



Dr. Gail Morrison
Interim Executive Director

MEMORANDUM

DATE: January 24, 2007
TO: Members, Funding Advisory Committee
FROM: Ms. Lynn W. Metcalf, Director of Finance, Facilities, & MIS

The Funding Advisory Committee is scheduled to meet on Wednesday, January 31 at 1:30 p.m. in the Stern Student Center Ballroom at the College of Charleston.

An agenda and materials for the meeting are attached. If you have any questions, please call me at (803) 737-2265 or Gary Glenn at (803) 737-2155.

Directions to the College of Charleston and parking and hotel information are included in this mailing. If you have any questions about these arrangements, please contact Alyson Goff at (803) 737-9930.

We look forward to meeting with you on January 31.

Directions, Parking, & Hotel Information

The meeting will be held in the Stern Student Center Ballroom.

Parking

Parking is available at the Wentworth Street Garage. Prior to leaving the meeting, a ticket will be provided in order to have the parking fee waived.

Directions to the Wentworth Street Garage, Charleston, SC

- Take I-26 East from Columbia
- Follow I-26 into Charleston and get off on Exit 221-B (Meeting Street)
- Turn right onto Meeting Street and continue-you will travel Meeting Street for about 8 ½ blocks before you get to Wentworth Street.
- Turn right onto Wentworth Street, continue 2 blocks until you get to the traffic light at the corner of Wentworth and St. Phillip Street.
- The garage will be on your left.

Once out of the garage, come back out to the Wentworth Street side-cross at traffic light and continue left to Glebe Street (go across St. Philip Street).

Turn right on Glebe Street (Jewish Studies Building will be on the right corner) and continue to end of street. Just before getting to end of Glebe Street you will see tall brick building on left which will be the Stern Student Center. You may enter from Glebe Street side. Elevator will be on your left. Stern Ballroom is on the 4th floor.

Directions to the Francis Marion Hotel, 387 King Street, Charleston, SC

- Take I-26 East from Columbia
- Follow I-26 into Charleston and get off at Exit 221-A (Savannah). Exit for King Street will be immediately on your right upon exiting.
- At King Street make right turn and follow King Street for 4 blocks until you get to Calhoun Street (Marion Square Park will be on left side) and the hotel will be on your right.
- Park directly in front of hotel. Valet parking is available.

To get to Stern Student Center from hotel

- Exit hotel to Calhoun Street. At corner of Calhoun Street, cross left onto St. Philip Street at traffic light.
- Continue one block to George Street-turn right onto George Street for ½ block, Stern Student Center will be on your left.
- The ballroom is on fourth floor.

Hotel Accommodations

A block of rooms has been reserved at the Francis Marion Hotel at a rate of \$95/night. Contact Gayle Karolczyk at gayle.karolczyk@thefrancismarion.com or (843) 937-8689 and mention you will be attending the Commission meeting at the College of Charleston (on February 1).

A G E N D A
Funding Advisory Committee
January 31, 2007
1:30 p.m.
Stern Student Center Ballroom
College of Charleston
66 George Street
Charleston, SC 29424

1. Introductions
2. Approval of Minutes from July 24 Meeting
3. Review of Refinements to Mission Resource Requirement (MRR)
 - a. Utility Expenditures – CHE150
 - i. Energy Costs Savings
 - b. Library Step
 - c. Student Services Step
 - d. Additional Military Costs (AMCs)
 - e. Salary Survey
 - f. Academic Fee Calculation
4. Academic Endowment
5. Clarification of the Definition of Waivers and Abatements
6. FY2007-08 Budget Issues
 - a. Parity, HEPI, and Performance Funding
 - b. Below-the-Line Requests
7. Other Business

MINUTES
SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION
Funding Advisory Committee Meeting
July 24, 2006
2:00 p.m.
CHE Conference Room

Committee Members Present

Ms. Lynn Metcalf, Chair
Col. Jim Openshaw for Col. Curt Holland
Ms. Kay Lawson for Mr. Steve Copeland
Dr. Sally Horner for Dr. Richard Weldon
Mr. Gary McCombs
Ms. Diane Newton
Mr. Patrick Wamsley for Ms. Lisa
Montgomery
Mr. John Smalls
Ms. Leslie Brunelli
Ms. Virginia Hudock
Mr. Bryan Hill
Mr. Bob Connelly
Mr. Scott Ludlow
Ms. Judy Hrinda for Dr. Ron Rhames
Ms. Retta Guthrie

Mr. Clyde Hinchler

Committee Members Absent

Mr. Jay Kispert
Mr. J.P. McKee (proxy given to Ms.
Metcalf)
Dr. David Hunter

Guests Present

Mr. Tom Covar
Ms. Beth McInnis

Staff Present

Ms. Camille Brown
Ms. Julie Carullo
Mr. Gary Glenn
Ms. Alyson Goff

For the record, notification of the meeting was made to the public as required by the Freedom of Information Act.

I. Welcome and Introductions

Ms. Metcalf called the meeting to order at 2:05 p.m. She asked the Committee members and staff to introduce themselves.

II. Review of Refinements to Mission Resource Requirement (MRR)

Mr. Glenn explained the refinements were correcting mathematical inconsistencies. He stated these corrections made the MRR more believable and further validated the MRR as a good methodology.

Mr. Glenn explained each revision and noted the four components reduced the MRR total by approximately \$100 million.

Next, Mr. Glenn noted the pending changes which would be implemented at a later date. Mr. Smalls asked when the last faculty salary survey was completed. Ms. Metcalf responded the survey was last completed in fall 2004. She noted it was time to send the survey out again.

Mr. Glenn stated the next goal was to establish clear and consistent definitions to be applied at all institutions. Ms. Metcalf noted “flow through” funds were not put back into the MRR.

Mr. Smalls asked if the Commission asked for the MRR on a regular basis. Ms. Metcalf and Mr. Glenn answered that the Commission currently did not, but the goal was to get back to an annual presentation.

There was some discussion of the percentage students and the State are responsible for paying. Mr. Hinchler asked if there was a way to determine the percent difference between the number generated by the MRR and the actual State appropriations. Ms. Metcalf answered data from the Integrated Postsecondary Education Data System (IPEDS) could be used to determine the percent of fee revenues to state appropriations for peers. She stated calculations showed SC institutions as having a slightly higher percentage of fees to appropriations than their peers. There was some discussion of the complications of not being able to break out restricted and unrestricted funds using IPEDS data.

Mr. Smalls asked how the institutions were supposed to convince the General Assembly of a \$1.1 billion need as generated by the MRR. Ms. Metcalf answered the institutions needed to tell legislators what they would do with the funds. She noted the success of Clemson University and the University of South Carolina Columbia in the last budget cycle.

There was some discussion of the affect of lottery and nonrecurring funds.

Dr. Horner suggested using the phrase “funding formula” rather than “MRR” because it would be easier to understand and explain.

Ms. Metcalf asked if there was a motion to enact the proposed MRR revisions. It was moved (Ludlow) and seconded (Hinchler) to adopt the revisions.

Mr. McCombs expressed his concern that while the revisions were logical, they did not make much sense when used in the proposed funding allocation methodology for 2007-08. Ms. Lawson also expressed her concern in Clemson’s total decrease. Ms. Metcalf stated the 2005-06 MRR did not include USC’s medical doctors which, when added, increased USC’s total. Ms. Lawson said she would support the revisions, but she remained cautious until she understood the finer details.

Ms. Metcalf clarified for the Committee that they were voting for the refinements which would address the mathematical inconsistencies. Mr. Smalls requested the revisions be in place before the institutions presented to the legislative finance committees. Ms. Metcalf noted it would require institutions submitting their data by October 31. She said if done so, the MRR could be ready by December.

The Committee voted in favor of the MRR revisions.

III. Funding Request and Allocation Methodology For FY2007-08

Ms. Metcalf explained the draft funding allocation methodology. She stated the first five percent would address the Higher Education Price Index (HEPI). Next, the proposed plan would request all the 2005-06 nonrecurring parity funds be shifted to recurring funds. Next, the request would bring the total for all institutions to a parity level of 60% of the MRR. Mr. Glenn noted the request presented a computed figure rather than an arbitrary number.

Mr. Connelly stated the move of nonrecurring funds to recurring should be the first priority. Dr. Horner stated HEPI would be easier to present to the General Assembly. Mr. Smalls stated he did not prefer Mr. Connelly's request as it would provide no new money to the institutions. Mr. Ludlow stated he did not think the institutions would be able to easily convince the General Assembly to provide funds for inflation.

Mr. Ludlow asked Ms. Carullo what was "selling" to the General Assembly. Ms. Carullo responded the legislators were interested in how the institutions could continue to operate with what they viewed as low funding. Also, the legislators want to know what the institutions will do with the new funds.

Mr. Ludlow stated the General Assembly was interested in the needs of the State. He stated the institutions need to take ownership of defined State problems (i.e. a shortage of nurses) and then request funds to address the problem.

Ms. Newton suggested the institutions also tell the General Assembly what they will not do with increased funding, such as increase tuition. Mr. Wamsley suggested the institutions present their requests as an investment that will benefit the State. Ms. Metcalf recommended developing a list of specific initiatives the institutions will address with the increased funding. Ms. Brunelli stated USC Columbia was successful in the past budget cycle by presenting their request as a reduction in tuition and fees as well as the higher salaries required to hire new faculty.

Mr. Ludlow asked how the funds would be allocated if the General Assembly appropriates the request to CHE. Ms. Metcalf responded the allocation would be based on the MRR.

Dr. Horner suggested requesting a specific dollar amount so as not to confuse it was a cost-of-living increase.

Mr. Ludlow voiced his concern parity was not being addressed. He said if CHE did not request parity first, he would have to request parity on his own.

There was some discussion the Board of Economic Advisers (BEA) had indicated the State would have an additional \$100 million (than previously estimated) in revenues next year. Ms. Carullo stated she had heard some information which indicated the money would be used for the increasing cost of Medicare.

Mr. Ludlow requested CHE ask for parity while the institutions asked for specific initiative funds. Ms. Metcalf stated it would be best if all the institutions had one voice. Mr. Ludlow reiterated he wanted parity to be addressed in the funding request.

Mr. Smalls moved the Committee request a HEPI increase, parity funds to bring all institutions to 60% of the MRR, and strongly urge the General Assembly to move nonrecurring funds allocated for parity in 2005-06 to recurring funds. The motion died without a second.

Mr. Ludlow moved the Committee request a HEPI increase and parity funds to bring all institutions to 60% of the MRR with a 35/65 agreement. Institutions would then request nonrecurring funds allocated for parity in 2005-06 be shifted to recurring funds. The motion was seconded (Clincher). It was moved (Smalls) and seconded (Brunelli) to table the motion. The motion was tabled.

There was a discussion about a previous agreement of a 35/65 (parity/MRR) for future funding allocations.

Mr. Ludlow suggested a compromise of presenting the request in the following priority order: 1) half of HEPI; 2) half of parity; 3) half of remaining parity; and 4) half of remaining HEPI.

Mr. Smalls moved the Committee request a HEPI increase and a larger percentage of other funding needs. Mr. McCombs seconded the motion. It was moved (Ludlow) and seconded (Hincher) to table the motion. The motion was tabled.

Ms. Metcalf suggested requesting \$61.5 million with a 35/65 agreement presented as an investment in quality outcomes. Parity would be established at 96% which was two percentage points above the institution at the highest percentage of MRR funding.

Mr. Ludlow moved the Committee request \$61.5 million with a 35/65 agreement for quality improvement. The motion was seconded (Hincher).

There was a discussion of the ongoing operating cost increases. Ms. Hudock suggested the staff send out various models, and the Committee could return to vote on a funding methodology. Ms. Metcalf stated Mr. Glenn and she would send various options to the members.

Ms. Metcalf noted the extremely short timeframe in which to come to a compromise. She stated the Committee could vote through electronic ballot or telephone conference. She stated she would be in touch with the members as to an appropriate and reasonable way in which to schedule the next meeting.

Note: *Finance officers were surveyed by e-mail after the meeting and approved the following: Request additional \$45 million (HEPI + 1 ½ percent – rounded up) to be allocated by one-third parity and two-thirds MRR. Additionally, CHE supports the institutions' request to make recurring the one-time appropriations for operating activities.*

IV. Other Business

With no further business, the meeting was adjourned at 4:30 p.m.

Respectfully submitted,

Alyson M. Goff
Recorder

**Attachments are not included in this mailing, but will be filed with the permanent record of these minutes and are available for review upon request.*