



South Carolina Commission on Higher Education

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CHE
10-4-12
Agenda Item 7.02.F

October 4, 2012

MEMORANDUM

To: Chairman John L. Finan and Members, S.C. Commission on Higher Education

From: Dr. Bettie Rose Horne, Chair, and Members, Committee on Academic Affairs and Licensing

Consideration of Operating Budget for the SmartState Program, Fiscal Year 2012-2013

Background

As required by statute, the operating budget for the SmartState Program must be submitted to the Commission for approval. The SmartState Review Board is charged with overseeing the SmartState Program and with annually providing the Commission on Higher Education “a schedule by which applications for funding are received and awarded on a competitive basis” (S.C. 2-75-10). The Commission must also approve the program’s annual operating budget: “all necessary funds for the prudent operation of the board...” (S.C. 2-75-70).

The Committee on Academic Affairs and Licensing met on September 6, 2012, to consider the SmartState Program Operating budget. The Committee acted to commend the budget favorably to the Commission at its most subsequent meeting contingent on action of the Review Board to adopt an amended budget that addresses a budget proviso enacted subsequent to the budget being originally approved by the Review Board. Attached please find the proposed fiscal year 2012-2013 operating budget approved by the SmartState Review Board, at its June 11, 2012, quarterly meeting and as amended by the Board at its September 17, 2012, meeting.

The SmartState Review Board issued no awards during fiscal year 2011-2012. A 2010-2011 RFP for SmartState Commerce Awards in the amount of \$6 million remains open, pending input from the South Carolina Secretary of Commerce. The Review Board has issued an RFP for Standard SmartState Awards in the amount of \$6 million during fiscal year 2012-2013.

To date, the SmartState Review Board has awarded \$191.6 million for the creation of 48 Centers of Economic Excellence and 86 specialized endowed professorships.

The proposed 2012-2013 SmartState operating budget of \$767,997 is reduced \$81,287 from the 2011-2012 authorized budget level for program administration of \$849,284. Authorization to expend this amount for administration was approved by the General Assembly as part of the 2012-2013 state budget. Overall individual budget line decreases include \$38,251

for Council of Chair activities, \$5,000 for supplies and equipment, \$1,522 for office rent, \$3,000 for staff travel and conferences, as well as the elimination of the marketing budget line of \$160,590 in order to comply with the provisions of Proviso 6.20, which states: “The Commission on Higher Education is prohibited from expending any source of funds on the marketing of the SmartState Program.” Overall individual budget line increases include \$5,349 and \$1,496 for CHE personnel wage and contribution increases, respectively; \$1,250 for the external audit contract; \$45,000 for external consultants to participate in the requisite reviews of proposals to be considered during FY 2012-13; \$66,400 for contractual services (including statistical research and writing projects for the program annual report); and \$7,200 for website maintenance.

Recommendation

In keeping with the recommendation of the Committee on Academic Affairs and Licensing action on September 6, the Review Board has amended its annual budget to consider the impact of Budget Proviso 6.20. The Committee commends favorably to the Commission the amended annual operating budget as approved by the SmartState Review Board for FY 2012-13



S.C. CENTERS OF ECONOMIC EXCELLENCE: PROPOSED OPERATING BUDGET FY 2013

Object of Expenditure (SCEIS code in parentheses)	FY 2011 – 2012 Approved	FY 2012 - 2013 Proposed	Increase/ [Decrease]
Personal Services (501)	178,304	183,653	5,349
Contractual Services (502)			
Auditor Contract	26,250	27,500	1,250
Consultants	5,000	50,000	45,000
Marketing	160,590	[line eliminated]	(160,590)
Website Maintenance	—	7,200	7,200
Advertising / Publishing	10,000	10,000	—
Other Contractual Services	10,000	76,400	66,400
Council of Chairs Activities	63,251	25,000	(38,251)
Subtotal Contractual Services	275,091	196,100	(78,991)
Supplies / Equipment (503)	15,000	10,000	(5,000)
Fixed Costs (504)			
Dues/Memberships	1,141	1,522	381
Equipment Leases	824	824	—
Facilities Rental	551	551	—
Liability Insurance	2,000	2,000	—
Office Rent	13,447	11,925	(1,522)
Subtotal Fixed Costs:	17,963	16,822	(1,141)
Staff Travel & Conferences (505)	13,000	10,000	(3,000)
Employer Contributions (513)	49,926	51,422	1,496
Inst. Admin. Asst. Funds (517)	300,000	300,000	—
SUBTOTAL OPERATING:	849,284	767,997	(81,287)

The FY 2012-13 SmartState Program Operating Budget has been prepared and expenditure of funds in implementing the budget will be carried out so as to comply with the requirements of Proviso 6.20, which states: "The Commission on Higher Education is prohibited from expending any source of funds on the marketing of the SmartState Program."