holds the line on other mandatory fee increases except those specifically requested by students.

It is not without pain: It eliminates positions, reduces some services and requires many programs to become more self-supporting. There is no way that we could take a $45 million revenue cut without impacting people and programs. But it allows us to protect hard-won gains in academic quality and maintain momentum.
It is that quality and momentum that has generated another record number of student applications.
This slide details the scale of Clemson’s funding losses from both the state cuts and endowment decline, which total $45.7 million (not including stimulus funds). This week the BEA reduced its revenue projections even further. We’ve been warned that additional cuts may be coming, and as you can see our plan accounts for this.

The tuition recommendation we are bringing forward covers only one-third of the funding loss. **If we relied on tuition to offset the state budget cut, we would have to raise tuition 26%**. The majority of our loss in funding was made up from internal budget cuts.

These are substantial budget cuts --- **there will be a significant reduction in staffing and a major reduction in our cost structure next year, as there was this year. Adding stimulus money allowed us to hold our in-state fee increase to 4.5 %**.

**Make no mistake ...** Clemson’s cost of educating students and delivering critical services to the people of South Carolina will decrease.

[EMPHASIZE] **-- WE COULD HAVE STOPPED RIGHT HERE.** We could have cut $30 million, applied stimulus funding, raised tuition, balanced the budget, and not worried about the Road Map, academic quality, and commitments we’ve made to faculty and students. We decided not to do that. This is not about just balancing the budget. It’s about budgeting to a plan.
As I said earlier, it is important that we protect the gains Clemson has made in academic quality through some modest investments in the Road Map – funded by reallocations.

Our plan honors startup obligations to faculty, scholarships for students and investments in classes needed by our students for graduation.

Our plan allows for the resumption of important initiatives, such as Critical Inquiry, which were halted in the current year due to budget cuts.

We will also fund modest investments in deferred maintenance.

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<table>
<thead>
<tr>
<th>FY 09-10 Operating Budget Strategies</th>
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<tbody>
<tr>
<td><strong>Reallocations to Support Quality Investments &amp; Priorities</strong></td>
<td></td>
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<tr>
<td><strong>Source:</strong> Reallocations &amp; Discovery Savings</td>
<td>$15.4M</td>
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<tr>
<td><strong>Uses of Reallocated Resources</strong></td>
<td></td>
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<tr>
<td><strong>Inflationary Costs:</strong></td>
<td></td>
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<tr>
<td>Utilities</td>
<td>$1.2</td>
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<td><strong>Quality &amp; Priorities:</strong></td>
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<tr>
<td><strong>Roadmap Priorities:</strong> Scholarships, Start-up Commitments, Lab &amp; Classroom Equipment, &amp; Maintenance of Course Offerings</td>
<td>8.5</td>
</tr>
<tr>
<td><strong>Resume Deferred Priorities:</strong> Creative Inquiry, Research Incentives &amp; Projects, Call Me Mister, Safety &amp; Security, &amp; Return of Self-Generated Funds</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Deferred Maintenance/Capital Project Funding</strong></td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Total Investments from Reallocations, Additional Cuts, &amp; Discovery Savings</strong></td>
<td>$15.4M</td>
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</tbody>
</table>
Even though our intention is to protect the academic core and minimize the impact on students, I stress that the 2010 budget includes the loss of 452 positions.

Many of these positions are vacant or will be vacated through retirements. Clemson has worked very hard to protect people ... through restrictions on hiring and retirement incentives to create attrition. We are also offering reassignments where possible.

Where possible, we’re also restructuring and consolidating to cut administrative costs and to protect programs and services.

We will increase the contributions from auxiliaries.

Our plan also utilizes a portion of stimulus funding to begin the renovation of Lee Hall, the 51-year old home of Clemson’s nationally ranked Architecture and Design programs.

These budget strategies will help fund the Road Map.
Before we ask your approval of the fee recommendation, we’d like to provide some context about what is happening in the marketplace, and what it tells us about demand for a Clemson degree.

This year, we have set another record for undergraduate applications. Interest in Clemson is higher than ever.
And the pool isn’t just getting bigger; it’s getting better.

More and more top students – including South Carolina’s best and brightest -- want to attend Clemson. Clemson is fulfilling the intent of the LIFE and Palmetto Scholarship program.

This was one of the primary reasons we adopted the Top 20 vision – so that our young people wouldn’t have to choose between attending a top-tier university and a LIFE scholarship. They should be able to have both.

They shouldn’t have to go to Georgia or North Carolina, forfeit their scholarship AND pay out-of-state tuition in order to get a top-quality education.

**Demand: Student Quality**

- While the demand is steadily increasing, so is the quality of the student entering Clemson:
  - Average Freshman SAT Score
    - Fall 2000: 1172
    - Fall 2008: 1227
  - Percent of Entering Freshmen in Top 10% of Class
    - Fall 2000: 31%
    - Fall 2008: 50%
We also see tremendous growth in funding for scholarships – nearly double since 2002.

And even with state revenues in free fall, there was one program that the state wisely protected – the state scholarship programs.

These “third-party payments” directly to students and families have kept tuition very affordable for South Carolina citizens.
These programs particularly benefit Clemson students. And we see scholarship retention rising because students are more successful in the classroom. This is a result of changes at Clemson such as the Academic Success Center, smaller classes, and changes in teaching methodologies. It also shows that students are working hard to keep these scholarships.

Because we are a top-ranked, top-tier university, we are attracting more of South Carolina’s top students. This was one of the reasons the LIFE scholarship program was started by the Legislature – to keep more of our top students in-state.

Clemson is helping fulfill the intent of that legislation. The plan is working.

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Financial Aid & Retention Among In-State Students

- Clemson students are working harder, learning more, and performing better in order to secure and maintain merit-based aid
  - In FY 2008, over 99% of enrolled in-state Freshmen received financial aid from the Palmetto Fellows, Life, and Hope scholarships

- These State-funded scholarship programs have funded excellence, and have created positive incentives for student performance
  - **LIFE Scholarship** Second-Year Retention
    - 2000 Cohort: 46.0%
    - 2007 Cohort: 59.6%
  - **Palmetto Scholarship** Second-Year Retention
    - 2000 Cohort: 85.6%
    - 2007 Cohort: 88.2%
  - **Overall Life & Palmetto** Second-Year Retention
    - 2000 Cohort: 53.6%
    - 2007 Cohort: 68.8%
As a result of increased scholarship dollars and higher scholarship retention levels, the average out-of-pocket cost to attend Clemson for in-state students is very low – in fact, it is actually lower, on average, than it was four years ago.

Even with the proposed fee increase for FY09-10, the out-of-pocket cost for South Carolina students is likely to be lower, on average, than it was in 2005.
In summary, our aggressive cost-cutting and the availability of stimulus funding has allowed us to maintain quality while keeping our in-state increase to a modest and responsible 4.5 percent. Without this budget strategy, we would have had to cut academic quality significantly or raise tuition 26%.

This increase includes mandatory fee increases specifically requested by students to offset the loss of state funding for student activities, campus recreation and career services. There is no increase to the separate Library or Information Technology fee, however our students also requested that we apply the IT fee equally to all classes – freshmen through senior. Student Government has provided us with signed resolutions supporting all of these fee recommendations.

Full-Time Undergraduate Student Fees

<table>
<thead>
<tr>
<th>Full-Time Undergraduate Fees</th>
<th>$ Per Semester</th>
<th>% Increase</th>
<th>$ Per Semester</th>
</tr>
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<tbody>
<tr>
<td>Mandatory Tuition &amp; Fees</td>
<td>$234 / $878</td>
<td>4.5% / 7.5%</td>
<td>$5,424 / $12,579</td>
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</tbody>
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Footnotes:

1. Other Fees *(No increases in rates proposed)*:
   - **Information Technology Fee**: *No increase proposed*; however, proposed to apply to all full-time undergraduates in Fall 2009. Charged to full-time undergraduate students with 30+ credit hours in 2008-2009.
   - **Library Fee**: *No increase proposed*. Charged to full-time undergraduate students with 30+ credit hours.
We recommend very modest tuition and fee increases for Graduate students, which range from 3 to 3.5% depending on residency and the program tier.

All of these are described in detail on the comprehensive fee schedule which is being distributed.
This is our recommendation. We have a prudent and responsible plan that manages funding reductions, protects quality, and includes a reasonable and affordable tuition proposal.

It is a plan that is responsible to the state, to families who trust us with their future, and mostly to students who come to Clemson with high expectations. We need to deliver.

We ask your approval of both the fee schedule and the stimulus funding proposal.