

**Consideration of Policy for Allocation of Lottery-Funded Technology Funds to Two-year Sector, Fiscal year 2003-2004 (per proviso 5A.28)**

**Background**

The General Assembly of South Carolina authorized (see below), in the 2003 legislative session, the distribution of \$6,000,000 to the twenty public, two-year institutions of South Carolina (i.e., four two-year regional campuses of the University of South Carolina and sixteen two-year technical colleges). An identical amount of funds was allotted to the public four-year teaching universities by the General Assembly. The two-year institutions are to receive their portion as part of a flow-through process.

**5A.28.** (CHE: Lottery Technology Funds) Of the funds appropriated from the Education Lottery for technology, one-half must be used for a University Technology Program and awarded to public four-year universities, excluding the University of South Carolina-Columbia, Clemson University, and the Medical University of South Carolina. Funds must be awarded to these institutions according to the following formula: thirty-five percent of available dollars must be allocated equally among eligible institutions, with the remaining sixty-five percent to be prorated among the eligible institutions based on total FTE enrollment in the immediately previous year. The remaining one-half of these funds appropriated for technology shall be Technology Program funds to be used for technology upgrades across the public two-year institutions and the technical college system for the support and development of technology. Notwithstanding any other provision of law, prior approval or involvement of the Commission on Higher Education beyond allocation of funds as described herein is not required.

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. Based on this belief we have developed a distribution process that will best meet the technology needs with available dollars.

**Proposed Methodology**

The Finance and Facilities Committee recommends that there be a guaranteed minimum allocation floor determined by the staff in consultation with the Funding Advisory Committee on an annual basis. A guaranteed floor assumes that any institution, regardless of size, has to purchase and upgrade a certain amount of technology (software and hardware) and provide technology training simply to qualify as a modern institution, regardless of how many students are enrolled in the institution. The initial step is to spread the available dollars to the institutions based on the prior years fall term percent of FTE enrollment. Institutions that result in an amount equal to or less than the floor amount will be assigned the floor amount. The total available dollars less the dollars assigned to the institutions receiving the floor amount will then be spread over the remaining institutions based on the prior years fall term FTE enrollment.

The Finance and Facilities Committee recommends using FTE enrollment as opposed to headcount enrollment to be consistent with the allocation methodology used for the four-year

institutions technology grant funds. A variance analysis of the allocation results between using FTE enrollment and headcount enrollment was performed and the variances were determined to be immaterial.

The institutions shall maintain documentation to support the propriety of the technology grant expenditures. These expenditures are subject to Commission on Higher Education audits.

The institutions shall submit to the Commission on Higher Education, by September 15 of the following fiscal year, information describing the type and amount of expenditures of the grant technology funds for the previous fiscal year.

Refer to the attached schedule for detail of the proposed 2003-2004 allocation of technology grant funds.

### **Recommendation**

The Finance and Facilities Committee recommends the following policy for distribution of lottery proceeds designated for two-year institutions.

### **Policy**

Any lottery technology funds designated by the General Assembly for two-year institutions shall be allocated based on the prior year's fall FTE enrollment, with a minimum amount to be provided to each institution. The minimum amount will be determined on an annual basis by the staff of the Commission on Higher Education, in consultation with the Funding Advisory Committee.

Due to the schedule for distribution of lottery proceeds, these funds will be distributed in late October 2003 (90%) and in the final quarter of the fiscal year (10%).

**Proposed 2 Year Technology Grant Allocation Methodology 2003-2004**

	Fall 2002 FTE	FTE %	Allocation (Floor 125,000)	%	90% Available Oct. 30	10% Available 4th Qtr.
<b>Two-Year Regional Campuses</b>						
USC - Lancaster	623	1.3%	125,000	2.1%	112,500	12,500
USC - Salkehatchie	442	0.9%	125,000	2.1%	112,500	12,500
USC - Sumter	761	1.6%	125,000	2.1%	112,500	12,500
USC - Union	194	0.4%	125,000	2.1%	112,500	12,500
<b>Subtotal USC-Regional</b>	<b>2,020</b>	<b>4.2%</b>	<b>500,000</b>	<b>8.3%</b>	<b>450,000</b>	<b>50,000</b>
<b>Technical Colleges</b>						
Aiken	1,585	3.3%	186,370	3.1%	167,733	18,637
Central Carolina	1,890	4.0%	222,233	3.7%	200,010	22,223
Denmark	1,233	2.6%	144,981	2.4%	130,483	14,498
Florence - Darlington	2,683	5.6%	315,477	5.3%	283,929	31,548
Greenville	7,058	14.8%	829,905	13.8%	746,915	82,991
Horry - Georgetown	2,930	6.2%	344,520	5.7%	310,068	34,452
Midlands	6,527	13.7%	767,468	12.8%	690,722	76,747
Northeastern (formerly Ches-Marlb)	672	1.4%	125,000	2.1%	112,500	12,500
Orangeburg - Calhoun	1,627	3.4%	191,309	3.2%	172,178	19,131
Piedmont	3,094	6.5%	363,804	6.1%	327,423	36,380
Spartanburg	2,613	5.5%	307,246	5.1%	276,521	30,725
T C of the Lowcountry	1,017	2.1%	125,000	2.0%	112,500	12,500
Tri - County	2,766	5.8%	325,236	5.4%	292,713	32,524
Trident	7,054	14.8%	829,434	13.8%	746,491	82,943
Williamsburg	321	0.7%	125,000	2.1%	112,500	12,500
York	2,526	5.3%	297,016	5.0%	267,315	29,702
<b>Subtotal Technical</b>	<b>45,596</b>	<b>95.8%</b>	<b>5,500,000</b>	<b>91.7%</b>	<b>4,950,000</b>	<b>550,000</b>
<b>Total FTE/Total Allocation</b>	<b>\$ 47,616</b>	<b>100.0%</b>	<b>\$ 6,000,000</b>	<b>100.0%</b>	<b>5,400,000</b>	<b>600,000</b>

**Detailed Descriptions of Interim Facilities Projects for Consideration**

**Clemson University**

Athletic Facilities-Constr./Renov. I & II	\$4,600,000	-increase
Previous Budget	\$23,800,000	
Source of funds	\$4,000,000	-private (IPTAY)
	<u>600,000</u>	maint/renov/repair fund
	\$4,600,000	

Discussion

This project is to add funds to continue A&E for Phase I of the West End Zone project, and to support award of an early site work package which would include enhancements to the campus storm drainage system. Phase I of the project will include all required game day facilities, club seating, and additional restroom and concession facilities. The target completion date for this phase of the work is June 2005. Phase I estimated total cost is \$32 million.

**Clemson University**

Harcombe Dining Hall Renovation	\$ 600,000	-establish
Source of Funds	\$ 600,000	-gift in kind

Discussion

This project is the renovation of dining space by ARAMARK to house a franchise restaurant and faculty/staff dining area. The space is adjacent to the main Harcombe Dining Hall area and will be constructed as a gift of construction by the ARAMARK Corporation under their contractual agreement with Clemson. The renovation will consist of kitchen area, floor and wall coverings, furniture and equipment and related items.

**SC State University**

Campus-wide E&G Misc. Repairs	\$ 2,000,000	-establish
Source of Funds	\$ 2,000,000	-institution bonds

Discussion

This request included miscellaneous repairs to Educational and General (E&G) buildings campus wide. It includes window repairs/replacements, stairway repairs, floor repairs and replacements, HVAC mechanical repairs/replacements, plumbing repairs, upgrade emergency lighting, upgrade fire alarm systems, repair/replace roofs, general structural repairs, repairs to sewer systems, road repairs, hot water heater repairs, general electrical repairs and upgrades, and miscellaneous A&E costs associated with the general repairs.

**USC-Columbia**

1600 Hampton Street Complex Acquisition \$ 2,200,000 -increase/change source of funds  
 (Previous Budget \$21,800,000)

Source of Funds	(\$ 2,000,000)	-institution bonds
	<u>4,200,000</u>	-federal funds
Total Change	\$ 2,200,000	

Discussion

The change in source of funds and the increase in the budget are a result of the Department of Justice (DOJ) agreeing to lease two full floors, approximately 53,000 square feet, of the building. The lease agreement provides \$2 million up front funding towards the renovation of the facility. This is being used to reduce the amount of institutional bonds required for the projects. In addition, the DOJ requested upgrades to the space they are to occupy. These upgrade costs, \$2.2 million, are being added to the project budget and are being funded by the DOJ. The upgrade consists of total renovation of the two floors rather than partial renovations planned for space occupied by USC.

**USC-Aiken**

Convocation Center \$11,200,000 -increase budget  
 (Previous Budget \$9,050,000)

Source of Funds:	\$ 4,200,000	-institution bonds
	<u>7,000,000</u>	-county funds
Total	\$11,200,000	

Discussion

The purpose of the request is to increase the Convocation Center budget by \$11.2 million to include \$7million in county bonds and \$4.2 million in institutional bonds. The Convocation Center has been USC-A's number one construction need for three consecutive years. USC-A requested \$6 million in state bond funds in FY 01-02 and 02-03 and an additional \$5 million was anticipated from the county. Based on the lack of funding from the state, Aiken County increased its commitment to \$7 million and USC-A will make up the remaining need by tuition bond capacity.

**Winthrop University**

Breazeale Demolition \$ 1,400,000 -establish

Source of Funds	\$1,400,000	-institution bonds
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Discussion

This request is to establish a project to demolish Breazeale Hall in order to make the footprint of the building available for development. Breazeale has been predominantly vacant since 1989. Since that time it has been used as swing space for departments while other facilities were being renovated. The last time it was occupied was in 1994. Since then it has been used for storage. Several feasibility studies have been performed to see if the space could be adapted and reused. Each study has projected prohibitively high costs due to the wide wood frame load bearing corridors which are not sufficient to support a useful renovation. The building is on a valuable

footprint for a future building. It would be advantageous to remove it prior to the start of the Peabody replacement project because of common site and utility considerations.

**Winthrop University**

Track and Field Building	\$2,400,000	-establish
Source of Funds	\$2,400,000	-institution bonds

Discussion

This project is to construct a competition quality track with a rubberized surface surrounding a full-size soccer field. The project will also involve constructing a two-story central structure with locker rooms, offices, and storage areas.

**Tri-County TC**

Cleveland Hall Deferred Maintenance	\$1,200,000	-establish
Source of Funds:	\$1,200,000	-local
Budget:	\$ 70,000	-professional service fees
	1,030,000	-renovations, building interior
	<u>100,000</u>	-contingency
Total:	\$1,200,000	

Discussion

This project consists of renovation to existing facilities to meet current requirements for academic programs. This will include mechanical, electrical, interior renovations, life safety, and code compliance.

Recommendation

The Finance and Facilities Committee recommends approval of the above projects as proposed.

**Lease**

**Coastal Carolina** Lease Request-Atlantic Center Not to exceed \$300,000/yr

Discussion

Coastal requests approval to lease space in the Atlantic Center contiguous to Coastal Carolina University's current facility in the Atlantic Center. The property consists of 69,480 square feet of office and manufacturing space situated on approximately 10.9 acres. The facility was constructed in 1998 and housed a manufacturing firm. The structure is comprised of 16,000 square feet of office space and 53,480 square feet of manufacturing space.

Coastal Carolina University has grown at a rate of over 48% during the ten year period of 1992-2002, and projections indicate this growth to continue. The greatest growth has been in the sciences, which has grown from approximately 600 student majors in 1988 to nearly 1,600 in 2002. The acquisition of this facility will provide space immediately for science activities and will relieve the current stress on the College of Science for three to five years. The acquisition of this property would not eliminate the need for a science building, but would give the university

the time and flexibility of space to accommodate the needs of its largest and fastest growing academic programs.

The Coastal Educational Foundation (CEF) is currently negotiating for the purchase of the property, and following the purchase, Coastal Carolina University would lease the property for an amount equal to the annual debt service payments. In addition to the purchase, the CEF may provide funds for the renovation of the facility. This renovation would consist of converting the 53,480 square feet of manufacturing space to classroom and laboratory space. The 16,000 square feet of office space would be utilized in its current state. The estimated cost of the renovation is \$300,000. This amount would be included in the financing costs and ultimately the lease amount. Based on the current appraised value and including the costs of the renovation, the annual lease amount would be approximately \$300,000 for a term of 20 years.

An appraisal of the property was performed in 2001 that valued the property at \$2,900,000, which equates to approximately \$42.00 per square foot. The added renovations would equal another \$5.60 per square foot for a total cost of \$47.60 per square foot. Given the prevailing construction market, a new facility of comparable size would cost at least twice this much to build.

Coastal anticipates that the purchase will be completed during September, and occupancy of the office space is planned immediately following the property closing. The renovation of the facility will be accomplished in the subsequent months with completion planned for the summer of 2004. The completed facility will provide classrooms and laboratories for classes in the fall of 2004.

If the CEF does not include the renovation funds as part of the overall financing, the university would need to immediately establish a capital improvement project in the amount of \$300,000. This would delay the implementation of the renovations due to the additional required State approvals.

Therefore, Coastal Carolina University requests the recommendation for approval of a lease between the Coastal Educational Foundation and Coastal Carolina University for an amount not to exceed \$300,000 annually, and a capital improvement project in the amount of \$300,000. The need for the capital improvement project may not be required if the CEF provides funds for the renovation.

#### Recommendation

The Finance and Facilities Committee recommends approval of the lease provided the rates and terms are found acceptable by the Leasing Office of the Budget and Control Board.