

# The UNC School of the Arts: Should It Be Self-Supporting?

Max Borders



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to the professional training of students  
possessing talents in the performing,  
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## About the Author

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Max Borders is executive editor at Free to Choose Network, a non-profit organization that uses media to build popular support for economic and political freedoms. He is also an adjunct scholar with the National Center for Policy Analysis. Borders is formerly managing editor of TCS Daily, an online journal, and writes opinion columns for both national and local outlets.

Borders received his M.A. in philosophy from University College, London, England, and his B.A. in philosophy from Appalachian State University in Boone, North Carolina. After working as a technology journalist, he became a program director for the Institute for Humane Studies near Washington, D.C. Borders left IHS to work for TCS Daily.com as media director and went on to become policy analyst at the J.W. Pope Civitas Institute of North Carolina. While he was at the Civitas Institute, the Charles G. Koch Foundation selected Borders to participate in the Koch Associates Program, a year-long management-training program that he completed in 2009.



## To the Reader

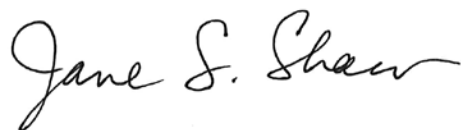
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The University of North Carolina School of the Arts (UNCSA), located in Winston-Salem, North Carolina, is highly unusual. A component of the University of North Carolina system, it was founded in 1965, the first public conservatory in the United States. It is both a high school and an undergraduate institution and it grants graduate degrees. According to its mission statement, the school is “dedicated entirely to the professional training of students possessing talents in the performing, visual and moving image arts.” The school provides training in both the performing arts and filmmaking, and the high school curriculum includes visual arts as well.

This paper addresses the question of whether taxpayer funding is appropriate for this school, which is, on a per capita basis, the most costly in the University of North Carolina system. “The UNC School of the Arts: Should It Be Self-Supporting?” reflects the Pope Center’s ongoing interest in encouraging a system of higher education in North Carolina that best meets the needs of students, their families, and taxpayers.

We appreciate the help of the administrators at UNCSA who provided extensive background material for this paper. Although they undoubtedly suspected that the recommendations of the paper might not be to their liking, they were informative, helpful, and willing to answer questions. In fact, several graciously spent a great part of a day sharing their thoughts and guiding the author and me in a tour of the campus.

We expect that this paper will spur a spirited discussion, and believe that it will be beneficial to the people of North Carolina.



Jane S. Shaw  
President  
John W. Pope Center for Higher Education Policy





Allen Aycock, photographer. Courtesy of the University of North Carolina School of the Arts

# The UNC School of the Arts: Should It Be Self-Supporting?

Max Borders

**The University of North Carolina School of the Arts (UNCSA) is unlike any other institution in the UNC system.** On many dimensions it is an interesting hybrid—by design. It is both a high school and an undergraduate institution, and it even grants graduate degrees. Founded in 1965, it was the first public conservatory in the United States. (A conservatory is a school that gives instruction in one or more of the fine or dramatic arts, including music.) UNCSA provides training in both the performing arts and filmmaking. The high school curriculum includes visual arts as well. Its mission is clear: The UNCSA is “dedicated entirely to the professional training of students possessing talents in the performing, visual and moving image arts.”<sup>1</sup>

Located in Winston-Salem, North Carolina, the School of the Arts is accredited by the Commission on Colleges and the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS CASI). Enrollment as of fall 2009 was 1,161, which included 289 middle and high school students, 738 undergraduate students, 119 graduate students and 15 designated as “special.” Students from within the state of North Carolina numbered 583, while 578 came from out of state.

The five major departments comprising the UNCSA are Dance, Design & Production, Drama, Filmmaking, and Music. There are also high school and undergraduate academic programs. Unlike other state-funded schools, UNCSA gives students considerable latitude so that they can focus on their chosen discipline early on. Less emphasis is placed on a generalized curriculum, so the “core credits” of an ordinary high school or undergraduate institution are merely garnish to a large helping of arts education.

A visit made for this report revealed that—among other characteristics such as creativity or passion for one’s craft—discipline is the UNCSA student body’s most outstanding quality. University administrators are cognizant of this and are not shy about saying so. Seeing the students and faculty in action—whether dancers agonizing over the subtleties of *Swan Lake*, or voice students singing a plaintive melody in Italian—makes us realize the sheer discipline of those involved with UNCSA. Striving for excellence in one’s craft is in UNCSA’s institutional DNA. In many respects, this quality is inherent in the students themselves, which is perhaps why most arrive there.

UNCSA students are rare—they are gifted and most know what they want to do with their lives (even if their career ambitions can be somewhat unrealistic at times). UNCSA faculty and staff make no bones about their feeling that *something* like UNCSA should exist. They believe the type of students that UNCSA attracts should learn independently from mainstream high school and college environments—marked as these can be by daily distractions and personal career indecision. According to UNCSA representatives who spoke with me, these students require a home that will foster their development. Seeing the students in the act of mastering their arts, I found it hard to disagree.

The key question that this report addresses is whether or not this kind of education (or process of mastery) is appropriately funded by the taxpayers of North Carolina.

## A Brief History

By ivory tower standards, UNCSA is young. During the first half of the 1960s, “North Carolina’s Juilliard” was but a concept being hatched in the minds of then-Governor Terry

Sanford and his special advisor John Ehle, a novelist and former UNC-Chapel Hill academic who had been displeased with Chapel Hill's inattention to arts education.<sup>2</sup> In the wrangling that follows any major public initiative, efforts to create the country's first public conservatory spawned some detractors.

Governor Sanford had already been labeled "high-tax Terry" by his opponents, and his desire to create a legacy by building unorthodox educational institutions met resistance, not only from members of the North Carolina General Assembly, but from opinion journalists, concerned citizens, and jealous fine arts departments in extant universities.<sup>3</sup>

Nevertheless, by June 1963 Governor Sanford managed to put together a coalition strong enough to get the school through the legislature by an impressive majority (89 to 18 in the N.C. House). By 1965, the small team responsible for founding the conservatory had also managed to find a name, a location, and to open its doors. In the eyes of many around the nation, Sanford was responsible for bringing a sleepy segregated state into the twentieth century.

The North Carolina School of the Arts began its own story in Winston-Salem, North Carolina.<sup>4</sup> The first chancellor, Vittorio Giannini, had been a successful composer from New York who had ties to North Carolina via both James Pfohl and the Brevard Music Center, a summer music program and festival that Pfohl founded. All of the school's political founders had been impressed with Giannini's passion, intensity, and head for organization. He managed to get UNCSA on its feet prior to his untimely death in 1966, which ushered in an age of able chancellors who saw to the university's expansion and its eventual inclusion in the University of North Carolina system during the 1970s.

The 1980s and 1990s were a time of growth and change marked by two major chancellorships. The first was that of Jane E. Milley. During her tenure, she increased faculty salaries and secured funding for a number of renovations and new facilities. She also got approval to develop a master of music program and to plan a brand-new school of filmmaking.<sup>5</sup>

In the spring of 1990, Alex Ewing was appointed chancellor. Ewing oversaw a \$25 million campaign for endowment and scholarships. He also established the School of Filmmaking and spearheaded a number of capital projects on campus, including a sculpture studio, fitness center, and career services office.

Ewing retired at the turn of the century, opening the door to Chancellor Wade Hobgood, who was appointed in February 2000. During his half-decade as chancellor, he helped the School of the Arts acquire \$42.5 million in higher education bonds, allowing the school to construct new buildings, studios, and campus amenities. Hobgood also pushed successfully in 2001 to allow high school students to attend without cost.

In the years since Ewing's education bond construction boom, all capital projects have been funded using Certificates of Participation (COPs)—and building has continued. COPs are a public financing tool used by governments to increase state debt without voter approval.<sup>6</sup>

The current chancellor is John Mauceri, appointed in the wake of a financial scandal uncovered by the office of a state auditor in 2004. In a separate development in 2008, Governor Michael Easley signed legislation allowing the North Carolina School of the Arts to become the University of North Carolina School of the Arts (UNCSA). The name change was intended "to better articulate the relationship between UNCSA and the University of North Carolina system."<sup>7</sup>

UNCSA's 2004 scandal involved diversion of funds. According to a press release from the office of then-State Auditor Ralph Campbell, "thousands of dollars from the sale of property intended to benefit the North Carolina School of the Arts was diverted into undisclosed accounts and spent on items ranging from leases of luxury vehicles to country club dues." This malfeasance was discovered through an audit that found "questionable overtime payments," the press release said. Specifically, auditors found that "an employee of the personnel department had received two promotions and 30 percent in pay raises during a 27-month period." During this period, "she received more than \$69,000 in overtime payments for a job that paid an average of \$49,000 a year. Much of the overtime was undocumented, and more than \$22,000 alone came from incorrect overtime calculations."<sup>8</sup>

A subsequent purging at the highest levels of UNCSA suggests that this type of corruption is probably a thing of the past. While ongoing scrutiny by the UNC system and the state auditor's office may be warranted, Interim Chief Academic Officer Scott Jenkins says that although UNCSA has "had its sins," he is confident that new leadership and internal checks will ensure that the school moves forward free of venality. Jenkins, who was employed previously in the



general administration of the UNC system, may himself be part of the ongoing reform effort.

The School of the Arts clearly has the support of the state legislature. As the Pope Center’s Jay Schalin reported in the summer of 2009:

[UNCSA] is not only getting \$2 million over the next two years (\$500,000 both years as a one-time grant, and an additional \$500,000 as a permanent annual allotment) to upgrade its film-making school, but it is getting another \$1 million added to its annual appropriation because it doesn’t raise enough money on its own to support all student services....

Such inexplicable generosity in the face of budget cuts might be the result of political muscle: . . . the School of the Arts is in the district of state Senator Linda Garrou, who is responsible for writing the senate’s version of the budget.<sup>9</sup>

Indeed, earlier in the legislative session, Senator Garrou attempted to switch control of the university television station (UNC-TV) to UNCSCA. But this plan disappeared after it was uncovered.

Whether increased state appropriations for UNCSCA are due to political muscle, horse-trading, or pragmatics, it’s time to consider just how costly this institution really is.

### An Expensive Proposition

When considered on a per student basis, UNCSCA is by far the most expensive publicly funded university in the state. Consider the top five most costly UNC schools in terms of appropriations (on a per student basis) in 2008–09:<sup>10</sup>

UNCSCA	\$24,943
UNC-Chapel Hill	21,444
N.C. State	18,284
East Carolina	13,089
North Carolina Central	12,663

These figures don’t include the capital costs of new building construction and new programs. In 2000, North Carolina voters passed a \$3.1 billion bond issue for university construction, which spurred something of a spending spree across the state. Like other UNC schools, UNCSCA benefited. Since then, new building has been funded almost exclusively via the use of COPs, which do not require voter

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approval. Government watchdog groups in North Carolina, including the Civitas Institute, have criticized the use of COPs because they circumvent voter approval, while allowing the state to push the costs of political decisions well into the future.

Costs are only one side of the analysis. In terms of benefits to the state, UNC President Erskine Bowles asked Michael Walden, a professor in the Department of Agricultural and Resource Economics at North Carolina State University, to do an economic impact study of each institution in the UNC system. Walden chose to omit the School of the Arts, however, and here is his stated reason:

The University of North Carolina School of the Arts has both high school programs as well as undergraduate programs. High school graduates from the School typically enroll in colleges or universities and therefore their results are not applicable to the analysis. *Data on the salaries of the School’s college program graduates were limited and often showed starting salaries lower than those for high school graduates. This is likely due to the unique job market for fine arts graduates, where the time required to attain a salary commensurate with the graduate’s training can be much longer than in other professions.* For these reasons the results for the School are not displayed.<sup>11</sup> (emphasis added)

In other words, information about UNCSCA graduates’ starting salaries is fragmentary, and what information we do have shows them to be low. One reason, suggested by UNCSCA chief advancement officer Suzanne Hilser-Wiles, is that there are just too few traceable living alumni of UNCSCA to collect the appropriate data. The school has, according to Hilser-Wiles, in total only around 8,800 identified alumni, roughly 24 percent of whom were there only for high school.

## The Tuition Picture

In-state tuition rates for UNCSA are slightly higher than for most of the rest of the UNC system, approaching those of the flagship schools. That helps, at least a little, to cover some of the costs of the students' education. Out-of-state tuition is well below that of both flagships, however, and nearly half, or 47.9 percent, of UNCSA's students come from out of state. North Carolina residents attending UNCSA pay \$3,357 per year, while non-residents pay \$15,303. At UNC-Chapel Hill, North Carolina students pay slightly more, \$3,865, while non-residents pay significantly more, \$21,753; at N.C. State, North Carolina students pay \$3,953, and out-of-state students, \$16,438.

High school students attending UNCSA pay nothing in tuition. (This no-tuition for high school policy has been in effect since 2001.)

The \$15,303 out-of-state tuition means that North Carolina taxpayers are subsidizing non-residents to the tune of almost \$10,000 per student. When one factors in capital costs, that figure goes way up. I will leave unsettled the question of whether North Carolina taxpayers should subsidize the education of non-residents at all. But some facts bear mentioning:

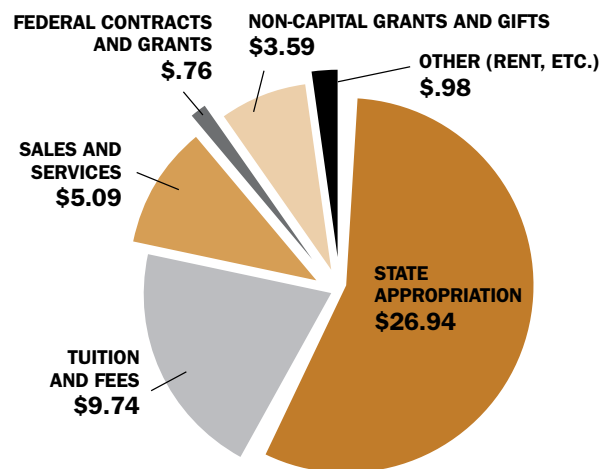
- Only about half of School of the Arts students graduate with a bachelor's degree within six years.<sup>12</sup>
- In addition to nearly half of the students coming from out of state, a low percentage of alumni remain in North Carolina after graduation. Based on a review of recent issues of *Callboard*, a publication that tracks alumni, this appears to be around 14 percent.

## Non-tuition Sources of Income

In addition to tuition and fees, which in fiscal year 2007–08 accounted for less than \$10 million of UNCSA's total revenues of \$47.1 million, there is income from non-capital grants and gifts (charitable contributions, for example), resources from the federal government, income from sales and services, other income (such as that from campus rental property), and, of course, state appropriations.

The following figure offers a breakdown of revenues to the institution in fiscal year 2007-08:

## UNCSA Sources of Funding 2007-08 (in millions)



## Why Are Costs High at UNCSA?

Why is UNCSA so expensive, per capita, especially compared with other UNC schools? Some major outstanding cost drivers may be unique to UNCSA:

**Student-to-Teacher Ratios.** The student-to-teacher ratio at UNCSA is 9 to 1. A UNCSA instructor may teach 3 flutists or 10 singers, while an instructor in history at N.C. State is more likely to teach 50 to 100 students. In other words, it may not really be possible to significantly increase the student-to-teacher ratio. As *New York Times* columnist Patricia Cohen reports: “[I]n creative and performing studios, increasing class size is not always an option.” She goes on to quote a UCLA professor facing program cuts: “You can’t teach painting to 40 students or give that many students voice lessons in opera or jazz.”<sup>13</sup> At the same time, some schools seem to be getting around this limitation by expanding the reach of their instructors to other conservatories through videoconferencing, as will be discussed later.<sup>14</sup>

**Administrative Costs.** Like faculty costs, administrative costs may be higher per pupil due to the relatively few students at UNCSA. The absence of economies of scale led the legislature in the summer of 2009 to give UNCSA an extra \$1 million to cover such costs.<sup>15</sup>

**Equipment.** UNCSA's film and design schools require high-tech digital equipment, soundboards, software, lighting booms, and so on. The school provides expensive musical instruments, such as pianos, for use in classrooms. UNCSA spent \$6.5 million on equipment and supplies in 2007-08.

## Comparisons with Other U.S. Arts Conservatories

To get a clearer understanding of UNCSA’s situation in terms of costs and benefits, we should compare it with other arts conservatories around the United States. In doing so, we should keep in mind that, like other conservatories, UNCSA is essentially a professional school. While academics are a vital component of a UNCSA education, arts training is its *raison d’être*.

Tuition levels for 12 major U.S. conservatories (“peer institutions” comparable in the size of the student body and in the type of education they offer, as determined by the Education Trust) are shown below (only two schools other than UNCSA are public):

### Tuition Levels for 12 Major U.S. Conservatories

	TUITION RATES*	TYPE
Art Center College of Design	\$29,344	Private
Rhode Island School of Design	\$34,665	Private
Maryland Institute College of Art	\$31,640	Private
San Francisco Conservatory of Music	\$31,800	Private
SUNY – Purchase College**	\$4,350 (in) \$10,610 (out)	Public
Massachusetts College of Art and Design	\$7,900 (in) \$23,000 (out)	Public
Manhattan School of Music	\$29,975	Private
The University of the Arts	\$29,500	Private
California Institute of the Arts	\$32,860	Private
Minneapolis College of Art and Design	\$27,000	Private
North Carolina School of the Arts	\$3,224 (in) \$15,104 (out)	Public
The Boston Conservatory	\$30,400	Private
Maine College of Art	\$26,490	Private
Pratt Institute-Main	\$31,700	Private

\* These comparative tuition rates were compiled by CNN/Money College Cost Finder.

\*\* SUNY – Purchase was not offered as a “peer” institution by the Education Trust’s system. I have included it.

Source: Data compiled using College Cost Finder available online: <http://cgi.money.cnn.com/tools/collegecost/collegecost.jsp>.

The School of the Arts is by far the least expensive in terms of in-state tuition—costing even less than the other publicly funded colleges, the Massachusetts College of Art and

SUNY – Purchase College. This may also make it the most expensive for taxpayers on a per capita basis.

Some may consider this low price a positive, for it suggests that North Carolina taxpayers support the dreams of its residents to become artists more than any other state in the Union does. Given the school’s high proportion of students from other states—and the tendency of its graduates to go elsewhere—North Carolina taxpayers may be funding dreams of residents in other states, however.

### Should the Taxpayers of North Carolina Subsidize UNCSA?

As far back as the nineteenth century, French political economist Frédéric Bastiat questioned subsidizing the arts:

Do the rights of the legislator go so far as to allow him to dip into the wages of the artisan in order to supplement the profits of the artists? ... If you wish to subsidize all that is good and useful, where are you going to stop on that path...? Furthermore, is it certain that subsidies favor the progress of the arts?<sup>16</sup>

Bastiat’s queries are no less incisive today than in his time. Of course, one issue here is whether subsidy for the UNCSA represents arts subsidy or education of the citizenry. Most North Carolinians, right or wrong, support the idea of taxpayer money going to educating North Carolina’s young people—including college. But does that general approval extend to specialized professional schools limited primarily to training in the arts?

Without answering that specific question, we can look at a broader one: whether the public benefits from supporting UNCSA justify the public expenditure. Although it is difficult to figure out whether a public subsidy is justified, the following appears to me to be a reasonable justification for a subsidy:

*To justify support from the state, a good or service should be reasonably accessible to any given citizen, of benefit to at least a majority of citizens, and not as easily or readily provided by the private sector. The good or service should be likely to improve the well-being of any given citizen.*

UNCSA does not meet the above criteria for public benefits, in my opinion, for the following reasons:

**UNCSA students are the only direct beneficiaries of the state subsidy.** Although attendance is open to any student

in the state who qualifies, the indirect benefits of the school are highly limited. The school should enhance the quality of life of at least a majority of North Carolinians. While we often hear that the performing arts enhance citizens' quality of life and improve the culture of the state, it is by no means clear that they do so for a majority. Furthermore, performing arts such as dance and theater are patronized heavily by wealthy elites. Should the average taxpayer subsidize a group that can afford to support the arts? Through the school, are the wealthy shifting costs onto people who either don't care to consume the arts or can scarcely afford it?

**UNCSA provides a benefit that is—at best—diffuse for North Carolinians.** In fact, the benefits may be more concentrated on citizens of other states. A quick review of the anecdotal evidence (from a UNCSA alumni newsletter), provided below, reveals that many of the direct beneficiaries of a UNCSA education live outside North Carolina. This also further attenuates the idea that the institution is contributing to the quality of life of North Carolinians.

**UNCSA's benefits could be provided by the private sector.** The education provided by the School of the Arts could readily be provided by the private sector (including UNCSA as a privatized entity), or through various other types of arts subsidy (which may or may not be justifiable). North Carolina was at one time completely unique as a state having a publicly funded arts conservatory and remains one

## Responses to Other Arguments

There are other arguments for subsidizing the School of the Arts, but they too are weak.

**UNCSA contributes significantly to North Carolinians' quality of life.** One might credibly argue that UNCSA contributes to the quality of life in Winston-Salem,<sup>17</sup> where the bulk of performances, exhibitions, and theater pieces take place. But even if those performances benefit Winston-Salem and the Triad, it is not clear that a subsidy at the state level is justified or that Winston-Salem's reputation as an "arts" community depends on the School of the Arts. Winston-Salem had a thriving artistic community in the middle of the century, which is why it was eager to be the location of the arts school.

Indeed, quality of life is a highly subjective concept. Even if we could settle on some objective criteria, it's not clear that we—through opinion polls or some other means—could determine whether the aggregate quality of life for citizens has been enhanced. At best, the concept is too elusive to determine; at worst, it is intended to be vague so as to obfuscate discussion.

**UNCSA helps those who might not otherwise have an opportunity to study performing arts and reduces the debt burden for would-be performing artists.** Perhaps. But are the students at UNCSA underprivileged? About 20 percent

# UNCSA is not likely to improve the well-being of any given North Carolina citizen taken at random, much less a majority of citizens—even marginally.

of very few states that do. Other states that have no such public conservatories do not seem to have gone without performing arts. Wisconsin, for example, has no such public institution, but no one argues that Wisconsin lacks art or art education.

In sum, UNCSA is not likely to improve the well-being of any given North Carolina citizen taken at random, much less a majority of citizens—even marginally. Thus, I must conclude that UNCSA is not the kind of expenditure justified by my understanding of a public benefit for the people of North Carolina, the only reason for North Carolinians to subsidize anything.

of UNCSA undergraduates received Pell grants,<sup>18</sup> which is arguably a reasonable proxy for financial disadvantage. That leaves four-fifths of the student body, undoubtedly a combination of those whose financial circumstances are marginal and those who come from solidly middle class or well-to-do families. (The UNC system no longer reports the average family income of its student bodies.) But we must ask why poor or middle-class taxpayers should subsidize the professional training of well-off students. One could ask the same about state subsidy of higher education broadly, although doing so is beyond the scope of this paper.



Finally, from a purely prudential standpoint for those students, the prospect of a debt burden could be a clarifying element as students prepare to invest their time and resources into the next stage of their lives. While a career in the arts has an exciting upside, the chances of success may be overstated.

**The School of the Arts was founded because it appeared that the private market would not provide art or arts education to the state.** The 1960s desire to establish an arts conservatory was motivated in part by the desire to help North Carolina become more cosmopolitan and urbane and less of a cultural backwater.

It is likely that the founders saw copying big-city amenities as a means to get ahead of the rest of the South, trying as North Carolina was to shed its good-old-boy image. Indeed, a reporter for the *Charlotte Observer*, present for a 1962 exploratory meeting about UNCSCA's potential founding, noted that everyone considered the Southeast to be an "arts wasteland"; the question was simply what to do about it.<sup>19</sup>

This desire is a variation on the "world-class city" syndrome, which has municipalities bending over backwards to get light rail, convention centers, or sports arenas. It is not clear that the UNCSCA alone, or in concert with other subsidized fine arts or arts education, has pushed the state into the cosmopolitan mainstream. Any perceived gains in urbanization and diversification of North Carolina's culture have more likely come from demographic and economic trends.

**Anecdotal evidence demonstrates a legacy of success, especially in terms of cultural impact on the state.** Those involved with UNCSCA believe that a number of ostensible anecdotes—success stories—demonstrate the value of UNCSCA. Actually, to justify this level of taxpayer subsidy we would have to demonstrate value—whether economic, cultural or otherwise—to a majority of North Carolina citizens, as I suggest above.

But to test the argument for anecdotal evidence, let's consider the exemplary alumni that UNCSCA lists in its spring 2009 edition of *Callboard*,<sup>20</sup> a publication that informally tracks successful alumni (with success meaning work that has at least a tangential connection to the performing or fine arts).

- Of the 39 School of Dance alumni mentioned by *Callboard*, only nine are listed as continuing to reside or work actively in North Carolina.

- Of the 44 School of Design & Production alumni mentioned by *Callboard*, only 11 are listed as continuing to reside in, having recently lived in, or working actively in North Carolina. (Two are employed by UNCSCA.)
- Of the 50 School of Drama alumni mentioned by *Callboard*, only four are listed as continuing to reside or work actively in North Carolina. (One is employed by UNCSCA.)
- Of the 16 School of Filmmaking alumni mentioned by *Callboard*, only one is listed as continuing to reside or work actively in North Carolina.
- Of the 45 School of Music alumni mentioned by *Callboard*, only two are listed as continuing to reside in, having recently lived in, or working actively in North Carolina. (One is an employee of the UNCSCA.)

Only 27 of the 194 alumni listings in *Callboard* live or actively work in North Carolina—14 percent. These numbers do not support the argument that subsidies of the school will culturally enrich our state. And while the School of the Arts cannot be expected to convince people where they can or cannot go after they leave the institution's bosom, North Carolinians should not be expected to bankroll the subsidy of arts in other states, which is what seems to be happening here.

**UNCSCA is unique.** Some supporters argue that UNCSCA is a unique institution and is worth preserving based on that consideration. Taken in isolation, uniqueness does not in itself justify use of taxpayer resources. Indeed, although there is much that is distinctive about UNCSCA, the fact that UNCSCA uses taxpayer resources is about the only broad category that makes UNCSCA unique. To argue for subsidy based on the fact that UNCSCA is subsidized by taxpayers would be to argue in a circle.

**UNCSCA's budget is a drop in the bucket compared to the total costs of other schools in the UNC system.**

That is true. Relative to other universities, the school's total budget is far smaller and consumes less of the total budget allocated to the university system. (University-wide managers consider it a "footnote," I was told.) Still, \$30 million per year in appropriations is not insignificant. (In terms of opportunity costs, we can imagine that \$30 million in appropriations left in taxpayer hands could have meant three \$10 million companies starting up during some year, for example.)

## Beyond Cost

This paper is primarily about the cost to North Carolina taxpayers of subsidizing expensive professional training in the arts. But it would be a mistake to ignore the fact that government ownership and control tend to discourage entrepreneurship and innovation, particularly when state coffers are available to cover nearly all expenses.

Private conservatories act differently. They depend on revenues and on donors who give voluntarily rather than through their taxes. Thus, they must constantly discover ways to provide quality and control costs. A quick review of UNCOSA's peer institutions turned up examples of innovative ways to obtain new revenues and expand student opportunities:

- The Manhattan School of Music is overcoming the limits on the student-faculty ratio by expanding its prize-winning distance learning into a "Global Conservatory." It offers "interactive videoconference sessions to institutions throughout the world," the school states, providing its faculty as instructors of students as far away as the Shanghai Conservatory.<sup>21</sup>
- Oblong Industries has called on the Rhode Island School of Design to help implement its spatial operating environment, which allows people to use natural gestures to operate a computer without a keyboard or a mouse. According to the RISD president, students are "developing applications with beautiful fabrics, through dance-like movements, through rhythm."<sup>22</sup>
- The Pratt Institute in Brooklyn, New York, offers an innovative degree program in creative arts therapy, which complements pure arts training, offering degrees that have a realistic prospect of leading to arts-related careers. The degrees include master's degrees in art therapy and creative development, dance and movement therapy, and art therapy with special needs children.<sup>23</sup>
- To raise money, Juilliard offers a master-class symposium with the famed Itzhak Perlman and other violinists, at \$400 a person. Says the school: "Held biennially, this year's symposium features five days of master classes, recitals, lectures, and pedagogy sessions and provides many opportunities for participants to observe and explore how to nurture and develop the exceptional young artist."<sup>24</sup>

# The high per capita costs of UNCOSA coupled with the extremely limited—perhaps non-existent—public benefits from the school lead me to recommend a change in direction for UNCOSA.

Private conservatories have a greater incentive to innovate than do public ones. In their case, failure to innovate could mean the failure of the institution. In contrast, publicly supported schools like UNCOSA have politically provided financial cushions. The result can be complacency and a tendency to do things the way they have always been done.

## Recommendations

The high per capita costs of UNCOSA coupled with the extremely limited—perhaps non-existent—public benefits from the school lead me to recommend a change in direction for UNCOSA. The following options should be considered by concerned citizens and policymakers.

### **Make UNCOSA self-supporting, changing the nature of the school from a publicly funded to a privately funded (or hybrid) institution.**

A number of public universities have undertaken at least partial privatization. They were responding to declines in the proportion of financial support provided by state governments; as those funds went down, they sought more freedom from the stricture of state regulation.

Two examples are the University of Virginia and the University of Michigan. In Virginia, the Restructured Higher Education Financial and Administrative Operations Act of 2005 gave the state's public universities more flexibility in managing their affairs. Three schools—the University of Virginia, Virginia Tech, and the College of William & Mary—now have the authority to set their tuition, fees, and room and board charges. They have latitude in such areas as "financial management, capital projects, lease agreements and human resources." Thus, they have freedom to attract

a more competitive mix of students and act with more flexibility. Ultimately, what the University of Virginia has gained is the ability to manage its affairs “in many of the same ways private universities enjoy.”<sup>25</sup>

There is no obvious reason why the UNCSA could not be self-supporting. In order for such a plan to succeed, the School of the Arts would have to:

- expand the portion of its revenue gained from philanthropic sources,
- raise tuition rates, perhaps to the level of other conservatories around the United States, and
- innovate with respect to curriculum, development, recruitment and organization.

Full privatization is unlikely, although it could occur over a number of years. Simply having greater tuition-setting and administrative freedom à la the University of Virginia would be a good first step. Indeed, the Massachusetts School of Art and Design has worked out a similar arrangement with its state. And even if it were privatized, UNCSA would not have to be run as a for-profit entity.

### **Increase Tuition and Fees**

If the costs of conservatory education are higher than other types of education, then the tuition rates for this type of education should also be higher. A doubling of tuition rates from around \$3,500 to around \$7,000 for in-state students would still be less (by half) than what out-of-state students currently pay. It is also less than what students in other public conservatories are paying for in-state tuition. A 100 percent increase in out-of-state tuition would bring prices in line with what students pay for most private conservatories around the country (i.e., around \$31,000 per academic year).<sup>26</sup> A doubling of both UNCSA in-state and out-of-state tuition could bring in an additional \$9.6 million (based on enrollment for 2007–08, which, of course, could change with a different price structure).

UNCSA also charges differential fees to students in different departments.<sup>27</sup> A more conscious effort to use fees to offset costs associated with more expensive degree programs is probably in order. For example, if the equipment in the film school is more expensive than that required by the music school, the school might be justified in charging film students higher fees. (Some such differentiation apparently takes place already.)

I should not fail to mention the vital role increased merit- and need-based scholarships can play in moving away from dependence on taxpayer resources. They could be a vehicle for increasing philanthropic interest in UNCSA. Even if a few such scholarships came from public coffers, these would be far less burdensome to taxpayers than the current level of subsidy.

### **Restore High School Tuition**

Prior to 2001, high school students at UNCSA were charged tuition.<sup>28</sup> If families of high school students managed to pay tuition prior to 2001, there is no reason they can't pay again.

Of course, the School of the Arts is not just another public high school. It is a very expensive institution with highly specialized training. It is also inextricably tied in with the classes and students of the university portion. Further cross-subsidy by students and taxpayers is unfair, particularly as the high school students consume as many of the goods and services of UNCSA as the college students.

I recommend changing North Carolina law so that the UNCSA can resume charging high school students tuition, even if that tuition is less than what college students would pay. I suggest \$7,000 per year—or the same rate as our proposed university tuition. That's still only about one-third of the current taxpayer burden for UNCSA high school students and less—by \$2,000—than the average per-pupil expenditure for public school students in North Carolina (\$9,000).

Tuition of \$7,000 is not, in my view, an unreasonable tuition, particularly when one considers what students of neighboring private schools pay for specialized high school education:

- Tuition for Salem Academy in Winston-Salem is \$17,000.
- Tuition for Triad Academy in Winston-Salem is \$16,900.
- Tuition for the New Garden Friends School in Greensboro is \$13,615.
- Tuition for Westchester Country Day in High Point is \$12,675.
- Tuition for American Hebrew Academy in Greensboro is \$14,910.

Expanded merit- or need-based scholarships may be appropriate. But if families of reasonable means would like to give their children a highly specialized form of instruction that is more costly than ordinary public high school, it is not unreasonable to suggest that they pay at least what heavily subsidized undergraduates pay. High school tuition at the current rate and the current numbers of students would add about \$1 million per annum in revenues to UNCSA and \$2 million at the recommended 100-percent in-state rate increase recommended above.

### **Diversify and Increase Revenue Sources**

Institutions with guaranteed income streams tend not to be as entrepreneurial as they might otherwise be. Instead, they tend to invest in protecting that stream via political means. Greater entrepreneurship would make UNCSA stronger, more innovative, and more engaged with the community—not to mention less dependent on taxpayer dollars.

UNCSA takes in about \$3.59 million per year in non-capital grants and gifts. A more aggressive effort could certainly increase this amount. Investment in development involves risk, but strategic fund-raising could bring in both small charitable donations and large grants from private foundations and wealthy arts patrons.

Furthermore, there is tremendous latent value in the talents of the faculty and students themselves. Of the school's revenue from sales (\$5.09 million in 2007–08), \$664,930 came from productions such as plays and concerts.<sup>29</sup> The school could expand this capability. It could also offer community tutoring programs in the arts for middle school students. Exceptionally talented college students could tutor younger UNCSA students to offset some of their tuition.

What about a paid UNCSA Summer Camp for kids, where School of the Arts students work with children? Or UNCSA could hold a donation-based contest for aspiring singers, actors, and artists whose experience would culminate in a scholarship prize for the winners—but the entry-donation proceeds would go to the school.

UNCSA students and faculty currently offer a Summer Music Festival, including free concerts, to people in the Manteo/Roanoke Island area of coastal North Carolina.<sup>30</sup> Given that these visitors are often wealthy tourists, why not charge a small entry fee? According to Wikipedia, the festival, offered without charge, experienced a record attendance in 2007, exceeding 11,000.<sup>31</sup>

To address the biggest cost driver at UNCSA, administrators, perhaps in consultation with faculty and students, should confront the “economies of scale” problem. As peer examples indicate, UNCSA can make creative trade-offs and increase student-teacher ratios with the assistance of technology. It could reduce the costs of general education (non-arts) programs through strategic partnerships or distance-learning arrangements with other universities. It could partner with, say, Winston-Salem State or Forsyth Community College, allowing students to study English composition via video conference, web-conferencing, or other collaborative environments.<sup>32</sup>

### **Conclusion**

In summary, the University of North Carolina School of the Arts offers arts training to a small group of students, many of whom are unlikely to remain in North Carolina. However beneficial it is to those students, this training comes at a high per capita cost to North Carolina taxpayers, and its benefits are negligible in terms of the economic and cultural impact on the state's residents. When taken in their totality, these considerations militate against continued subsidy of UNCSA. The school is, in essence, a special interest paid for, involuntarily, by taxpayers. At minimum, we can conclude that the subsidy for UNCSA is excessive. Ultimately, however, we should ask whether taxpayers should have to subsidize UNCSA at all.

Therefore, I recommend that UNCSA become self-supporting in the manner of the three schools in the University of Virginia system that privatized, albeit partially, in 2005. If full or partial privatization is not possible for political or practical reasons, I recommend that the state increase tuition for undergraduate and graduate students for UNCSA and reinstate tuition for high school students. I further recommend that UNCSA be more aggressive in its fundraising efforts and become more entrepreneurial with respect to income for the school—all in order to become less dependent on taxpayers. At the very least, UNCSA and the state should pursue a combination of measures that will bring UNCSA in line with other UNC system schools on a cost-per-pupil basis.



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- <sup>3</sup> Sanford and Ehle were also responsible for creating the N.C. School of Science and Math.
- <sup>4</sup> Banner, 160. (Paul Green is said to have given the institution its name against the wishes of famed dancer Agnes de Mille, who thought the name evoked architecture or visual art.)
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- <sup>12</sup> The National Center for Education Statistics puts the UNCSA graduation rate at 56 percent (see <http://nces.ed.gov/COLLEGENAVIGATOR/>), while the Education Trust's "College Results" data puts the rate at 50.7 percent (see <http://www.collegeresults.org/>).
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- <sup>14</sup> An example is the Manhattan School of Music's attempt to create a "global conservatory," at <http://www.msmnyc.edu/calendar/news.asp>. Accessed September 30, 2009.
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- <sup>17</sup> We can add UNCSA Summer Music Festival performances in Marc Basnight's (D-Dare) home district.
- <sup>18</sup> This is according to the Education Trust's "College Results" data for 2006, the most recent results on record. Available: <http://www.collegeresults.org/>.
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<sup>27</sup> For the most recent tuition and fee schedule for UNCSA, as well as comparisons with other UNC schools, see: [http://www.northcarolina.edu/finance/tuition/2009-10\\_UG\\_Tuition.pdf](http://www.northcarolina.edu/finance/tuition/2009-10_UG_Tuition.pdf).

<sup>28</sup> UNCSA, "History," 6.

<sup>29</sup> See "North Carolina School of the Arts 2008 Financial Report." Available: <http://www.uncsa.edu/financialservices/FinancialReport2008.pdf>.

<sup>30</sup> The home district of N.C. Senate Majority leader Marc Basnight (D-Dare).

<sup>31</sup> Wikipedia, North Carolina School of the Arts Summer Performance Festival, [http://en.wikipedia.org/wiki/North\\_Carolina\\_School\\_of\\_the\\_Arts\\_Summer\\_Performance\\_Festival](http://en.wikipedia.org/wiki/North_Carolina_School_of_the_Arts_Summer_Performance_Festival).

<sup>32</sup> Consider, for example, free, open-source versions of collaborative learning environments found at <http://www.duke.edu/~julian/Cobalt/Home.html> or a paid version at <http://www.qwaq.com>.



The John William  
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# The UNC School of the Arts: Should It Be Self-Supporting?



Max Borders

The University of North Carolina School of the Arts (UNCSA) in Winston-Salem, North Carolina, was the first public conservatory in the United States. As its mission statement says, it is dedicated “entirely to the professional training of students possessing talents in the performing, visual and moving image arts.” A component of the University of North Carolina system, the School of the Arts includes both a high school and an undergraduate program.

Yet it is expensive—the most costly university in the UNC system on a per capita basis. “The UNC School of the Arts: Should It Be Self-Supporting?” addresses the question of whether it should be so heavily financed by the taxpayers of North Carolina.

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