



South Carolina Commission on Higher Education

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CAAL
5/12/17
Agenda Item 6

May 12, 2017

MEMORANDUM

TO: Chair Terrye Seckinger, and Members, Committee on Academic Affairs and Licensing

FROM: John Lane, DMA, Director of Academic Affairs

Consideration of the FY 2017-18 SmartState® Operating Budget

History/Background

During the 2002 legislative session, the General Assembly passed the South Carolina Research Centers of Economic Excellence Act (CoEE), which allocated \$30 million in education lottery funds for the research universities of South Carolina consisting of Clemson University, the Medical University of South Carolina, and the University of South Carolina to raise capital from the private sector to fund endowments for professorships in research areas targeted to create well-paying jobs and enhanced economic opportunities for the people of South Carolina. Lottery education funds awarded to the institutions must be matched dollar-for-dollar from non-state sources sufficient to create endowed professorships.

The statute requires that the support for the operations of the SmartState® (formerly CoEE) program “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. . .” (S.C. 2-75-70).

The SmartState® program has been highly successful and recognized as one of the best of its kind nationally 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 on investment. In 15 years, the program has made a \$2.4B total economic impact on the state and created more than \$669 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, and has led to the creation of more than 12,000 jobs with salaries averaging \$70K a year. The Program has assembled a who’s who list of extraordinary 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 68 endowed chairs and created an influx of more than 67 corporate startups and

relocations. By investing in talent and technology, the Program has delivered on its primary mission to fuel the state's knowledge economy, by creating high-paying jobs, and improving the standard of living in South Carolina.

Attached is the SmartState® Program's proposed FY 2017-18 operating budget. The proposed FY 2017-18 operating budget has been reduced from the FY2016-17 approved budget of \$570,767 to \$554,595, a difference of \$16,172. The reduction in the proposed operating budget is due largely to a decrease in overhead including \$11,150 for personal services, \$2,425 for employer contributions, and \$2,597 for office rent. It is similar to the current year's operating budget and is within the limitations of the anticipated FY 2017-18 spending authorization of \$885,284 in the state's Appropriations Act.

Recommendation

The staff recommends that the Committee of Academic Affairs (CAAL) approve the SmartState® Program proposed FY2017-18 Operating Budget.

SmartState Operating Budget

FY 2015/16 - FY2017/18

Object of Expenditures	FY2015-16	FY2015-16	FY2016-17	Requested	FY2017-18
(SCEIS code in Parentheses)	Budget	Actual Expenditures	Budget	Increase/decrease	Proposed
Personal Services	96,413	77,951	95,430	-11,150	84,280
Contractual Services					
Auditor Contract	30,000	30,000	30,000	0	30,000
Consultants	10,000	-	10,000	-	-
Website Maintenance	7,200	-	7,200	0	7,200
Publishing	18,000	4,053	18,000	0	18,000
Other Contractual Services	68,400	34,821	68,400	0	68,400
Council of Chairs Activities	56,000	21,954	56,000	10,000	66,000
Council of Chairs (Scholarship)	-	-	-	-	-
Subtotal Contractual Services	189,600	90,828	189,600	0	189,600
Supplies / Equipment	10,000	4,581	10,000	0	10,000
Fixed Costs					
Dues/Memberships	1,800	632	1,800	0	1,800
Equipment Leases	824	579	824	0	824
Facilities Rental	-	-	-	-	-
Liability Insurance	2,000	188	2,000	0	2,000
Office Rent	7,452	6,998	7,484	-2,597	4,887
Fixed Costs Subtotal	12,076	8,397	12,108	-2,597	9,511
Staff Travel & Conferences	10,000	9,139	10,000	0	10,000
Employer Contributions	28,924	23,677	28,629	-2,425	26,204
Inst. Admin. Asst. Funds	300,000	300,000	225,000	-	225,000
SUBTOTAL OPERATING:	647,013	514,572.96	570,767	(16,172)	554,595