September 5, 2002

MEMORANDUM

To: Mr. Dalton B. Floyd, Jr., Chairman, and Members, Commission on Higher Education

From: Ms. Dianne Chinnes, Chairman, Committee on Academic Affairs and Licensing

Consideration of Allocation Methodology for Lottery-Funded Technology Funds to Two-year Sector, FY 2002-03

Background

The General Assembly of South Carolina authorized in the 2002 legislative session the distribution of $10,795,750 to the 20 public, two-year institutions of South Carolina (i.e., four two-year regional campuses of USC and 16 two-year technical colleges). An identical amount of funds was also allotted to the public four-year teaching universities by the General Assembly. Although the four-year institutions are required to seek funds through a competitive grants process, the two-year institutions are to receive their portions as part of a flow-through process.

In the same piece of legislation, the General Assembly assigned to the Commission on Higher Education the responsibility for assuring the distribution of the lottery funds to the two-year public institutions.

It should be noted that only funds made available from the "non-recurring" dollars (approximately $5 million) will be available for distribution once the Commission approves the distribution methodology. We have been advised that the "recurring" funds will be available later in the fiscal year and will be subject to any reductions that may become necessary to make up for any shortfalls that may occur in lottery revenues supporting student scholarships.

Proposed Methodology and Rationale

Four basic approaches for the distribution of the lottery funds readily come to mind:

- Distribution based on equal shares for each institution (dividing the amount available by the number of institutions);
- Distribution based upon the percentage of FTE enrollment for Fall 2001, divided into the total amount of lottery funds allocated to the sector;
- Distribution based upon the percentage of headcount enrollment for Fall 2001, divided into the total amount of lottery funds allocated to the sector; or
- Distribution based upon a minimum distribution per institution, to which are added the remaining funds in accord with a designated formula.

In the technology arena, the challenge inherent in identifying any distribution methodology involves balancing the number of users, or institutional size, with basic technology investments in infrastructure that must be made regardless of institutional size. For this reason, the staff believe the fourth option is the most appropriate.

A "guaranteed minimum floor" assumes that any institution—regardless of size—has to purchase and upgrade a certain amount of technology (hardware and software) and provide technology training simply to qualify as a modern institution, regardless of how many students are enrolled at the institution. Under the fourth option, all institutions in the sector would be allocated a minimum amount. Further, we propose that allocation of the remaining funds be made on the basis of the percentage of headcount enrollment in Fall 2001.

The staff suggests that the minimum allocation be set at $250,000, which would allow opportunity to enhance technological capacity at the seven smallest institutions by providing a sum large enough to make a substantive investment in technology and/or technology training. The remaining institutions would receive an additional allocation based on their percentage of headcount enrollment in Fall 2001 as displayed on **Attachment 1, fourth column**. In this way, capacity building is balanced by scalability, with institutional size of larger as well as smaller institutions also factored into the allocation. (For comparison's sake, column 3 displays an allocation made purely on the basis of percentage of headcount.)

At its meeting on July 25, 2002, the Advisory Committee on Academic Programs endorsed the proposed allocation methodology.

Recommendation

The staff suggests that the Committee on Academic Affairs and Licensing recommend approval to the Commission that the lottery funds be distributed to the two-year institutions in accord with the methodology described above and as shown on **Attachment 1, fourth column**. The Committee will consider this item at its meeting on September 4 and will make its recommendation to the Commission on September 5.

Attachment 1

Proposed Allocation Methodology
Two-Year Institutions

	Fall 2001 Headcount	% of Total Headcount	Allocation (Column 2 times $10,795,750)	Minimum of $250,000
Two-Year Regional Campuses	(1)	(2)	(3)	(4)
USC - Lancaster	939	1.34%	$144,146	$250,000
USC - Salkehatchie	830	1.18%	127,413	250,000
USC - Sumter	1,184	1.68%	181,756	250,000
USC - Union	382	0.54%	58,641	250,000
Subtotal USC-Regional	3,335	4.74%	511,956	1,000,000
Technical Colleges				
Aiken	2,353	3.35%	361,209	462,819
Central Carolina	2,962	4.21%	454,697	517,900
Denmark	1,401	1.99%	215,068	250,000
Florence - Darlington	3,632	5.16%	557,549	578,498
Greenville	11,544	16.41%	1,772,120	1,294,103
Horry - Georgetown	4,106	5.84%	630,312	621,369
Midlands	9,874	14.04%	1,515,759	1,143,059
Northeastern (formerly Ches-Marlb)	967	1.38%	148,444	250,000
Orangeburg - Calhoun	2,020	2.87%	310,090	432,700
Piedmont	4,544	6.46%	697,550	660,985
Spartanburg	3,366	4.79%	516,715	554,440
T C of the Lowcountry	1,745	2.48%	267,875	407,827
Tri - County	3,773	5.37%	579,194	591,251
Trident	10,461	14.88%	1,605,869	1,196,151
Williamsburg	543	0.77%	83,356	250,000
York	3,700	5.26%	567,987	584,648
Subtotal Technical	66,991	95.26%	10,283,794	9,795,750
Total Headcount/Total Allocation	70,326	100.00%	$10,795,750	$10,795,750