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CAAL
05/15/2018
Agenda Item 7

May 8, 2018

MEMORANDUM

TO: Chair Terrye Seckinger, and Members, Committee on Academic Affairs and Licensing
FROM: John Lane, DMA, Director of Academic Affairs

Consideration of the Revised FY 2018-19 SmartState® Program Operating Budget and Proposed FY 2019-20 SmartState® Program Operating Budget

History/Background

During the 2002 legislative session, the S.C. General Assembly passed the South Carolina Research Centers of Economic Excellence Act (S.C. 2-75-5). With an allocation of \$30 million in lottery funds, to be matched on a dollar-for-dollar basis with non-state funds, the General Assembly established a program to award to the State's three research universities (Clemson, MUSC, USC), through a competitive application process, funds to endow professorships and facilitate establishment of research centers in research disciplines that will eventually lead to enhanced economic opportunities for the State's citizens. The General Assembly viewed this initiative as an incentive program to raise capital from the private sector to support the recruitment and retention of leading scientists and engineers whose work will ultimately promote the growth and expansion of knowledge-based industries and the creation of more and better paying employment opportunities for the people of South Carolina.

As required by statute, (S.C. 2-75-70), staff and support for the operations of the SmartState® Program board and the panels "must be provided by the Commission on Higher Education. The Commission on Higher Education shall approve all necessary funds for the prudent operation of the board, including per diem, subsistence, and mileage expenses of board members as provided by law for members of state boards, committees, and commissions....".

The SmartState® Program has been highly successful and recognized as one of the best of its kind, because of its unprecedented collaboration between industry, academia, and government. The State's investment of \$198M has resulted in a nearly a seven-fold return. In 16 years, the program has had a \$2.8B total economic impact on the state and created more than \$755 million in labor income for South Carolinians that may not have existed otherwise. The SmartState® Program has attracted more than \$1.5 billion in non-state investment, has led to the creation of more than 13,900 jobs with salaries averaging \$70K a year, and has assembled a who's who of corporate and philanthropic partners, including BMW, Fluor, Michelin and SCANA, Roche Carolina, GlaxoSmithKline, The Duke Endowment, and Blue Cross Blue Shield Foundation. It has also resulted in the appointment of 72 endowed chairs who are world renowned experts in their areas of research, created an influx of more than 79 corporate startups and relocations, and by investing in talent and technology, has delivered on its primary mission to fuel the state's knowledge economy, creating high-paying jobs, and improve standard of living in South Carolina.

As approved by the SmartState® Review Board in April 2018, attached is the SmartState® Program's revised FY 2018-19 operating budget and proposed FY 2019-20 operating budget. Revisions include necessary deductions in website maintenance, other contractual services, and staff travel & conferences. The increase in Council of Chairs Activities fulfills the SmartState® Program's first international conference next year, still resulting in a net of \$13,400 reduction in the overall budget from \$570,767 to \$557,367. The proposed FY 2019-20 operating budget maintains the same budget amount as the revised FY 2018-19 operating budget of \$557,367 and is within the limitations of the anticipated FY 2019-20 spending authorization of \$885,284 in the State's Appropriations Act.

Recommendation

The staff recommends to the Committee on Academic Affairs and Licensing (CAAL) favorable consideration of the revised FY 2018-19 operating budget and proposed FY 2019-20 operating budget for the SmartState® Program.

SmartState: Proposed Operating Budget
Revised FY 2018-19

Object of Expenditures (SCEIS code in Parentheses)	FY2017-18 Budget	FY2018-19 Proposed	Increase/ (Decrease)
Personal Services	95,430	95,430	-
Contractual Services			
Auditor Contract	30,000	30,000	-
Consultants	10,000	10,000	-
Website Maintenance	7,200	3,200	(4,000)
Publishing	18,000	18,000	-
Other Contractual Services	68,400	25,000	(43,400)
Council of Chairs Activities	56,000	100,000	44,000
Council of Chairs (Scholarship)	-	-	-
Subtotal Contractual Services	189,600	186,200	(3,400)
Supplies / Equipment	10,000	5,000	(5,000)
Fixed Costs			
Dues/Memberships	1,800	1,800	-
Equipment Leases	824	824	-
Facilities Rental	-	-	-
Liability Insurance	2,000	2,000	-
Office Rent	7,484	7,484	-
Fixed Costs Subtotal	12,108	12,108	-
Staff Travel & Conferences	10,000	5,000	(5,000)
Employer Contributions	28,629	28,629	-
Inst. Admin. Asst. Funds	225,000	225,000	-
SUBTOTAL OPERATING:	570,767	557,367	(13,400)

**SmartState: Proposed Operating Budget
FY 2019-20**

Object of Expenditures (SCEIS code in Parentheses)	FY2018-19	FY2019-20	Increase/ (Decrease)
	Budget	Proposed	
Personal Services	95,430	95,430	-
Contractual Services			
Auditor Contract	30,000	30,000	-
Consultants	10,000	10,000	-
Website Maintenance	3,200	3,200	-
Publishing	18,000	18,000	-
Other Contractual Services	25,000	25,000	-
Council of Chairs Activities	100,000	100,000	-
Council of Chairs (Scholarship)	-	-	-
Subtotal Contractual Services	186,200	186,200	-
Supplies / Equipment	5,000	5,000	-
Fixed Costs			
Dues/Memberships	1,800	1,800	-
Equipment Leases	824	824	-
Facilities Rental	-	-	-
Liability Insurance	2,000	2,000	-
Office Rent	7,484	7,484	-
Fixed Costs Subtotal	12,108	12,108	-
Staff Travel & Conferences	5,000	5,000	-
Employer Contributions	28,629	28,629	-
Inst. Admin. Asst. Funds	225,000	225,000	-
SUBTOTAL OPERATING:	557,367	557,367	-