



Dr. Gail Morrison
Interim Executive Director

August 29, 2006

TO: Dr. Layton McCurdy, Chair, and Members, Commission on Higher Education
FROM: Mr. Dan Ravenel, Chair, Committee on Finance and Facilities
SUBJECT: Recommendations of the Committee on Finance and Facilities

The Committee on Finance and Facilities met on August 3 to consider the following:

- 5.04A** Interim Capital Projects
1. Clemson University
 - a. Boiler No. 4 Emissions Control Equipment Upgrade -increase budget
 - b. Academic Support Center Construction -increase budget
 2. University of South Carolina Aiken
 - a. Student Activities Center Renovations -increase budget
 3. University of South Carolina Columbia
 - a. Honors Residence Hall Construction -increase budget
 - b. National Estuarine Research Reserve (NERR) Education & Training Center Construction -increase budget
 4. Winthrop University
 - a. Baseball Park Phase II -increase budget
 - b. American Legion Property Acquisition -increase budget
 5. University of South Carolina Upstate
 - a. Health Education Complex Construction -increase budget
 6. College of Charleston
 - a. Physical Education & Athletics Center Complex Construction -increase budget
- 5.04B** Master Land Acquisition Plan Approval – University of South Carolina Columbia
- 5.04C** Final Committee Recommendation on Science/Instructional Labs for USC Sumter and Central Carolina Technical College

5.04D Review of SC Manufacturing Extension Partnership Budget

5.04E FY2007-08 Budget Request – Colleges and Universities

1. Operating Funds
2. Higher Education Statewide Electronic Library
3. Lottery Appropriations for Higher Education
4. Special Initiatives
5. Below-the-Line Items

If you have any questions about a particular item, or if you need additional information, please contact me or Lynn Metcalf at (803) 737-2265.

Proposed Budget:	\$ 7,700,000	-new construction (35,000 GSF)
	2,600,000	-site development & utilities
	1,195,000	-contingency
	1,000,000	-furnishings, equipment, & signage
	1,000,000	-professional services fees
	120,000	-labor costs
	<u>20,000</u>	-builders risk insurance
Total:	\$13,635,000	

Description

The Academic Success Center will be a new multi-story facility consisting of approximately 35,000 sq. ft. The construction cost per sq. ft. is \$220. The building will be located on the campus adjacent to the Cooper Library. In addition to the construction of the new facility, substantial utility and site work improvements will be made including creating safe pedestrian walkways and revamping vehicular traffic areas.

The Center is a vital element in the success of students at the University. Over 3,500 students have used the program in the past year with over 17,000 contact hours. LIFE scholarship and general retention rates have improved significantly as a result. The program has been in operation for several years and currently resides in the Cooper Library which has inadequate space for the needs of the program. The new facility will provide an adequate space for the program and provide a portion of classroom space for the campus identified in the most recent space utilization study.

The University request to add funds to the project to complete design and construction.

E&G Deferred Maintenance Reduction:

N/A – New Construction

Annual Operating Costs/Savings:

Utilities and maintenance will require additional operating cost ranging from \$45,000 to \$155,000 in the three years following project completion. The costs will be absorbed into the existing budget.

Recommendation

The Committee on Finance and Facilities recommends approval of this project as proposed.

University of South Carolina Aiken

Student Activities Center Renovations \$2,500,000 -increase budget, revise scope
(Previous Budget = \$3,250,000)

Source of Funds: \$2,500,000 -institution bonds

Proposed Budget:	\$4,600,000	-interior building renovations (51,759 GSF)
	490,000	-equipment and/or materials
	270,000	-professional services fees
	250,000	-deferred maintenance
	120,000	-roofing
	<u>20,000</u>	-landscaping
Total:	\$5,750,000	

Description

The University requests to increase the budget to provide additional funds to renovate restrooms, expand the dining area and bookstore, convert a portion of the gymnasium to meeting and storage space for student organizations, and convert vacated locker rooms and athletic offices into a new student health clinic, offices, and expanded recreation space. The project will renovate 51,759 GSF at a cost of \$88.87 per sq. ft.

The renovation project was established more than five years ago, but plans have remained on hold since then because of the need to move athletic offices to the Convocation Center prior to space reallocation. With the Convocation Center scheduled to open in April 2007, the University wishes to proceed with the present scope of work, reduced since project inception, during summer 2007.

The existing budget is comprised of \$3 million in State Capital Improvement Bonds (CIB) and \$250,000 in State appropriations for deferred maintenance. Approximately \$650,000 of available funds have been used to support various improvements including replacement of the HVAC, roofing, water heaters, and carpet. The balance of funds is not sufficient to complete the desired renovations.

E&G Deferred Maintenance Reduction:

The renovations will alleviate a portion of the \$586,410 in existing deferred maintenance in the building.

Annual Operating Costs/Savings:

No additional operating costs are expected.

Recommendation

The Committee on Finance and Facilities recommends approval of this project as proposed.

University of South Carolina Columbia

Honors Residence Hall Construction \$11,100,000 -increase budget, revise scope
(Previous Budget = \$36,500,000)

Source of Funds: \$11,100,000 -revenue bonds

Proposed Budget:	\$37,785,000	-new construction (220,000 GSF)
	4,335,000	-professional services fees
	2,635,000	-demolition, fixtures, furnishing, & equip.
	1,775,000	-contingency
	<u>1,070,000</u>	-site development
Total:	\$47,600,000	

The University requests approval to increase the budget in order to proceed with the contract in which bids must be accepted within 60 days of bid opening. The increase reflects the construction costs to meet the lowest bid, as well as increased professional services fees and contingency to provide for potential future cost increases.

The Schools of Nursing and Education have outgrown their current facilities, and with the ever increasing demand for additional nurses and teachers in the State, the additional space is needed to meet current and projected demand. The Upstate community desires to collocate the health education center and the other community health centers with the School of Nursing. The facility will also house the Enrollment Management offices and the University bookstore.

E&G Deferred Maintenance Reduction:
N/A – New construction

Annual Operating Costs/Savings:
No additional operating costs are expected.

Recommendation

The Committee on Finance and Facilities recommends approval of this project provided the USC Board of Trustees Executive Committee approves the budget increase at its August 29 meeting.

Winthrop University

American Legion Property Acquisition (Previous Budget = \$10,000)	\$ 2,390,000	-increase budget, revise scope, change source of funds
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Source of Funds:	\$ 2,390,000	-institutional capital project funds
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Proposed Budget:	\$ 2,358,903	-land purchase (15.07 acres)
	<u>41,097</u>	-environmental study/appraisal

Total:	\$ 2,400,000
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Description

The University requests to purchase 15.07 acres of land adjacent to the campus currently owned by the American Legion. The institution is land-locked, and the property acquisition has been a part of its master plan since 1989. The land is the key piece of property in the University’s westward growth. The City of Rock Hill has designated the property for future University educational use in both its land use plan and its economic development plan, which incorporates “smart growth” urban redevelopment strategies in an area now dominated by defunct textile mill properties.

The property was appraised at approximately \$160,000 per acre, but the University is purchasing the land for \$156,529.72 per acre for a total cost of \$2,358,903.

In the near term, the property will be used for a much-needed parking lot. Currently, the University leases 550 parking spaces on the American Legion property. Acquisition of this property will give the institution sufficient space to create at least 1,000 more parking spaces for students.

general contractors attended. Since that meeting, communication with the potential bidders indicates only two firms are anticipating submitting bids. Based on this information, the project architect consulted with the Aiken Cost Consultants, and the institution was advised to add \$5.02 million to the budget for sequencing and non-competitive climate factors. The consultants also reevaluated the current cost of certain materials and advised the College to add an additional \$1.9 million to the budget based on current pricing.

The project was initially awarded \$12 million in the 1999 Capital Improvement Bond Bill, and the project was officially established in December 1999. At that time, the project was estimated to cost \$40 million.

E&G Deferred Maintenance Reduction:

N/A – New construction

Annual Operating Costs/Savings:

No additional operating costs are expected.

Recommendation

Staff recommends approval of this project as proposed.

Master Land Acquisition Plan

The University of South Carolina Columbia requests approval of its Master Land Acquisition Plan (MLAP) renewal for a period of five years.

The Commission has a policy for accepting MLAPs from institutions. The current policy is as follows:

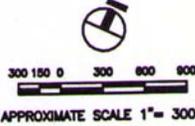
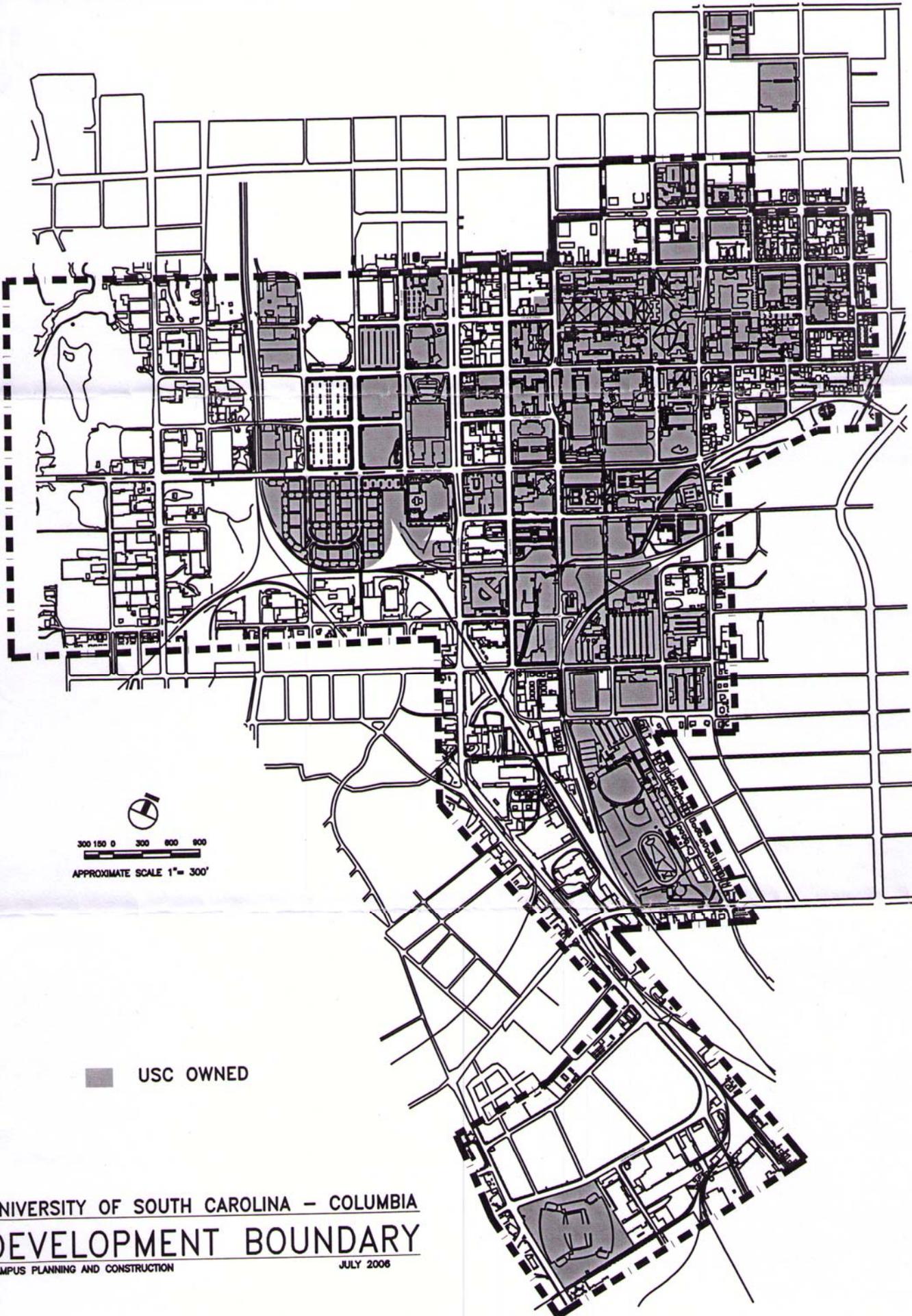
Institutions may present master plans that outline proposed land acquisitions to the Finance and Facilities Committee and the Commission for conceptual approval. The granting of conceptual approval shall be good for an initial five-year period and may be renewed by action of the Commission. If the plan is endorsed by the Commission, then future land acquisitions, provided they were included in the master plan presentation and had received Property Management acceptance for the environmental study and appraisal, and provided that no student fee increase is required, will be considered by the CHE staff and will not require additional review by the Finance and Facilities Committee or the Commission. CHE staff will report any acquisition activity to the Finance and Facilities Committee at least quarterly.

The land boundaries have not changed since the Commission's last approval of the MLAP in September 2001. The University Board of Trustees recently reconfirmed approval of the Development Boundary originally approved in October 1996 and reconfirmed in August 2001.

The proposed plan is attached. Property currently owned by the University is shaded.

Recommendation

The Committee on Finance and Facilities recommends approval of the MLAP renewal as proposed.



■ USC OWNED

UNIVERSITY OF SOUTH CAROLINA - COLUMBIA
DEVELOPMENT BOUNDARY
CAMPUS PLANNING AND CONSTRUCTION
JULY 2006

Final Committee Recommendation on Requests for Science/Instructional Labs for USC Sumter and Central Carolina Technical College

In May 2006, the CHE staff recommended a joint-use facility for USC Sumter and Central Carolina Technical College (CCTC) as both of the co-located institutions had requested State Capital Improvement Bonds (CIB) for the construction of science facilities. Institutional representatives voiced their concerns, and the Finance and Facilities Committee delayed voting on the proposal. The Committee requested staff to visit and meet with the institutional representatives and submit a final recommendation.

Central Carolina TC

CCTC has an immediate need for instructional lab space in order to maintain and expand its Allied Health programs. Course enrollments in Allied Health programs have increased by 247% since 2000. Enrollments have also increased in early childhood programs by 119% since 2000.

CCTC currently houses Allied Health, science, and early childhood programs in a building containing 19,059 net usable square feet (SF). Of this, 8,585 SF are designated as labs. All lab courses are taught in this building. The national standard for labs of this type is 70 SF per FTE. Approximately 282 full-time equivalent (FTE) students are enrolled in courses requiring labs, indicating CCTC requires an additional 30 SF per FTE to meet the standard.

The institution is land-locked and will not be able to meet the growing needs of its service community without additional space. With this in mind, the City of Sumter donated to CCTC the former Western Auto building in downtown Sumter. The Legislature provided special funding toward the renovation of the facility in the 2006-2007 budget. CCTC believes it will receive additional federal grant funding to assist with renovating the facility.

CCTC will transfer only the Allied Health labs to the downtown facility. The donated facility consists of approximately 60,000 gross square feet (GSF) and will contain classrooms, labs, and offices. CCTC estimates there will be six very large labs located in the renovated space but is unable to determine the exact SF of the labs. However, there were 140 FTE enrolled in Allied Health programs in fall 2005, and CCTC estimates it will be able to increase enrollment in these programs by 50% when the renovations are complete.

USC Sumter

USC Sumter currently houses its laboratory science courses in a facility with approximately 12,490 net SF of usable area. The facility was constructed in 1966 and the labs are old and out-of-date. Storage is difficult due to limited space which exposes delicate and expensive equipment to theft and vandalism. The laboratories were originally constructed to serve 500 students, but enrollment is now at 1,020 as of fall 2005. Based on the Budget and Control Board's building replacement cost, approximately \$1.2 million would be required to bring the facility up-to-date. Even if the facility could be satisfactorily renovated for science labs, the amount of existing space would not be sufficient for the number and types of labs required, and the institution has no swing space for the students during the renovations.

Approximately 8,128 SF are assigned to the existing five instructional laboratories. The national standard for labs of this type is 70 SF per FTE. Approximately 143 FTE students are enrolled in courses requiring labs, indicating USC Sumter requires an additional 13 SF per FTE to meet the standard. A total of eight labs and the accompanying classrooms are planned for the new facility and would bring USC-Sumter in line with the national standards.

Both institutions rely on adequate instructional lab space in order to serve students requiring the first two years of science courses required for most degree programs.

While the two institutions are ideally located for a joint-use facility, staff recognizes the immediate and urgent need of CCTC for expansion of its programs and the need for additional space to accommodate increased enrollment at USC Sumter. Staff further recognizes the legislative intent in providing special appropriations for the CCTC facility in downtown Sumter. Both institutions have space needs for science labs and the staff does not wish to delay funding for critically-needed facilities at both institutions.

The Committee thanks USC Sumter and CCTC for their willingness to meet with staff and provide requested information. The final recommendation of the Committee is as follows:

The Committee on Finance and Facilities recommends the approval of Capital Improvement Bond requests on behalf of the institutions in the CHE's annual capital project prioritization made to the General Assembly. The rankings for USC Sumter and CCTC have been added to the priority list approved by the Commission in June.

The Committee on Finance and Facilities further recommends the institutions continue developing plans for a future joint-use facility for their child care programs as the shared facility will be beneficial to the State and its taxpayers.

Review of the SC Manufacturing Extension Partnership (SCMEP)

(Information Item – No Action Required)

Section 59-103-162 of the South Carolina Code of Laws requires that the Commission on Higher Education review annually the activities of the SCMEP and make a budget recommendation to the General Assembly. Below is a description of SCMEP, followed by a summary of the budget. SCMEP’s budget request is included in the overall Higher Education Budget Request document beginning on page 16.

SCMEP is a private, non-profit 501 © 3 organization funded through a cooperative agreement with the US Department of Commerce’s National Institute of Standards and Technology (NIST), matching state funds and revenue from private and other grant sources. SCMEP is part of the nation’s manufacturing extension partnership system which is governed by a fiduciary board of directors. SCMEP is committed to serving small- to mid-sized manufacturers with resources and services to help them become more competitive and productive. SCMEP’s delivery of services is dependent upon relationships with partners, public agencies, non-profits, and numerous private consultants. The organization has formal, contracted relationships with the University of South Carolina, Clemson University, Greenville Technical College, Midlands Technical College, Trident Technical College, Central Carolina Technical College, York Technical College and Florence-Darlington Technical College.

Delivery of Services and Importance to the Economy of South Carolina

The goal of SCMEP’s program is to provide technical assistance to small- and mid-sized manufacturers to increase their productivity and competitiveness. The program gauges results in measurable bottom line economic impact.

	Manufacturing Job Losses in SC	Manufacturing Losses as a Percent of all Job Losses in SC
2001	4062	75%
2002	6454	80%
2003	2703	60%
2004	1846	39%
2005	2922	43%

South Carolina has lost almost 18,000 manufacturing jobs since January 2001. Most companies cite global competitiveness as the factor in precipitating their closures in US locations. Companies also cite production and overhead costs as significant factors in their ability to remain competitive, especially health care, regulatory, legal, energy and production costs, as well as the overvalued dollar. SCMEP’s expertise is in

production cost reductions and quality improvements.

SCMEP reports activities on a quarterly basis. An independent survey is conducted to collect economic impact received from the services SCMEP provided. This information is used to evaluate centers across the nation and to measure the return on federal investment. Economic Impact drives the Extension Partnership program. Funding is predicated on a formula matching federal dollars with state and by charging clients for services (a 1/3, 1/3, 1/3 funding formula). Any decrease in State matching funds jeopardizes federal dollars and forces SCMEP to cut services. In 2005, SCMEP received an additional \$1,200,000 in recurring funds to restore State funding of the program to its formula level. With the additional monies, the services and impact have grown significantly. The table above displays the amount of impact that was collected for

the year 2004 when state funding was decreased and for the first quarter of 2005 with the restored additional funds.

SCMEP has collaborated with the SC Competitiveness Council on several industrial clusters (Apparel, Composites, and Small Business) and is leading the State in developing a composite program for advanced manufacturing of composites and related manufacturing technology. This and other product development work would not be possible without state funds. State funding also links SCMEP’s field experts to our research and development resources within USC, Clemson and the SC Research Authority.

Manufacturing continues to be the State’s value-added economic engine, and the long term vitality of SC is contingent on maintaining a healthy manufacturing base. Since 88% of SC manufacturing are small- to mid-sized (hire fewer than 250 persons) and therefore lack the resources to hire private business consultants, the Extension Partnership model of manufacturing “extension,” like the agriculture extension model, is an essential tool in the State’s economic development portfolio.

Impact Data Collected	4 quarters 2004	1 quarter 2005
Increased Sales	\$52,670,000	\$36,340,534
Retained Sales	\$34,434,800	\$118,620,000
Cost Savings	\$19,495,000	\$2,305,000
Capital Investment	\$16,492,552	\$14,091,000
Cost Avoidance	\$3,480,500	\$626,000
Jobs Retained	578	327
Jobs Created	597	320

A copy of SMEP’s current operating budget for 2006-07 is on the following page.

SC Manufacturing Extension Partnership Proposed Budget for 2006-2007
Information Item

BUDGET

Current Operating Period *July1, 2006 - June 30, 2007*

Category	Direct	In-Kind	Total
REVENUE (Federal and Non-Federal Cost Share)			
NIST MEP Funds (Federal Funds)	\$2,268,003	\$0	\$2,268,003
State/Local Funds	\$2,427,921	\$0	\$2,427,921
Project/Service Fees (Program Income Projected)	\$2,000,000	\$0	\$2,000,000
Anticipated Un-Disbursed income from Prior Operating Year	\$0	\$0	\$0
Other	\$129,506	\$0	\$129,506
Interest & Dividends (Non-Federal)	\$6,500	\$0	\$6,500
Third Party In-Kind Contributions (Declared Value)	\$0	\$0	\$0
TOTAL REVENUE	\$6,831,930	\$0	\$6,831,930
EXPENSES			
Personnel	\$1,671,500	\$0	\$1,671,500
Fringe Benefits	\$450,021	\$0	\$450,021
Travel	\$200,000	\$0	\$200,000
Equipment	\$85,000	\$0	\$85,000
Supplies	\$75,000	\$0	\$75,000
Contractual Total	\$2,534,380	\$0	\$2,534,380
Professional Services	\$30,000	\$0	\$30,000
Fees Paid to 3 rd Party Providers	\$2,504,380	\$0	\$2,504,380
Other	\$967,407	\$0	\$967,407
Training	\$75,000	\$0	\$75,000
Rent & Utilities	\$0	\$0	\$0
Marketing & Bus. Develop.	\$0	\$0	\$0
Office Expense	\$0	\$0	\$0
Other Admin. & Operating/Other Expenses	\$892,407	\$0	\$892,407
Total Direct Charges	\$5,983,308	\$0	\$5,983,308
Indirect Costs	\$848,622	\$0	\$848,622
TOTAL EXPENSES	\$6,831,930	\$0	\$6,831,930
REVENUE – EXPENSES (if greater than \$0 then considered Excess Revenue)	\$0	\$0	\$0

FISCAL YEAR 2007-08 BUDGET PLAN
Higher Education Institutions

SUMMARY OF REQUESTS

Higher Education Funding Priorities - Institutions	FY 2007-08 Increased Funding			Lottery
	Recurring	Nonrecurring	Total	
E&G Operating	\$45,000,000		\$45,000,000	
NonRecurring E&G Operating to Recurring	\$30,517,840		\$30,517,840	
Statewide Electronic Library	\$2,000,000		\$2,000,000	
Higher Ed. Lottery .Projects Sustained Funding Requested Increases Need Based Teaching Grants				\$230,400,000 10,000,000 \$1,500,000
SC LightRail		\$4,500,000	\$4,500,000	
SC MEP	\$1,200,000		\$1,200,000	
UCG Restoration of Operating Funds & Program Development	\$1,123,000		\$1,123,000	
Greenville Tech, UCG, Restoration of Rent and Maintenance Funds	\$646,172		\$646,172	
EPSCoR/IDeA	\$1,057,464		\$1,057,464	
“Below-the-Line” Projects	\$4,840,509		\$4,840,509	
Totals	\$86,384,985	\$4,500,000	\$90,884,167	\$241,900,000

Priority 1 of 9: Public Colleges and Universities -Investment in Quality Outcomes – Increase \$45,000,000 Recurring Funds; Support Moving \$30,517,840 in Nonrecurring Funds to Recurring

Higher Education’s greatest need is for increases in operating funds to pay for full-time faculty and to reduce dependency on tuition and fees to replace declining state operating appropriations. One of the direct results of the budget reductions in recent years has been a corresponding increase in tuition levels across all sectors of institutions. Institutions have reduced programs, implemented efficiencies, and eliminated unnecessary expenditures. Further, institutions have been held accountable for the past nine years through performance measures and standards which are monitored annually. The reductions in state operating appropriations since 2000 have made it difficult for institutions to maintain quality programs and services. Along with the decline in state appropriations, the TERI program has escalated the loss of faculty at all institutions. A large number of the faculty must be replaced in order to maintain appropriate student/faculty ratios for accreditation. Additionally, the reductions in operating funds have resulted in institutions depending heavily on part-time faculty. For the benefit of the students, additional funds are needed to attract and maintain quality full-time faculty. Some funding for full-time faculty was provided in 2006-07 which allowed the institutions to begin addressing the

loss of faculty and to keep tuition increases at a modest level for fall 2006. While the higher education community recognizes the fiscal constraints of the state's economy, there remains a significant need for increases in higher education operational funding. The Commission also supports moving \$30,517,840* in nonrecurring funds received in 2006-07 for operations to recurring funds in 2007-08. Additional operating funds will assist in reducing the need for further tuition increases. As a related issue, disparity in funding levels has evolved that is not related to institutional performance or accountability for state resources. The requested funds would be used to address a portion of the current disparity provided institutions continue to maintain acceptable performance levels.

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During the 2006-07 appropriation process, the Legislature allocated non-recurring funds for items included in the institutions operating budgets. CHE staff believes these funds should be made recurring since they support recurring operations.

See Attachment 1 for the estimated 2006-07 appropriation, the estimated Mission Resource Requirement (MRR) for institutions' operating needs, and a list of the non-recurring funds the Committee supports be moved to recurring.

Priority 2 of 9: Statewide Higher Education Electronic Library – \$2,000,000 in Recurring Funds

The Electronic Library is an effective and efficient way to equalize access to new resources statewide and level the playing field for smaller higher education institutions while helping larger institutions fill research gaps by expanding access in core undergraduate areas. The project enables extremely cost-effective collection sharing by connecting 58 public and private higher education libraries and the State Library in a catalog and delivery system. The following is just one example of the cost savings possible through the cooperative agreement: the first two licenses will cost \$3.8 million over five years but would cost \$30.8 million if licensed individually – an eight-fold multiplication of investment. Additionally, comparisons with other states indicate this effort will reduce inter-library loan unit costs by 10 times and increase service by a comparable amount.

The library benefits the state by exponentially raising the quantity and quality of academic library resources available to the state's 212,000+ students, faculty, and researchers; including 16,000 electronic full-text periodicals (and growing) and a virtual collection of 12 million volumes. It promotes institutional collaboration (public/private, two-year/four-year), avoids duplicated expenditures, and leverages materials, institutional spending, and capacity. Since January 2006, nine new databases have been licensed (21 total), adding thousands of new full-text journals to a virtual collection made available at all public and private colleges and universities in the state via the internet.

Union catalog-based materials delivery is starting in fall 2006. By December 2006, 17 institutions will be fully operational. Delivery for all institutions is anticipated by September 2007. The library enhances development of the state's knowledge infrastructure – crucial for competing in today's knowledge-based economy – by expanding availability and access to state-

of-the-art information at reduced costs, and reduces the gap between SC and surrounding states. The library provides easy access to resources by other citizens through collective collaboration, program development, and direct “walk-in” use of academic libraries.

The project was funded initially in FY 2004-2005 with \$2 million in nonrecurring funds and has been funded each year since with nonrecurring funds. The Commission and the Institutions seek recurring funds for this project to ensure continued success of the electronic library. Recurring funding allows continued central licensing of essential electronic academic journals and related databases that are available to all of SC’s public and private higher education libraries.

Additionally, annual license fees for these electronic research sources require continued funding to sustain benefits.

Priority 3 of 9: Lottery Funded Programs – Increase of \$11,500,000 for Higher Education

Lottery funds currently provide funding for a variety of programs including scholarships and grants, Research Centers of Economic Excellence, and technology. The Commission is requesting continued funding of the programs funded in 2006-07 due to their successes in their respective areas. Scholarships and grants are providing incentives and support for deserving students pursuing post-secondary education. The Research Centers of Economic Excellence program is investing in long term research and economic development activities designed to promote the expansion of the state’s economy. Technology funds are ensuring higher education can provide for up-to-date technology, which is critical in providing quality programs and services. Additional information on these programs is available in the CHE accountability report for 2005-06 (to be submitted in September). In addition to continued funding, CHE, on behalf of higher education, requests increased funding for two programs including:

a.) Increase of \$10,000,000 in Funding for Need-based Grants: In addition to requesting continued funding for existing programs and sufficient support to enable full funding of the scholarship programs, there exist additional needs for the Need-based Grant program. First, the Commission has a long-standing position of pursuing increases in Need-based Grant funds. Due to the rise in merit-based scholarship programs, there is a significant imbalance between merit- and need-based student aid programs. The Commission strives to ensure affordable education for our state’s neediest students and increased need-based aid funding is critical to ensure higher education opportunities for qualified students who might not otherwise be able to participate. Based on institutional data, there are unmet needs in excess of \$10 million for this program. CHE notes that this was the only scholarship or grant program that was not increased in 2006-07. Each of the merit programs received increases to support growth as did the tuition grant program which provides need-based grants for students in independent institutions. Additional data illustrating the balance of the merit- and need-based programs are available in the Business Results section of CHE’s accountability report.

b.) Restored funding of \$1,500,000 for the Teaching Scholarship Grants Program: With enactment of the SC Education Lottery Act in 2001, the General Assembly authorized in section 59-150-380 a tuition aid or grant program for teachers who hold a professional certificate and teach SC’s public schools. The program provided grants not to exceed \$1,000 per year to teachers in the state who attended the state’s public and independent colleges and universities for the purposes of upgrading existing core content area skills or obtaining a master’s degree in the teacher’s core content were eligible. Should program funds not be sufficient to meet demand, the legislation (59-150-380) directed priority for those classroom teachers (i.e., not administrators, counselors, media specialists, or other support personnel) whose teaching areas were critical-need subject areas as defined by the State Board of Education. The program was

funded with \$2,000,000 in each of the fiscal years 2002-03, 2003-04, and 2004-05. Funds were not provided in 2005-2006 or 2006-07. Remaining funds will be exhausted this year and, as a result of carry forward funds no longer being available, the program has closed and applications are no longer being accepted. At the time the program closed, there had been an upward trend in the number of grants awarded. Because of the benefit derived from having teachers advance their knowledge and skills, the CHE, on behalf of the State's teachers, requests restored funding to the program in the amount of \$1,500,000 to continue with appropriate administrative support for the program and provide grants to deserving teachers who are seeking to enhance their training.

The table on the following page outlines the higher education lottery projects funded in 2006-07. In FY 2007-08, the Commission is requesting continued funding of the higher education lottery projects with increases as indicated.

Summary of Lottery Appropriations and FY 2007-08 Requests

Higher Education Lottery Funded Program in 2005-06	Level of 2006-07 Funding	2007-08 Request	
<i>Scholarship and Loan Programs</i>			
*Palmetto Fellows	\$17,830,758	\$17,830,758	<i>Note: Palmetto Fellows and LIFE also receive State Recurring Funds and are "open-ended" programs in that state funds are guaranteed for qualified students. The anticipated increases for FY2008 are not estimated here. An estimate is pending additional information on year end activity.</i>
*LIFE Scholarship	\$87,911,636	\$87,911,636	
SC HOPE	\$7,144,909	\$7,144,909	<i>Increases have been provided in past years based on growth in enrollment and that projected increase for FY 2008 is not estimated here. An estimate is pending additional information in year end activity.</i>
Tuition Assistance, Technical Colleges and 2-Year	\$47,600,000	\$47,600,000	
*Need Based Grants	\$11,246,093	\$21,246,093	Increase of \$10,000,000
*Tuition Grants	\$7,766,604	\$7,766,604	
National Guard Loan Repayment Program	\$1,700,000	\$1,700,000	
Teacher Grants	\$0	\$1,500,000	Restored funding of \$1,500,000
Research Centers of Economic Excellence (Endowed Chairs)	\$30,000,000	\$30,000,000	
Technology: SC Public 4- and 2-year Institutions	\$12,000,000	\$12,000,000	
*SC State University	\$2,500,000	\$2,500,000	
Higher Education Excellence Enhancement Program	\$4,700,000	\$4,700,000	
TOTAL	\$230,400,000	\$241,900,000	Total increase of \$11,500,000

Priority 4 of 9 – SC LightRail - \$4,500,000 in Nonrecurring Funds

The SC LightRail is a collaborative project by Clemson University, the Medical University of South Carolina, the University of South Carolina and the Hospital Health Sciences SC (HSSC) partners (Palmetto Health, Greenville Hospital System, and Spartanburg Regional Healthcare System), and the SC Research Authority (SCRA). In addition, industry research entities and additional universities and technical colleges and research institutes will be encouraged to join. The project will provide an ultra-high-speed, ultra-high-bandwidth network and applications service which will unite universities, hospitals, research-based institutions, and corporate research business units. The project will allow the state to connect to the National Lambda Rail¹ Network and thereby providing access to nationwide supercomputing and research application resources across the US.

This special initiative is to develop the information technology (IT) infrastructure for an ultra-high-speed, ultra-high-bandwidth network advanced fiber optic network to interconnect universities, research institutions, and hospitals to enhance instruction, research, and public service. The network will also link in-state research entities with the National Lambda Rail through the SC Light Rail/National Lambda Rail Connection Initiative (SC/LRC) and thereby provide nationwide access to supercomputing and research application resources across the US. SC is one of only nine states which do not possess the equivalency of the SC/LRC. Deploying the SC/LRC significantly improves SC's competitiveness in creating, recruiting, and retaining knowledge-economy assets ranging from new endowed chairs to new technology companies.

Objectives of the SC LightRail are:

- To create a collaboration among universities, industry, and research institutes to strengthen the scientific and technical capabilities of the state to grow the knowledge economy and encourage research and learning;
- To connect South Carolina to the National Lambda Rail and provide access to supercomputing centers and national laboratories;
- To interconnect universities, research institutes, and industry to enhance collaboration in support of instruction, research, health sciences and public service;
- To create an advanced fiber optic network dedicated to research and to span the state of South Carolina providing and securing high performance, scalability, and high reliability through a diverse route infrastructure;
- To provide high bandwidth connectivity and facilitate access to advanced voice, video and data services;
- To provide bandwidth to enhance distance and distributed learning and educational programs for the citizens of the state.

¹ National Lambda Rail (NLR) is a major initiative of U.S. research universities, regional networking organizations, and private sector technology companies providing a state-of-the-art national scale networking infrastructure. NLR exists both to serve "big science" and other discipline-based research initiatives in advancing knowledge and understanding and to support network research in developing new networking technologies and capabilities. The NLR 11,000 mile nationwide infrastructure, already fully operational, enables the simultaneous deployment of multiple networks for experimental and production purposes.

This request is for initial IT infrastructure which needs to be in place prior to implementation. Each of the three research institutions is requesting \$1.5 million which will provide \$4.5 of the \$6 million needed for implementation. The HSSC hospital partners will provide the remaining balance of \$1.5 million.

According to the SC Research Authority, fully deploying the SC/LRC will take about two and a half years, an upfront investment of about \$11 million, and an annual operating cost of about \$3 - \$4 million. An initial phase for in-state connections can be deployed in a matter of months. The costs can be shared between network users and some cost efficiencies can be achieved among the user base through SC/LRC.

Priority 5 of 9: SC Manufacturing Extension Partnership (SCMEP) State Match – \$1,200,000

SCMEP is a network of manufacturing specialists who offer specific expertise in operations, marketing, plant layout and design, environmental, health and safety standards, and energy use. The agency works with small- to mid-sized manufacturing companies to assist them in becoming more productive and competitive. State funds allow the SCMEP to contract with institutions of higher education in South Carolina to provide some services they are uniquely suited to offer manufacturers. Education partners include the Center for Manufacturing and Technology (CMAT) at USC, Clemson, and the technical colleges. In addition, the agency receives support from the National Institute of Standard and Technology (NIST). The program enables new technology, theories and innovation to transfer from the university and continuing education programs into the manufacturing floors of the state's small companies. SCMEP has received state matching funds since 1989. However, in recent years matching funds in the amount of \$1.2 million have been nonrecurring. This request is to move the \$1.2 million State match back to recurring funds.

Priority 6 of 9: University Center of Greenville – Restoration of Funds - \$1,123,000 (Restore \$373,000 in Operating Funds, Restore and move \$750,000 to Recurring)

The UCG was established in 1987 and operates in Greenville, SC. It is a consortium of seven institutions that operates to service the needs of working professionals who want to pursue a four-year or graduate degree in Greenville. This request is for the restoration of \$373,000 in operating funds lost in the budget cuts since 2000 and for restoration of \$750,000 for program development and technology in recurring funds.

UCG is a unique outreach consortium providing access to higher education for non-traditional students in Greater Greenville through coordinated shared resources supporting seven universities (Clemson, Furman, Lander, MUSC, SC State, USC Columbia, and USC Upstate). Programming includes 22 bachelor and 36 graduate degree programs. Center functions include shared staff; technology-based library access to member campuses, technical support for “smart classrooms” and “distance education classrooms,” outreach to increase awareness of Center offerings, program coordination and scheduling, and Center oversight (Board of Directors), and community engagement (Board of Visitors). Reductions in state appropriations since 2000 have reduced UCG's operating support from \$800,000 to \$427,000, requiring UCG to increase assessments to participating universities. Restoration of \$373,000 in operating appropriations will allow member institutions to use their funds for program support and development.

For the past several years, UCG has received nonrecurring funds of \$800,000 to provide technology updates and outreach services. The nonrecurring funding was not renewed in 2006-

07. The Center is requesting restoration of \$750,000 of these funds as recurring. UCG serves adult, non-traditional students through shared facilities and technology and through coordinated programming (over 600 courses annually) from seven South Carolina universities. Center delivered courses are offered in real time formats – both face-to-face and distance education. The Board of Directors (university provosts) is currently developing a five-year plan for significantly increasing the number of students served and the number of courses offered through the Center. At the same time, the adult student cohort tends to be highly decentralized and in need of special advising and orientation. Recurring support will enable collaborative, systematic assessment of programming needs and the impact of the Center in the community; allow for the expansion of the outreach services attracting and advising potential students, and allow the center to expand and maintain state-of the art technology in support of instruction (“smart classrooms,” receive classrooms, distance education classrooms, and electronic library access).

Priority 7 of 9: Greenville Technical College (TC) – University Center – Restoration of Debt Service Funds - \$646,172

Greenville TC took out certification of participation (COP) notes to finance the purchase of the mall to house the UGC. The original intent was for the state to fund the debt payments to purchase the mall and appropriate the funds to Greenville TC in lieu of payments for the \$1,605,592 operating expenses and rent for UGC. Budget reductions since 2000 have reduced the appropriation to \$1,087,791, a shortfall of \$646,172. The request is to restore the appropriation to the full amount of the rent and maintenance as agreed.

Priority 8 of 9: Experimental Program to Stimulate Competitive Research & Institutional Development Awards (EPSCoR) - Increase in Recurring Funds - \$1,057,464

EPSCoR is a merit-based federal/state/institutional partnership designed to build South Carolina’s research infrastructure. The request is made jointly by Clemson, USC, and MUSC and the increase in funds will be used to assist participating institutions meet their current and increasing cost-sharing commitments to federal research awards.

EPSCoR’s return on investment ratio is approximately 17:1. The current \$104 million in active SC awards resulted from \$6 million in non-federal commitments. EPSCoR awards for 2005-06 required approximately \$2.8 million in non-federal commitments. As SC institutions become more competitive for federal research funds, the required non-federal commitments increase. The recent rapid growth in competitiveness for federal research dollars at Clemson, MUSC, USC, SC State, College of Charleston, Winthrop and Francis Marion requires an additional \$1,057,464 in state funds to meet the non-federal cost-sharing obligations for these awards for FY 2007-08.

Priority 9 of 9: Institutional Special Projects (“Below-the-Line” Items) – \$4,840,509

Each year, the Commission assists the General Assembly by serving as a central clearinghouse for budget requests for institutional special (Below-the-Line) projects. *See Attachment 2 for a summary and recommendations for these projects for 2007-08.*

Other Budget Request: The Commission on Higher Education has also requested in the FY 2007-08 budget, \$406,712,263 in institutional capital projects. *See Attachment 3 for a list of the capital project recommendations in priority order.*

The Committee on Finance and Facilities recommends approval of the College and University budget plan for 2007-08 as proposed. The Committee on Finance and Facilities recommends CHE staff be provided with the authority to make technical corrections and revisions to explanatory text when the data are finalized.

8/24/2006

DRAFT

Estimated 2006-2007 Appropriation and Proposed Request for 2007-2008

										This column does not represent an increase in current funding	
										Support Move to Recurring Funds	
Institution	<i>Estimated</i> 2006-2007 State Operating Appropriations	<i>Estimated</i> 2006-2007 MRR	Investment in Quality Outcomes, 2007-2008			Col. 1 + Col. 5	Col. 6 as % of MRR	Move Legislative <i>NON</i> -Recurring Appropriations for Parity ⁽¹⁾ Allied Health ⁽²⁾ , & Research ⁽³⁾ <i>to Recurring</i>	Total Col 6 + 8	<i>Estimated</i> % of MRR if Column 9 Funded	
			35% Allocated by Parity @ 100% MRR 15,750,000	65% Allocated by MRR 29,250,000	Proposed Total 45,000,000						[3]
Clemson	100,062,967	144,729,702	1,545,432	3,707,412	5,252,844	105,315,811	73%	1,500,000	106,815,811	74%	
USC-Columbia	169,806,159	252,561,682	2,863,273	6,469,648	9,332,920	179,139,079	71%	1,500,000	180,639,079	72%	
MUSC	88,731,289	174,546,758	2,969,144	4,471,209	7,440,353	96,171,642	55%	2,545,904	98,717,546	57%	
Subtotal	358,600,415	571,838,142	7,377,849	14,648,268	22,026,118	380,626,532	67%	5,545,904	386,172,436		
Citadel	15,243,902	16,158,536	31,646	413,919	445,564	15,689,467	97%	141,326	15,830,793	98%	
Coastal Carolina	12,631,546	27,057,886	499,139	693,118	1,192,257	13,823,803	51%	2,358,122	16,181,925	60%	
College of Charleston	30,232,704	40,418,076	352,405	1,035,354	1,387,759	31,620,463	78%	524,238	32,144,701	80%	
Francis Marion University	16,377,758	19,068,595	93,101	488,463	581,564	16,959,322	89%	172,989	17,132,311	90%	
Lander University	10,144,492	15,028,215	168,973	384,964	553,937	10,698,429	71%	174,252	10,872,681	72%	
SC State University	21,721,182	26,321,041	159,151	674,243	833,394	22,554,576	86%	263,347	22,817,923	87%	
USC-Aiken	10,354,275	16,711,158	219,943	428,075	648,018	11,002,293	66%	599,237	11,601,530	69%	
USC-Beaufort	2,671,941	4,931,266	78,171	126,320	204,491	2,876,432	58%	502,175	3,378,607	69%	
USC-Upstate	12,665,398	22,783,110	350,064	583,615	933,679	13,599,077	60%	1,877,675	15,476,752	68%	
Winthrop University	21,668,046	33,801,269	419,800	865,857	1,285,657	22,953,702	68%	1,172,423	24,126,125	71%	
Subtotal	153,711,243	222,279,152	2,372,393	5,693,927	8,066,320	161,777,563	73%	7,785,784	169,563,347		
USC-Lancaster	2,547,740	4,973,134	83,917	127,392	211,309	2,759,048	55%	650,000	3,409,048	69%	
USC-Salkehatchie	2,212,811	3,309,092	37,930	84,766	122,696	2,335,508	71%	100,000	2,435,508	74%	
USC-Sumter	4,115,158	5,049,701	32,334	129,354	161,688	4,276,846	85%	51,269	4,328,115	86%	
USC-Union	990,183	1,598,656	21,053	40,951	62,004	1,052,187	66%	16,206	1,068,393	67%	
	9,865,891	14,930,583	175,234	382,463	557,698	10,423,589	70%	817,475	11,241,064		
AHEC	15,381,491	37,809,016	775,974	968,520	1,744,494	17,125,985	45%	511,979	17,637,964	47%	
Technical Colleges (Est)	149,087,359	295,002,684	5,048,550	7,556,821	12,605,371	161,692,730	55%	15,856,698	177,549,428	60%	
Total	\$ 686,646,399	\$ 1,141,859,577	\$ 15,750,000	\$ 29,250,000	\$ 45,000,000	\$ 731,646,399	64%	\$ 30,517,840	\$ 762,164,239	67%	

(1) Funds allocated for parity need to be part of the institutions' recurring operations budget. Two research initiatives
(2) For SBTCE, \$15,856,698 in non-recurring funds was appropriated for the Allied Health Initiative, a recurring expense - \$3,706,698 is allocated in surplus funds and \$12,150,000 is allocated from unclaimed lottery prize money.
(3) Freshwater Initiative @ USC-Columbia and ICAR at Clemson) which have portions of funding in recurring funds and the the non-recurring portions need to be made recurring.

Name of Request	Brief Description	2006-07 Appropriation			2007-08 Recommendation			Eligibility Based on CHE Criteria
		Recurring	Nonrecurring	Total 2006-07	Recommended Move Nonrecurring to Recurring	Recommended Recurring Increase	Total	
		[1]	[2]	[3]	[5]	[6]	[7]	
Clemson								
Call Me Mister	Travel, tuition assistance, and books and supplies	-	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ -	\$ 1,300,000	Continuing BTL Project Approved. Recommend request to move funding to recurring funds.
Center for Optical Materials Science & Engineering Technologies	Other Personnel, Equipment, Program Support	\$ 106,000	\$ 900,000	\$ 1,006,000	\$ 900,000	\$ -	\$ 900,000	Continuing BTL Project Approved. Recommend request to move funding to recurring funds.
University of South Carolina Columbia								
Palmetto Poison Center	Faculty, other personnel, and operating expenses	0	\$ 200,000	\$ 200,000	\$ 200,000	\$ 50,000	\$ 250,000	Continuing BTL Project Approved. Recommend request to move funding to recurring funds and add \$50,000.
Small Business Development Center	Other personnel and operating expenses	\$ 686,534	\$ 250,000	\$ 936,534	\$ 250,000	\$ -	\$ 250,000	Continuing BTL Project Approved. Recommend request to move funding to recurring funds.
USC Columbia Technology Incubator	Director, other personnel, and operating expenses	\$ -	\$ 200,000	\$ 200,000	\$ 200,000	\$ -	\$ 200,000	Continuing BTL Project Approved. Recommend continuation of recurring appropriation.
Medical University of South Carolina								
Hypertension Initiative	Faculty and other personnel	0	0	0	\$ -	\$ 512,471	\$ 512,471	Continuing BTL Request Approved. Statewide Initiative. Funding from external grants to lapse.
South Carolina State University								
SC Alliance for Minority Participation (SCAMP)	Other Personnel	\$ 320,327		\$ 320,327	\$ -	\$ 679,673	\$ 679,673	Continuing BTL Project Approved. Recommend additional funding of \$679,673 to return funding to previous level.
University Transportation Center	Faculty, other personnel, and operating expenses	\$ 122,612	\$ 748,365	\$ 870,977	\$ 748,365	\$ -	\$ 748,365	Continuing BTL Project Approved. Recommend request to move funding to recurring funds.
Totals								
		\$ 1,235,473	\$ 3,598,365	\$ 4,833,838	\$ 3,598,365	\$ 1,242,144	\$ 4,840,509	

Capital Improvement Bond Requests

Scores and Priorities Approved by CHE 6/1/2006

Statewide Ranking of Institutions' Priority One Requests for 2007-08

<u>Rank</u>	<u>Institution</u>	<u>Project Name</u>	<u>Project Type</u>	<u>CIB Funds Requested</u>	<u>Actual Total Points</u>
1	Medical University of South Carolina	College of Dental Medicine	Renovation	\$ 29,700,000	197.48
2	USC - Columbia	School of Law New Building Construction	Replacement Building	\$ 20,000,000	194.65
3	College of Charleston	Expansion & Renovation of Science Facilities	Renovation	\$ 52,300,000	190.48
4	USC - Sumter	Instructional Laboratories Building Construction	Replacement Building	\$ 11,825,000	167.65
5	USC - Upstate	Information Resource Center Construction	Renovation/Replacement	\$ 16,800,000	164.16
6	Aiken Technical College	Industrial Technology Building	Replacement Building	\$ 9,037,493	163.49
7	Midlands Technical College	Engineering Laboratory/Classroom Building - Northeast Campus	Replacement Building	\$ 15,200,000	160.16
8	South Carolina State University	Whittaker Library Expansion/Renovations	Renovation/New Construction	\$ 20,000,000	156.82
9	The Citadel	Capers Hall Replacement	Renovation/Replacement	\$ 26,500,000	154.49
10	Piedmont Technical College	PTC Business/Industrial Technology Center Renovations (A,B,E,F,G)	Renovation	\$ 8,917,440	154.16
11	Clemson University	Air Quality Deficiencies & Critical Deferred Maintenance	Deferred Maintenance	\$ 10,000,000	153.16
12	Trident Technical College	Nursing Building	New Construction	\$ 6,220,000	152.16
13	Winthrop University	Library Construction	New Construction	\$ 35,000,000	150.16
14	Coastal Carolina University	R. Cathcart Smith Science Center Addition & Renovation	Renovation	\$ 45,000,000	149.83
15	Technical College of the Lowcountry	Buildings 6 & 8 Renovations	Renovation	\$ 2,107,000	145.99
16	Orangeburg-Calhoun Technical College	Automotive Training and Transportation Center	New Construction	\$ 1,040,000	140.16
17	USC - Lancaster	Campus Renovations	Renovation	\$ 4,110,000	138.83
18	USC - Salkehatchie	Walterboro Classroom Building & Science Building Renovation	Renovation/Replacement	\$ 2,442,960	135.33
19	Lander University	Jackson Library Renovation	Renovation	\$ 4,750,000	129.00
20	Francis Marion University	School of Education/School of Business Building Construction	New Construction	\$ 15,250,000	128.00
21	USC - Aiken	New Academic Building	New Construction	\$ 11,500,000	125.83
22	USC - Union	Facility Upgrades	Renovation	\$ 700,000	125.33
23	USC-Beaufort	USCB South Campus Classroom Building	New Construction	\$ 6,327,728	121.83
24	Williamsburg Technical College	Technology Building	New Construction	\$ 6,500,000	121.33
25	Spartanburg Technical College	Academic/Library Building Construction Phase II	New Construction	\$ 9,000,000	117.83
26	Central Carolina Technical College	Health Sciences Building	New Construction	\$ 11,172,075	117.66
27	Florence-Darlington Technical College	Manufacturing Incubator Center	New Construction	\$ 2,880,000	112.83
28	Tri-County Technical College	Replace Clarke-McKissick Classroom Building - Main Campus	New Construction/Replacement	\$ 3,200,000	111.00
29	Northeastern Technical College	Campus Expansions/Renovations - Dillion Campus	Renovation/Expansion	\$ 1,000,000	86.00
30	Denmark Technical College	Renovation of Barnwell Facility	Renovation	\$ 657,567	69.83
31	Horry-Georgetown Technical College	General Purpose Classroom Building - Conway	New Construction	\$ 12,000,000	62.50
32	York Technical College	Hood Center HVAC Replacement	Replacement	\$ 1,000,000	55.00
33	Greenville Technical College	Renovated Second Floor ARC for Classrooms	Renovation	\$ 4,575,000	54.00
Grand Total				\$ 406,712,263	