SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION
Meeting held at
3rd Floor Main Conference Room
1122 Lady Street, Suite 300
Columbia, S.C. 29201
12:00 p.m.

Minutes of the Meeting
August 3, 2017
DRAFT

Commissioners Attending

Mr. Tim Hofferth, Chair
Ms. Dianne Kuhl, Vice Chair
Mr. Paul Batson
Mr. Devron Edwards
Dr. Bettie Rose Horne
Mr. Richard Jones
Mr. Kenneth Kirkland
Ms. Allison Dean Love (phone)
Dr. Louis Lynn
Mr. Charles Munns
Mr. Kim Phillips
Ms. Terrye Seckinger

Guests Attending

Ms. Amber Barnes, University of South Carolina Columbia
Mr. Billy Boan, University of South Carolina Columbia
Ms. Olivia Burns, S.C. Senate Education Committee
Mr. Chris Brathwaite, WLTX
Ms. Leslie Brunelli, University of South Carolina Columbia
Ms. Martha Casto, SC Senate Medical Affairs Committee
Dr. Lynn Cherry, College of Charleston (phone)
Mr. Brett Dalton, Clemson University
Mr. Wes Hickman, University of South Carolina Columbia
Mr. Chip Hood, Clemson University
Mr. Rick Kelly, University of South Carolina Columbia
Mr. Mike LeFever, S.C. Independent Colleges and Universities
Ms. Angie Leidinger, Clemson University
Mr. Nicky McCarter, Clemson University
Mr. Yancey Modesto, University of South Carolina Columbia
Mr. Graham Neff, Clemson University
Dr. Chris Nesmith, University of South Carolina, Palmetto College
Mr. Steve Osborne, College of Charleston
Dr. Dennis Pruitt, University of South Carolina Columbia
Mr. Dan Radakovich, Clemson University
Dr. Hope Rivers, S.C. Technical College System
Ms. Christine Smalls Brown, Medical University of South Carolina (phone)
Mr. Bill Smith, Clemson University
Mr. Jeff Stensland, University of South Carolina Columbia
Mr. Avery Wilkes, The State
Ms. Helen Zeigler, University of South Carolina Columbia

Commission Staff Present

Mr. Jeff Schilz
Dr. Argentini Anderson
Mr. Clay Barton
Ms. Laura Belcher
Ms. Carrie Bundrick
Ms. Saundra Carr
Mr. Kevin Glears
Ms. Lane Goodwin
Ms. Monica Goodwin
Ms. Anna Grubic
Mr. Gerrick Hampton
Dr. Falicia Harvey
Ms. Trena Houp
Ms. Elizabeth Jablonski
Mr. Michael Jackson
Dr. Rao Korrapti
Dr. John Lane
Mr. Frank Myers Jr.
Ms. Yolanda Myers
Mr. Morgan O'Donnell
Ms. Katie Philpott
Ms. Vickie Pratt
Ms. Tanya Rogers
Dr. Regine Rucker
Ms. Laverne Sanders
Ms. Peggy Simons
Mr. Keeran Sittampalam
Dr. Kimberly Walker
Ms. Tanya Weigold
Ms. Leslie Williams
Dr. Erica Von Nessen
Dr. Karen Woodfaulk

Chairman Hofferth convened the meeting at 12:04 p.m. and welcomed all in attendance. It was confirmed that the meeting was being held in accordance with the Freedom of Information Act.

A **motion** was made (Horne), **seconded** (Kuhl), and **carried** to go into Executive Session for the purpose of discussing legal and personnel matters. No motion resulted from Executive Session and the public portion of the meeting resumed at 1:14 pm.

1. Introductions **Elizabeth Jablonski**

Ms. Jablonski introduced the guests in attendance.

2. Approval of Minutes **Tim Hofferth**

A **motion** was made (Munns), **seconded** (Kirkland), and **carried** to approve the minutes of the June 1, 2017 CHE meeting.

3. Presentation on Abatements **University of South Carolina**

See the attached transcription, starting on page 1.

4. Chairman's Report **Tim Hofferth**

Chairman Hofferth stated he had no report.

5. Vice Chair's Report **Dianne Kuhl**

See the attached transcription, starting on page 46.

6. Interim President and Executive Director's Report **Jeff Schilz**

See the attached transcription, starting on page 47

7. Committee Reports

7.01 Report of the Executive Committee **Tim Hofferth**

Chair Hofferth stated the Executive Committee had no report.

7.02 Report of Committee on Academic Affairs and Licensing **Terrye Seckinger**

Commissioner Seckinger stated the Committee on Academic Affairs and Licensing had no report.

7.03 Report of Committee on Access & Equity and Student Services **Paul Batson**

See the attached transcription, starting on page 51.

7.04 Report of Committee on Finance and Facilities **Dianne Kuhl**

CONSENT AGENDA
A. Interim Capital Projects
1. Florence Darlington Technical College – Master Plan: Academic and Workforce Development Building Construction
2. Spartanburg Community College – Cherokee Advanced Technology Center Construction
3. College of Charleston
   – Avery Envelope Renovation and Mechanical System Replacement
   – City Bistro Interior Renovation
   – Sottile Theatre Stage Renovation

See the attached transcription, starting on page 53.

The revised consent agenda, which was brought forward as a motion from the committee and therefore did not require a second, **passed** unanimously.

C. Other Business *(For Information, No Action Required)*
1. Unfinished Business

See the attached transcription, starting on page 55.

A **motion** was made (Lynn), **seconded** (Kirkland), and **carried** to approve the University of South Carolina's 1800 Gervais Street property acquisition.

2. Clemson University Appeal – Tennis Center Construction

See the attached transcription, starting on page 60.

A **motion** was made (Hofferth), **seconded** (Kirkland) and **carried** (with Hofferth, Kuhl, Batson, Edwards, Horne, Kirkland, Munns, Phillips, and Jones voting in favor; Lynn voting against; Seckinger abstaining; and Love not present for the vote) to approve Clemson's Tennis Center Construction, on condition that Clemson University put $6 million in equity in the deal.

3. List of Capital Projects and Leases Processed by Staff for June and July 2017 (*For Information, No Action Required*)

Vice Chair Kuhl presented the list for information.

7.05 Report of Special Ad Hoc Subcommittee—Boards of Trustees Code of Conduct **Ken Kirkland**

Commissioner Kirkland stated the Special Ad Hoc Subcommittee—Boards of Trustees Code of Conduct had no report.

7.06 Report of Special Ad Hoc Subcommittee—Public Agenda **Allison Dean Love**

Commissioner Love presented the report of the Special Ad Hoc Subcommittee—Public Agenda earlier in the meeting. See the attached transcription, starting on page 49.

8. Other Business

Interim President and Executive Director Schilz reported that earlier in the month the State of South Carolina hosted the State Higher Education Executive Officers (SHEEO) organizational meeting in Charleston. He stated that Commissioner Seckinger welcomed the attendees to the Conference. He also explained that Dr. Lane composed a piece of music, entitled *The Wisdom Tree,* for the conference, and the musical composition was performed by students from the S.C. Governor's School for the Arts and Humanities. Mr. Schilz distributed copies of the composition to the Commissioners and shared that Dr. Lane gave a short presentation at the conference on the piece and how it was inspired by the importance and power of education. Commissioner Seckinger shared that the Executive Committee of SHEEO voted the composition to be the organization's official song. The Commissioners and meeting attendees then gave a round of applause for Dr. Lane.

9. Public Comment

There was no public comment provided.

10. End of Business Meeting

A **motion** was made (Seckinger), **seconded** (Phillips), and **carried** to adjourn the meeting at 4:55 p.m.

South Carolina Commission on Higher Education

Transcript, August 3, 2017, Meeting, Agenda Items 3-7.04.B.2

TIM HOFFERTH: Okay. The minutes are approved. And if you jump to the top of the agenda, the presentation a follow-up to our meeting on June 1st with the University of South Carolina on the topic of abatement.

Just for a little background and perspective on what led to this presentation-- I'll do that here in just a second, but we'll have making that presentation today from USC, Leslie Brunelli, the CFO and Dennis Pruitt, Vice President for Student Affairs. There may be other individuals speaking on behalf, but that was the note that we got from Mr. Walton.

So going back to our meeting of June 1st to recap, Commissioner Kirkland mentioned the article that was in the paper recently prior to that meeting regarding out-of-state abatements at USC. The first article that came out referenced abatements at USC and I think it was $42 million. I think it has since been changed to a number of $84 million. I think it was mentioned in his comments.

And then I think after further review, the number may be approaching $100 million. And I think he-- Well, I know he expressed concern at a macro level because of the size of those numbers to give a greater understanding of that issue.

There was some discussion about that issue. I think maybe it was warranted that we needed a little bit further discussion, so basically we called a timeout and tabled the issues at hand which also included at that time the property acquisition project that USC was looking at and it got tabled. It's back on the agenda today.

But in closing, on June 1st we had-- or I had requested that Commissioner Kirkland meet with the representatives at the University of South Carolina to get a better understanding as to a path forward relative to abatements. There was a question relative to the sustainability of the trends; as to whether or not the current path was sustainable. I recommended that he lead the group, which he did. I think the meeting that he had was--of which I was in attendance--was on July 17th with Mr. Ed Walton.

Other members that were there were President Schilz, Commissioner Kuhl, Commissioner Kirkland, and myself. And that meeting took place for about an hour and a half to get-- and it was all questions on behalf of the Commission to gain a better understanding as to the--USC's view on a lot of topics relative to abatements.

We discussed-- At that particular meeting I had asked Mr. Walton if he could join us today, at this particular meeting, to make sure that any and all questions from commissioners--Some of them may be at a very high level.

I even believe Mr. Kelly mentioned during that conversation discussion about abatements, that there were enough individuals at USC that could answer all of those questions and we started down that path, I think, with Mr. Walton. But I think we got a-- we got a note within the last five or six days stating that he was-- he had another commitment out of town and he asked Ms. Brunelli and Mr. Pruitt to be here. So thank you for taking the time to be with us today.

So this meeting is for a lot of Q&A so that the Commissioners have a better understanding of this issue. I think many of them-- They've asked a lot of questions of staff internally to try to get a better understanding as to the issue of abatement as well as its impact on a go-forward basis.

So that's what this forum is about and I think probably the best way to address that is to just open it up to Ms. Brunelli and Mr. Pruitt to maybe make some comments, overviews, and then we'll open it up for questions if that's conducive with you, but thank you for being here.

LESLIE BRUNELLI: Thank you for having us. How would you prefer us to be at the table?

TIM HOFFERTH: We have the sound down there, so if that would work for you, that would be great. Thank you.

BETTIE ROSE HORNE: Thank you. These are two separate issues, though one may have triggered the other. I need to clarify that. We're going to be concerned with abatements during this presentation only.

TIM HOFFERTH: That's exactly right. Yes, and we will hear that the project on the property acquisition that is currently off the table via this morning. Commissioner Kuhl's Committee is being discussed later on in our agenda under Finance and Facilities. Thank you.

LESLIE BRUNELLI: Thank you very much. And thank you all for letting us come today to speak with you, Mr. Chairman and the members of the Commission. I do have to read some of this information.

We do appreciate the opportunity to discuss our abatement strategy and to discuss how we use that to meet our enrollment goals and the strategic plan for the University of South Carolina.

Let me do make a few important points as we begin this discussion. Abatements are discounts. They are not rebates. Discounts are an accepted business practice used across higher education and have been used for more than a quarter of a century.

Our out-of-state students do not displace resident South Carolinians. Our out-of-state students subsidize the South Carolina resident tuition, keeping it lower. Our abatements are tuition discounting. This is a tool that is used to attract customers in the free market of higher education. These are not cash payment to students. We are not writing them a check. Tuition discounts are the foregone revenue between the stated full nonresident tuition rate and the amount a student pays.

Mr. Batson will understand when I say these are awash in our financial impact. We book this as a revenue and as an expense and it washes out of the statement. They are in the gross tuition. They are in the scholarship allowance.

Tuition discounts are not real dollars. They are not refunded to students. Nonresident students do not pay less than resident students at the University of South Carolina, but they are a tool to increase our net tuition revenue.

You asked for our policies on the use of this best practice. The university policy originates with our strategic plan authorized by the Board of Trustees. This plan requires a managed growth approach to our enrollment. This managed growth means to us that we are maximizing our undergraduate enrollment by providing more opportunities to South Carolinians while both improving the quality of the educational experiences and, more importantly to me, keeping a balanced budget. That is the board's policy.

The Board of Trustees annually adopts the operating budget, including our detailed tuition and fee schedule that describes our resident, our nonresident, and our scholarship rates that nonresidents may qualify for. Within the strategic plan and and the pricing to be approved by our Board of Trustees, the administration and our faculty recruit, and enroll, and educate every academically qualified South Carolinian who will apply to the University of South Carolina.

Dr. Pruitt later will discuss the enrollment strategy more thoroughly. That's not my side of the house, but I do hope that you understand that we are not two tuition rates: a resident rate and the nonresident rate. There are, in the middle, different rates.

We have established this tiered plan over time and based on differences and changes in our higher education marketplace. Nonresident student tuition, known as a discount, is the largest revenue source at the University of South Carolina.

In fall of 2016 our 14,830 resident students paid on average $5,429. Our 10,945 nonresidents paid on average $9,445. That’s the real amount they're paying. Nonresident student tuition keeps the cost for our South Carolina residents lower than it would be if they were not here.

The State of South Carolina and the federal government acknowledge the discount approach to enrollment through the support of our academic common market, through the reduced tuition for military students who have attended, through reciprocity agreements with our border states, and per sister state agreements created by-- and to foster economic engagement internationally.

The tuition discount strategy is an economic incentive used to bring students to South Carolina. No different from what the Department of Commerce would do to bring industry into the state. We used this same tool to raise revenue, diversify the student population, add to the academic stature at the university, and to make education at the University of South Carolina more affordable for the South Carolinian.

Your focus is on the tuition discount. As the CFO of a $1.7 billion enterprise annually, my focus is net tuition revenue.

Tomorrow I will speak with two rating agencies. I have an appointment with Moody's and with Fitch Ratings in advance for a refunding that we will do later this summer. That is the most detailed financial review that we go through annually. We do it more than once at the end of the disposition of it. They will ask me detailed questions about our fall class that will enter in three weeks and they will ask detailed questions about our net tuition revenue. That's their focus. We have maintained high credit ratings. It is our intent to continue to do so.

You've asked us also to project the increase in discounts for the next ten years. The answer is a mathematical result of our recruiting plan. I anticipate about 10% increase and these are large numbers. You heard $94 million. That it will go up around 10%. Some years will be more and some years will be less. But on average, it will be approximately 10.

Do understand that when we admit a class in the fall-- I think Dr. Lynn will know it as well-- it takes four years to see the impact of them working through the system as they progress towards graduation. With that 10% growth in tuition discount, I can project a positive increase in net tuition revenue throughout the time of that. That is the driver of our institution's budget.

Finally, before I turn the discussion over to Dr. Pruitt, you've indicated that we should be prepared for legislation that could limit our ability to offer these abatements, these discounts, and perhaps restrict the number of nonresidents that we bring into South Carolina. A change to that enrollment strategy will disrupt our current successful growth pattern that we've achieved and will result in fewer opportunities for South Carolinians, because we will look to raise tuition overall. That would disproportionately affect lower income South Carolinians. A reduction in discounting will pass directly to the bottom line. It will reduce the net tuition discounts, I mean, the net tuition revenue. However, the university would then need to reassess its overall pricing strategy.

You've asked us here today to report on South Carolina and I will not presume to speak for any other institution. And Dr. Lynn, with great apologies, because you're a great Clemson supporter. I do have to point out that Clemson's tuition is higher than USC's. It was noted in an earlier meeting that they abate less and that is absolutely true as well. Clemson's tuition is currently 20% more than USC's. That's $2,400 per year per each student. If our enrollment, our undergraduate students pay that additional $2,400 that's a $59 million delta. And that is a place that we would have to look should there be a disruption in the enrollment plan.

We can also reduce the discounting by lowering our nonresident tuition level. Currently the nonresident rate is 2.64 times the resident rate. I'm not sure if that's a meaningful number. I think it's just evolved to that over time. But if you look at your South Carolina institutions, they range from about two to, I think we may be highest. . . Yes. Citadel's higher. A little bit higher than 2.64. We have 3,000 students who pay this full rate, so any reduction of a real rate is a reduction of real dollars coming in the door.

Our enrollment and financial plans are sound. We plan our academic financial model over a five-year period, and each year we revise the operating budget based on those plans. Unfortunately, we're finding ourselves with many negative comments about public higher education; not using the detailed data in the appropriate context; not understanding the best practices that work in this marketplace; not differentiating between different types of institutions and what each of us do; and basing the discussion on anecdotes and political agendas.

TIM HOFFERTH: Now, before we turn it over to Mr. Pruitt, can I ask you a couple quick questions?

LESLIE BRUNELLI: Sure.

TIM HOFFERTH: One: Can we take your prepared remarks and record them in the minutes?

LESLIE BRUNELLI: Absolutely.

TIM HOFFERTH: Okay, thank you. And number two: Just for-- I just want to make sure that I understand, because the meeting that we had on the 17th with Mr. Walton, a letter was sent by President Schilz a couple of days afterwards asking for USC's abatement policy that was approved by the board.

LESLIE BRUNELLI: Okay.

TIM HOFFERTH: Do you have that?

LESLIE BRUNELLI: I do not have a policy, but I have information. I just sent it to the Senate yesterday in fact.

TIM HOFFERTH: Does the university have a policy relative to abatement?

LESLIE BRUNELLI: Not a policy per se. We have a policy that is the strategic plan in the annual operating budget.

TIM HOFFERTH: Okay. And then the second question that was asked in that letter was a ten-year look forward. We can see a ten-year look back, but as we become more and more concerned about the trends nationally how it's playing out—

You know, there was an article in The Wall Street Journal. I think that you mentioned Moody's.

LESLIE BRUNELLI: Um-hmm.

TIM HOFFERTH: That had a downward grade in higher education over the next decade due to lack of price elasticity. Meaning you can't keep raising the cost of attendance and that was-- I think it was the week before last I read it in The Wall Street Journal.

So I think where a lot of the commissioners are concerned is from a broader perspective to see what you see—

LESLIE BRUNELLI: Sure.

TIM HOFFERTH: --as you build your model. We're trying to understand, you know, the data. When you look and you see what's going to happen two years from now as you're managing [UNCLEAR], we understand that.

But surely, given the current state of affairs you would be doing some financial modeling. That's what we were asking for. That ten-year look forward so that we can see what you see in regard to how you would deal with some of these issues, declining enrollments nationally and some of the other things that have been mentioned in that article in *The Wall Street Journal*, Moody's has identified that. That's what we're-- That's part of what we're trying to gather. Do you have that?

LESLIE BRUNELLI: I don't have it today, but I have it in my office.

TIM HOFFERTH: Okay, thank you. I just wanted to clarify that.

DIANNE KUHL: I have a quick question on that. Do you mind if I follow-up on this? Were you privy to the letter that President Schilz forwarded?

LESLIE BRUNELLI: Yes. I did see that.

DIANNE KUHL: May I ask if you were aware that we asked for that information, and you have this information, may I ask why it was not provided or why you don't have it?

LESLIE BRUNELLI: I can't answer that, Commissioner Kuhl.

DIANNE KUHL: Okay.

CHARLES MUNNS: I didn't catch all that you said, so two things. I thought I heard you say you forecasted over the next ten years a 10% rise in abatements.

LESLIE BRUNELLI: Annually. Yes sir.

CHARLES MUNNS: Annually? I missed that. And then second, could you repeat the numbers? You said for in-state and out-of-state—

LESLIE BRUNELLI: How much students pay per semester?

CHARLES MUNNS: Yes.

LESLIE BRUNELLI: Yes, sir.

CHARLES MUNNS: How many students you have and how much they pay?

LESLIE BRUNELLI: These are fall '16 numbers. We had 14,830 resident undergraduates who paid on average $5,429.

CHARLES MUNNS: For the year?

LESLIE BRUNELLI: That's a semester.

CHARLES MUNNS: A semester.

LESLIE BRUNELLI: For the nonresident undergraduates, we have 10,945 and they paid on average $9,445.

CHARLES MUNNS: Okay. And my last question, I don't know if you want to do now or later, but I-- You said up front, out-of-state subsidizes in-state.

LESLIE BRUNELLI: That is correct.

CHARLES MUNNS: Do we want to get into that discussion now or wait 'til. . .? I'd like to understand the proof of that.

LESLIE BRUNELLI: Well, I'd like Dr. Pruitt to speak to you about enrollments.

CHARLES MUNNS: You want to wait? Okay, let's wait. [Crosstalk]

KIM PHILLIPS: Can I ask a simple question?

TIM HOFFERTH: Yes.

KIM PHILLIPS: Of the 41-2% out-of-state students.

LESLIE BRUNELLI: Um-hmm.

KIM PHILLIPS: Not a single South Carolina resident got bumped that had the-- Again, I'll ask: South Carolina kid, out-of-state kid. They have the exact same credentials. South Carolina always gets in? Always? Wow. Okay.

LESLIE BRUNELLI: May I step down?

DENNIS PRUITT: Yes. Thank you. I've been asked to give some insights into the admissions side of this topic and I'll dive a little deeper into what Leslie said.

I'd like to tell you about how discounting became a recruiting process in higher education; how we came about it at the University of South Carolina. So here's just a quick perspective as a practitioner. So, I don't have to tell you that managing an institution of higher education is a business. But many of my academic colleagues, when you say that they cringe. And they cringe because they don't want to see students as a customer.

Well, the fact of the matter is that students have a choice where they attend college, whatever state or college they go to. They have portable funds that are given to them and those funds come from federal, state, and personal sources. Now, also institutions provide funds that really become [UNCLEAR] for some students whether they can afford to go to an institution or whether they want to attend that institution.

So as a nonprofit business enterprise, we have to act like a business; and we do. We have to respond to the marketplace like a business does and we fall prey to the same disruptions. You've heard the whole terms of disruptions and we fall prey to those same disruptions as other businesses do. And we have to be very adaptive to rapidly changing contingencies in our market environment.

Now contingencies can be either threats or opportunities. They can be positive things or negative things. They can be opportunities to take advantage of the things that make us better or they may be things outside of our management control and they hurt us. And we've had many of those over the years, and I don't want to go into a long list of the kinds of contingencies we've had to deal with, but we've had many, both positive and negative.

But the most compelling was being the fourth greatest loss of state funding of any state in the country. Over 50% of our state funding, about 150 million dollars. So it's an interesting story how we adapted to this loss of revenue and how we become more revenue-diverse because that's important in business, to become revenue-diverse in a way that's really advantages our students, [UNCLEAR], and our university.

So first, tuition discounting has been an enrollment strategy for a quarter of a century in higher education and its origin came really from two things.

One: When the veterans came back from World War II, the federal government-- no one ever wants to say the federal government made a great decision, but they did here. What happened is that the students were coming back, the GIs were coming back, and they were going to private schools, paying a very high tuition; where publics were very low. And the federal government said: *Let's equalize that.*

We're not going to pay-- we're not going to send students to a private institution and pay full fare. Discount it to what they would pay if they went to a public institution. But that really wasn't where it came about. What really came about was a group called the *Overlap Group*. And you've probably never heard of the *Overlap Group*, but it existed up until 1991.

And the *Overlap Group* consisted of Ivy League and other northeastern universities that gathered together every year to review the common applicants that they had to their institutions. And as a group, to determine the exact amount of financial aid they would each award their common applicants. So that each student would receive, within about $100 or $200, the exact same institutional financial aid award to attend any of these schools.

Now, if that sounds like what the-- price-fixing. It was price-fixing. That's exactly what was happening. And the Department of Justice intervened, and the schools stopped the practice without admitting any wrongdoing. But the free marketplace and intense competition to recruit students to a college of choice had begun. At that point in time, colleges started to more formally compete for students one-by-one to enroll at their institutions.

Now, the following year, the introduction of *News and World Report* rankings also drove that further because then people were playing at ranking as well. We're not one of those institutions. So, by the way, just three years later in 1994, the first discounting study was started. So this has been a long time practice in higher education.

The University of South Carolina, we didn't started tuition discounting until 2002. And our average really evolved from what is now more than a 30 million dollar gift from Mr. Bob McNair who, in 1997, provided us money to match our *Carolina Scholars* Program which is our in-state program to recruit high-talented students, to do the same for out-of-state students.

Mr. McNair enrolled from out-of-state and had an educational experience that he described as transformational, and he wanted other nonresidents to benefit from the same experience he had. So we were positioned to ride the coattail of his program when 9/11 occurred. And following 9/11, we had the first of several restrictions-- or reductions in our state allocations. So we looked at several strategies to address the budget shortfall.

We looked at tuition increases. It would have taken a massive tuition increase. We looked at reductions and costs containment in services and programs. We did many of those. We looked at recruiting international students, because that's what everybody in the country was doing. They were recruiting international students. We didn't think the time was right to recruit international students, but also the capture rate and the maintenance rate of matriculation costs were too expensive for us. We even looked at raising private funds, but it would take a $3 billion, non-restrictive endowment to provide an annual payout of $150 million.

So we looked at other admissions platforms. We looked at increasing our market share in South Carolina and getting more South Carolinians to come to the University of South Carolina. Now, you know this, but comparatively speaking, we're a very small state. We have 25,000 test takers. Of those 25,000 test takers, we also have 64 institutions of higher education. So if you divide 25,000 by 64, each institution would get 400 students.

So the market share in South Carolina, we have a 22% market share right now-22 or 23% market share. You know, if we were to get a higher market share, we'd be taking from these corporate life institutions, private institutions, the four-year comprehensives. That's what would have had to happen. Clemson, Carolina, and the College at Charleston are probably going to get their fair share. The privates, Furman, Wofford probably are going to get their fair share.

So, I also want to remind us that as a senior institution, we cannot do remedial work. We cannot provide remedial courses. So some of the students in that 25,000 students are not available to us to recruit, because they need remedial work, and we can't provide it to them. But, at the same time, there are new student patterns, migrations patterns that were revealed, and that is that more students were coming south. You know, historically, if you wanted a good education what did you do? You went north. You went to one of the Ivy Leagues.

We started Honors colleges. We started improving the quality of our academic programs and students started to come south. So we designed a tuition discounting model and a national recruiting strategy that’s been adjusted every year. And it's been very successful in diversifying our revenue.

Now, we generate $200 million from our nonresident students. And as an illustrative impact of that, we collect more dollars from our nonresident students that we collect from the state of South Carolina. We collect more money from our nonresidents that we do from the state of South Carolina.

Additionally, our nonresident students also pay an additional $496, almost $500 more than in-state students pay for servicing our institutional bonds. And we've raised $9 million annually from these funds, which enabled us to build, in the absence of a bond bill for twenty years, to build the Strom Thurmond Wellness Center, the South Carolina Honors College, and the University Health Center among other buildings.

So nonresident tuition and fees contribute in other ways. They contribute to our auxiliaries, our food service, our housing, our bookstore, our health center, our parking. And nonresident students also generate funds for our 4% waivers.

Now, I think you all understand that every institution can take 4% of their tuition and reapply it for aid. And we applied all of our aid to in-state students. And in fact, that $5.7 million generated from-- specifically from out-of-state students, we use for our Gamecock Guarantee Program. The Gamecock Guarantee Program is: we admit, every year, 150 low, socio-economic students, Pell Grant, first-generation students, family incomes of less that $17,000. So these are students that wouldn’t probably ever go to college without this benefit-- $5.7 million.

There are more benefits from nonresidents. We have revitalized the housing market in South Carolina, particularly in Columbia. Around 12,000 new apartment beds are being constructed with more units being built every day. Still today. Nonresident families and their-- Nonresident students and their families have become 7-year tourists and they contribute significantly to our local economy. The hotels, restaurants and merchandise have all benefited.

You know, we have 10,000 parents and families come to our Parents’ Weekend. Ten thousand each weekend. These students and their parents help recruit future students. They contribute to private fundraising. They provide diversity to our community, and they help us place students in internships around the country.

Now, you're probably asking the question: When does tuition discounting not work? I would suggest that tuition discounts fails as a business and enrollment strategy when it does not produce a net tuition gain for the annual budget or if the school enrolls a nonresident that displaces a resident student.

I can ensure that every year we view tuition discounting as a business enrollment strategy, we have strategically managed a net tuition gain. And we reject that model to be sustainable for the future. Also, we are not displacing resident students with higher paying nonresidents.

This year the University of South Carolina has an opportunity to raise around 90% for in-state students. That means that 90% of the South Carolinians that apply to Carolina were admitted into one of our pathways: our Honors College, our Capstone, a university, or a gateway.

Here's what's pretty amazing. The University of South Carolina, this fall, will enroll 509 more resident South Carolina students. A 22% increase over last year. In fact, of the 26,000 applicants we received, we only denied 322 South Carolinian resident students, for reasons I'll discuss later, but primarily because Midlands Technical College doesn't feel like they can pass 30 hours in their bridge program.

So, we just think our tuition program as increased our enrollment and has had many positive results for our university. And our management efforts to overcome this fourth worse cut in state funds of any state in the country. We've generated funds to replace the lost $150 million, helping to keep tuition of residents lower. We've solidified our credit range by generating $9 million a year. We've generated $5.7 million for financial aid programs for resident students. We've increased the revenue generated for our auxiliaries. We've stimulated the state and local economy, as well as the Columbia housing market. And we've seen an increase in fundraising from parents of nonresident students.

Disrupting the tuition model would have numerous possible effects-- negative effects. The loss of up to $40 million in tourism retail expenses that are being spent by nonresidents now. A loss of the $5.7 million for our financial aid programs might mean an end to the Gamecock Guarantee Program. A loss of up to $9 million for bond payments could result in a hit on our credit rating. And, if we eliminated many of our out-of-state students, the foreclosure of 10 to 16 student apartment complexes, where nearly 12,000 students reside, could occur. In-state tuition would surely have to be increased to mitigate this loss of revenue.

USC has become the fourth fastest growing university in the country and we're very proud of it. It has taken 20 years to develop this working model. And we have a plan in place to continue to benefit from our strategic managing of our enrollment using tuition discounts.

So I hope this information provides you with some insight on how we got to where we are and how we're using tuition discounting to advance the mission of the university.

TIM HOFFERTH: Thank you. We'll open it up for questions now, but thank you for that. It was a-- Let's do this. Let me get you two chairs so you don't have to be jumping up and down. Okay. Why don't we go ahead and open it up for questions? Do you have any questions? Dr. Lynn?

LOUIS LYNN: You talked-- I'm the Commissioner representative of the research sector.

LESLIE BRUNELLI: Yes sir.

LOUIS LYNN: And one size doesn't fit all. As you talked about Clemson, Carolina the Medical University, we're all so different. We don't have multiple campuses, so I think the record needs to be from-- you have multiple campuses, we don't.

LESLIE BRUNELLI: Yes sir.

LOUIS LYNN: You're twice our size. So as a sector, we all have a different path to stay in.

LESLIE BRUNELLI: I would agree with that. We're a sector of three and we're three very different institutions.

LOUIS LYNN: Yeah. Yeah, so the tuition-- Wait just a moment.

BETTIE ROSE HORNE: So your point is that when you take in regional campuses that drags it down?

LOUIS LYNN: Yeah, and so if I want to compare myself to Aiken, it might be a different story.

LESLIE BRUNELLI: It might be a different story, but the comparison for Dr. Horne and Dr. Lynn was the USC Columbia tuition to Clemson's tuition. So it's a little bit closer, but your point is well taken.

LOUIS LYNN: Yeah. So we have-- I don't think at Clemson we like-- we don't like to compare to your system.

LESLIE BRUNELLI: I understand that.

LOUIS LYNN: USC Sumter used to be Clemson.

LESLIE BRUNELLI: I'm aware of that. [Laughter]

TIM HOFFERTH: Commissioner Batson?

PAUL BATSON: A couple of questions. I appreciated your data and your presentation. Uh, can you-- I noted the actual revenue $5,429 per student in-state, $9,445 out-of-state. So how do those numbers compare to the posted tuition rates?

LESLIE BRUNELLI: For the residents who are students, it would be very close to the tuition range. That's what they're actually paying, but we include the lottery in that. For the nonresident, that is that amount that's being abated. Our nonresident rate, in round numbers, I'll say is $15,000, but they're paying about about $9,500 in total. There's 3,000 of them who are paying the full rate, but then there are several others that are abated.

Some because they are abatements, like Academic Common Market, or military and their dependents, and those type of things. And then the group that we're the most concerned about is the group that we award the scholarships in.

PAUL BATSON: So the in-state tuition, just so I can understand, is about $5,400 per student and that's roughly the posted rate?

CHARLES MUNNS: The posted is $11,482.

LESLIE BRUNELLI: Annual.

PAUL BATSON: I'm sorry?

LESLIE BRUNELLI: That's a semester.

PAUL BATSON: Annual?

CHARLES MUNNS: $11,482 it's what's posted in our book. This is '15/'16. Annual. She's quoting--

LESLIE BRUNELLI: A semester.

PAUL BATSON: So that's half of the $11,000 is roughly $5,500. So then the out-of-state rate. . .

CHARLES MUNNS: $32,058.

PAUL BATSON: $32,058, which half of that is $15,000. So. I don't know if there is a right or wrong here, but I'm just thinking the out-of-state tuition is $15,000. They're getting, on average, about 33% discount on that.

LESLIE BRUNELLI: Right.

PAUL BATSON: But our in-state tuition-- our in-state students are not getting the same kind of a discount, even though their rate is lower to start with.

LESLIE BRUNELLI: Their rate is lower to start with. And that $5,000 they're paying, it does not include the fact that they're receiving lottery scholarships, in this case. Our freshman class will come with almost entirely with some form of lottery aid. Now they may not keep it for four years, but they have it to start.

PAUL BATSON: And there's a question I haven't gotten the answer to any other place. I know in the technical college system, we've got a limitation of-- and I think you referenced this-- of the 4% limit-- admissions and exemptions is what we call them.

LESLIE BRUNELLI: Right.

PAUL BATSON: So in the technical college system, when we book the revenue for $100 and we discount it down to zero, then that’s called an admission with exemption, and we can’t do more than-- Correct me if I'm wrong, but we can't do more than 4% of our tuition per year in that kind of thing. So, that’s a form of discounting. So how does that model apply to favor us at USC?

LESLIE BRUNELLI: The 4%, they're different things. The 4% fee waiver is real dollars, and we do exactly what the technical college does. We take all of the tuition that our students pay, resident and nonresident, and we can use 4% of that to award back to our students.

We choose, at the University of South Carolina, to award that to resident students, not to nonresident students. But that’s real. That’s a real dollar. If those students have other awards, they will actually receive those dollars to be subsistence for that semester that they're in. I don't know that all institutions in South Carolina use it only for the resident students. But I think the point that Dr. Pruitt was making, we take the total of all the tuition the students are paying-- which the larger numbers are coming from the nonresidents. To pull that nonresident out, it would drop that 4% lower.

PAUL BATSON: Okay. I'm not sure I grasp it.

LESLIE BRUNELLI: Okay.

PAUL BATSON: So walk me back through it again.

LESLIE BRUNELLI: Okay. The abatements are-- if what we're talking about is tuition discount or what we use for our nonresident students.

PAUL BATSON: Right.

LESLIE BRUNELLI: And that is paper-- paper money, we'll call it. The 4% is real. That is real dollars. I can actually put my hand on real money. It's in our budget as a line item that is real dollars. We award that to our resident students.

DENNIS PRUITT: Another way to look at it is that we forego income on the discount, but on the waivers, we actually collect the money and re-distribute.

LESLIE BRUNELLI: Right.

KIM PHILLIPS: But they're getting the 4% discount. That’s what I'm hearing, right? And the other one is getting the 33% discount?

PAUL BATSON: Well, it's sort of different.

CHARLES MUNNS: Apples and oranges.

PAUL BATSON: I think that’s a little different. But it sounds like to me a little bit of accounting differential in that-- in the technical college, well, in any system in the state, you’re saying if we bill $1,000 and we forgive that, then we're giving away real money?

LESLIE BRUNELLI: I'm not sure what you’re doing at the technical college--

PAUL BATSON: Well, I understand that. I'm saying--

LESLIE BRUNELLI: If we have a resident student who has $5,000 on their bill and we offer them $4,000, that $1,000 if we award it from the 4%, it's real. It's real dollars. It's just like the lottery tuition is real dollars on their bill.

DENNIS PRUITT: I'll give you a historical context. It used to be that everybody was state poor. So what happened is that up until the nineties, and we had the stock market crash, somebody actually paid for the bill. So you would bill the foundation. The foundation would send you a check for everybody. The same way private institutions work.

When the endowments came such that they couldn’t provide that kind of endowment, that’s when people moved to more of a discount movement. In South Carolina- I know that there have been movements to raise that 4% to 8%, but in South Carolina before there was discounting, there was this movement to really to find a way to use some of the monies we were increasing tuition, to use it for our own state students. To reach—to give to our students who might need it. Some people might use it for athletics. Some people might use it for dance, or music, or theater. We use it for our lower socio-economic students.

And by the way, the way we do that is that we look at our students who filled out their FAFSA. We look at their need gap, and we start with the students with the highest need, with the least amount of family contribution, and we award it. And we only can award about 150 against the dollar that we have. We would award more.

But those dollars would be reduced if we didn't have all the out-of-state students paying that extra money. You know, paying the dollars that they are.

CHARLES MUNNS: And to follow under that. The 4%, I thought, was 4% of in-state receipts. You're saying it's 4% of--

DENNIS PRUITT: Yeah. We do a calculation every year of *all* the tuition we've had the past year. And that 4% is *all* the tuition and it's augmented by out-of-state students. And we take the money from out-of-state students and we give it to our in-state-- our neediest in-state students.

LOUIS LYNN: And it's all need and no merit?

DENNIS PRUITT: It's need and-- It's all need, but--

TERRYE SECKINGER: No merit.

DENNIS PRUITT: It's-- We call it a grant and the student has to maintain his progress toward his degree.

LOUIS LYNN: So will you segregate merit?

DENNIS PRUITT: Has to make academic progress towards a degree.

LOUIS LYNN: And if the award is all need?

DENNIS PRUITT: Yes.

LOUIS LYNN: The initial award is all need?

DENNIS PRUITT: Yes. Yes.

PAUL BATSON: Where we have the 4% issue in the state of South Carolina. Is there a new statute that limits the amount of discounting or the amount of the abatement?

LESLIE BRUNELLI: It does not, sir.

PAUL BATSON: There's no statute? So--

LESLIE BRUNELLI: And there are several things under that, but there is nothing for abatementS. There is a separate code for the 4% fee waiver.

CHARLES MUNNS: And as I understand the statute-- if I'm wrong, please correct me. The statute leaves to the Board of Trustees the ability to set the out-of-state tuition. In fact, both tuitions, correct?

DENNIS PRUITT: Um-hmm.

CHARLES MUNNS: And furthermore, it says the Board of Trustees should have a policy for abatements. So they've divulged authority to the Boards of Trustees as I understand it. Is that a good way to say that?

LESLIE BRUNELLI: I think that's correct. Yes.

TIM HOFFERTH: So that I can understand it. There is no-- Did you just say that there is no statute referencing abatements?

LESLIE BRUNELLI: There are many statutes referencing abatements.

TIM HOFFERTH: But not the cap as to what the limits are?

LESLIE BRUNELLI: There's not a cap that I know of.

TIM HOFFERTH: Okay. But there is a statute that says institutions have to have a policy relative to abatement?

LESLIE BRUNELLI: I'm not aware of that. I have not seen that for myself. There may well be there, but I'm not aware of that.

TIM HOFFERTH: It's Statute 59.112.70 and it does reference the fact that institutions need to have that, but here's the thing that I'm wrestling with is: You said that these subsidies or abatements are not real money.

LESLIE BRUNELLI: Correct.

TIM HOFFERTH: But it is the stated rate, the way you've built your financial model, that's being promoted for out-of-staters at 49 and change for an out-of-state student.

LESLIE BRUNELLI: I'm sorry?

TIM HOFFERTH: Forty-nine thousand? What's the number?

LESLIE BRUNELLI: The tuition is about $32,000.

TIM HOFFERTH: Okay. $32,000. If the out-of-state abatement is equal to the in-state cost of tuition-- Do you follow me?

LESLIE BRUNELLI: Um-hmm.

TIM HOFFERTH: Does that abatement raise that? One: That is real money. And Two: It's putting the people of the state of South Carolina at a disadvantage. Those families have been paying taxes to support institutions of higher education for sometimes decades.

LESLIE BRUNELLI: Um-hmm.

TIM HOFFERTH: So if you're discounting that to levels of what makes it equivalent to an in-state student for the purposes of getting stronger academic scores, which there's a use for abatements. I don't think anybody here is wondering whether or not these are a proper use of abatements.

We're struggling with the fact that the decisions we make, our number one priority, are families in South Carolina. So, if you can think about from our optics, you mentioned on multiple occasions that this policy-- although it's not a written policy-- that your internal policy in making the budget is used to augment the costs of attendance for in-state students?

LESLIE BRUNELLI: Right.

TIM HOFFERTH: I'm having a hard time wrapping my--

KEN KIRKLAND: Let me just interject a couple of things. And I think it's going to piggyback on a coupe of things that you've got.

TIM HOFFERTH: Yes. Sure.

KEN KIRKLAND: There are a lot of numbers that have been flying around and I know it's hard to sometimes grasp it. Jeff, have you got anything where I can write something on a piece of paper or something where I can put something down so I can reference to it again? Have you got any kind of a flipchart or any something?

KATIE PHILPOTT: A white board?

KEN KIRKLAND: Yeah, a whiteboard would be-- Anything like that. Let me just make a couple of comments. And I certainly appreciate y'all being here. Certainly as one that raised the issue, it is a question of me getting my hands around it and trying to understand. And the more information I get the more I understand. And that's kind of where I'm looking at.

But looking at some figures, there's a couple of things that jumped out at me. One is: Over the last 15 years-- and since we don't have a forecasting trend that's in place to look at real numbers-- all I can do is look at historical figures. The in-state students-- You had an in-state enrollment in 2002 of 13,470. So over the next 15 years that has grown by a whopping 1,400 students from South Carolina. You're now taking 14,878 in-state. Okay?

So basically, less than 10% per year. The out-of-state has grown from 3,100 students to 11,000; almost 11,700 students. A 344% increase. And certainly abatements have been a party to attracting some of those out-of-state students. I understand that. And as a--

It just seems to me, and I'm going somewhere with this. The students and the families of South Carolina do not seem to be benefiting by the same numbers that our out-of-state students are, by coming into South Carolina. That's one thing that's kind of jumping out there.

And my point is also: How sustainable is that if the main driver or the marketing of those students is coming from out-of-state rather than in-state? And you made the comment that if you divided it equally among all the institutions every-- every institution would have about 400 students. And you've taken 1,400 in 15 years. So, I see it being a little bit disproportionate that you're going after, and obtaining, those out-of-state students. Okay?

DENNIS PRUITT: Yeah. Go ahead.

KEN KIRKLAND: And I'm going to make another point, and I want to make sure that I've got the numbers right and make sure I've got it my mind. I know that you'd made the comment that out-of-state students help support and subsidize the resident students. Is that correct?

Let me just kinda put this to paper, because I know I see it better when I can visually see what's there because we're throwing a lot of numbers around. And if I'm wrong, please point this out and tell me. I'm just trying to grasp it. By your own comments, and by published information, it takes $24,600 dollars to educate a student. That's the number that you have. Out-of-state students for 2016-17, that number again 10,678 students from out-of-state.

If the out-of-state students were to pay full freight in tuition-- if they were to pay the full tuition of $31,284, then the costs of tuition that they would pay, full freight, is $334,050,552. Three hundred and thirty-four million dollars. That's out-of-state students paying full freight.

The abatement number that we have in hand is $94,494,840. That means the revenue from a full freight, less the abatements you give to out-of-state students, that means that they would pay, in real dollars, $239,5-- I'm trying to do my math.

CHARLES MUNNS: Somebody better check his work. [Laughter]

KEN KIRKLAND: Yeah, $235,555,712. All right, I'm going back to the cost to educate a student.

LESLIE BRUNELLI: Okay.

KEN KIRKLAND: If it's $24,600-- to educate 10,678 kids, you're talking about a situation that it costs $262,678,800 to educate those children. So you're in a position, that based on those numbers, in-state students are actually subsidizing out-of-state students to come into our state.

TIM HOFFERTH: What's that number?

KEN KIRKLAND: That number is $23,123,088. And I'm using your math, your numbers, from your information. You're saying the out-of-state state students subsidize in-state students. And I'm saying, if I look at the math, it looks *exactly* the opposite. It looks like the in-state families, and taxpayers of our state, are subsidizing to a tune of $23 million a year to have an out-of-state kid take the seat of a South Carolina kid in our own state institutions. I'm just trying to understand. Can you explain the logic in the math? How does that number-- Am I missing something?

DENNIS PRUITT: I don't know that I follow all the math, but can I? Let me talk a little bit about the marketplace. And I think you've made some assumptions here that may be valid and may not be, but to go back to the first question about discounts, remember that 61% of the students that come to the university from out-of-state pay either full out-of-school or above the in-state rate. So 61% of them do.

Now 16% pay in-state rate by law. Those are the ones that we're required to provide. And then 23%-- I'd say only 23%, but 23% of the students that come from out-of-state get in-state tuition, but part of those are the McNair scholars, and the Stamps Scholars. And those are the highest reported. Those are students that have, you know, 1,450 SATs or better. We're importing intellectual capital.

TERRYE SECKINGER: What's the percentage of that?

DENNIS PRUITT: Of what's that?

TERRYE SECKINGER: The import of intellectual capital that gets these-- that are out-of-state?

DENNIS PRUITT: Twenty-three percent.

TERRYE SECKINGER: Twenty-three percent?

DENNIS PRUITT: Yeah. So 61% are paying full or some discount above the in-state rate. Sixteen percent by law are required to pay it, and 23% many of whom pay-- many of whom are subsidized from these other sources. So.

TIM HOFFERTH: I don't mean to interrupt, but--

DENNIS PRUITT: Yes.

TIM HOFFERTH: Please, if you would do this for me. What about the numbers that he just put up here, in your mind, would be suspect or you do not understand it? Because he's-- That is incredibly well laid out. In regards, I can understand that.

DENNIS PRUITT: Yeah.

TIM HOFFERTH: And I understand all the other benefits that--

DENNIS PRUITT: I think the--

[Crosstalk]

TIM HOFFERTH: My question is: Is that number true? Are the students and the families in the state of South Carolina underwriting the out-of-staters to the tune of $23 million?

DENNIS PRUITT: Let me ask you a question. Does that number assume that students will come after the discount?

DIANNE KUHL: Ken, would you go over that again? Just for-- clarification?

DENNIS PRUITT: Yeah. Because I think that’s assumptive and I need to define it.

DIANNE KUHL: I don’t think it matters what the percentages are of how many paid this much or how many pay that much. I think the fact is we've been told that’s how much tuition should be and that’s how much abatement you’re giving.

KEN KIRKLAND: We know that costs, according to your information that we gathered, it costs $24,600 dollars to educate a student-- regardless. That’s what it costs to educate a student.If there of 10,678 students, out-of-state students, that come to South Carolina, forget the discounting, forget the abatement, forget anything. The full freight of tuition for out-of-state students: $31,284 per student. So if you've got that number times the number of out-of-state students, that means $334,050,552 is the cost of tuition. That's what they would pay to attend the University of South Carolina.

Let's throw in 100% of the abatement. The full $94,494,840 in abatements. If you take that number off of the out-of-state, full freight paid tuition, that means you're actually receiving, in real dollars, $239,555,712. That's the monies you're receiving. Full freight, less the discounts, full abatement. They're getting $239,555,712.

If you look at the cost of educating a student, $24,600 times the number, it costs the university $262,678,800 to educate. That's the cost of the education for the students. That means, if you just do the math, you've got a shortfall of almost $23 million every year. And if you're talking about growing the abatements 10% every year annually and therefore growing the enrollment of out-of-state students, this is only going to widen. And it's going to be tremendously worse 5 years from now, 10 years from now, than it is it today. This is the best it will ever be; is right now. And if you continue to grow at the same level, this becomes an epidemic. And it becomes unsustainable. And to be quite honest, it's scary.

And my question is-- I'm just a simple guy. I'm just looking at the math. And my question is: It appears from first blush that South Carolina students are subsidizing out-of-state students based on the abatement and the credit given to the out-of-state folks. That's

CHARLES MUNNS: I would just pick at his words, my good friend Ken. Not South Carolina students, but South Carolina students and the state because there's stuff all sort of wrapped up in there. But the number you gave us was $200 million that you get from out-of-state revenues. It's less close to this number. The question is who's subsidizing whom.

DENNIS PRUITT: Yeah. There's a bunch of assumptions here that need to think through. But here's one thing.

KIM PHILLIPS: Well, what's an assumption about that?

DENNIS PRUITT: My assumption.

KIM PHILLIPS: Your assumption. Okay.

DENNIS PRUITT: Here's the one thing to think about is that absent those 10,000 out-of-state students, are there 10,000 in-state students to fill those seats?

DIANNE KUHL: Well, I think that comes back to where-- in a way, we've created sort of a vicious cycle because you say we need to grow our enrollment in order to pay for the university's expenses. Then you grow the enrollment. Then you come to us and say we need more buildings because our facilities can't accommodate our students. Let's build more facilities. Well, then you need more students to pay for those facilities, and then you need more facilities. I mean, it's a continuing circle here that really doesn't seem to have a targeted ending point. At some point, it's going to become unsustainable. And I think that right there is saying we're coming close to that point.

TIM HOFFERTH: And the frustration is seeing what you've envisioned in regard to your financial model so that we can do the stress test to say, maybe Moody's is right. Maybe all the trends we're hearing is right. But if undergraduate enrollment is flat and downward trending, it's going to cost more money to buy out-of-staters because there, you know, there's the same number of institutions, fewer number of people. It drives up the rate at which-

I would be interested to know how we came up with the 10% growth rate, because I would argue-- just based on supply and demand and the free market would say that number could be exponentially higher. And then what? How do you throttle back on the trends that we're looking at because I'm looking at what peers are doing-- peers in the state.

Would it startle you to say that the next closest in the state of South Carolina in dealing with abatements, knowing that we're comparing sometimes apples and oranges. . . Because not everybody's mission is the same. You certainly understand that. There's some deviation, some standard deviation that needs to be factored in. But the fact of the matter is the next closest is Clemson at $28 million. Or if you want to expand that broader and look at other neighboring states in the southeastern region which we could compare ourselves to academically. Institutions like Mississippi State, Mississippi, Florida, Florida State, Louisville, Tennessee, Georgia Tech. Their numbers, in descending order, starting with Mississippi State $40 million in abatements; $35 million for Mississippi; $28 million for Clemson; $21 million for Florida; $20 million for Florida State. Louisville has $16 million; Tennessee, $15 million; Georgia Tech, $5 million; and Georgia, $4 million.

See my only question is: We're trying to get context to understand what you see as you're building your budget for the long term. Because these are gigantic numbers. They're big numbers. Even, Mr. Walton suggested that those are real numbers in our meeting. And what we're trying to say is, "Listen, we want to go about this to understand what you see, but we're…" I'm having mixed signals in regards to who's subsidizing who.

TERRYE SECKINGER: Mr. Chairman, if I could ask a question. These numbers that you are talking about--

DENNIS PRUITT: Um-hmm.

TERRYE SECKINGER: Is this for USC's Columbia campus or is this for your entire system?

DENNIS PRUITT: Yes.

TERRYE SECKINGER: Okay. So we're talking in-state/out-of-state for just your Columbia campus, not your entire system. Do you keep numbers for your entire system?

DENNIS PRUITT: We do.

TERRYE SECKINGER: Do you have-- Can you tell me the percentage of in-state/out-of-state at your Columbia campus versus the in-state/out-of-state for each of your satellite campuses around the state?

DENNIS PRUITT: I can tell you Columbia is about 65/35. The other campuses--

TERRYE SECKINGER: Sixty-five in-state?

DENNIS PRUITT: Yes. The other campuses are closer probably to 90% in-state. That-- Don't take me as fact on that, but they're almost all in-state. Every time a student--

TERRYE SECKINGER: Okay. I understand that. Let me ask one other question. Yeah, I didn't bring my book. I'm sorry. One other question. You stated earlier that you enroll every South Carolina student that wants to enroll. How do you go about that process?

DENNIS PRUITT: Um-hmm.

TERRYE SECKINGER: You have this period of time where you're going, you know, the child gets their college acceptance. So tell me how you substantiate that comment?

DENNIS PRUITT: It's terrifying because there's a cone of uncertainty that appears every year for everyone across the country.

TERRYE SECKINGER: I understand that.

DENNIS PRUITT: All the news this past week, there are a number of institutions that over-subscribed and couldn't accommodate their students.

TERRYE SECKINGER: Right.

DENNIS PRUITT: But here's what happens, we'll get 26,000 applications. We'll admit 16,000 and then we work them. We work those 16,000 to try to make sure that we get at least whatever our goal at 5,400. There are predictive analytics that we've developed over time and those analytics are pretty good actually. And we usually come very close to what our goals are. Here's the thing that people I think sometimes don't understand. They think that every student we admit wants to come to the University of South Carolina Columbia.

TERRYE SECKINGER: No. I understand all that.

DENNIS PRUITT: And what's really important to realize is we work real hard to get students to come, but for personal circumstances, financial or a number of reasons, they stay close to home. So we have students who say I want to go to USC Spartanburg, but then I've got a job, I could live at home, I can reduce my college expenses by 50%, I can go to my church. And that's what my preference is to do.

Now, folks need to be better consumers. And because of the national movement across the country with community colleges and the free community colleges, and the free colleges in New York, what's happened is that many people will look at a community college as a wonderful way to go get your first few years and then transfer.

TERRYE SECKINGER: Right. I understand that whole process. But you stated earlier that you let every USC resident in your institution. There's got to be a way to qualify that and also to maybe hold in abeyance your out-of-state students while you're determining the filling of your seats for the in-state students.

DENNIS PRUITT: Yes.

TERRYE SECKINGER: Do you have a mechanism for that?

DENNIS PRUITT: But let me repeat. We admitted every in-state student to one of our four programs, except for 322 students. We admitted every-- It's a smaller pool—you have to remember this. We have 25,000 test takers. Bear with me, if you would. With all respect to our student population, we have 25,000 test takers. Only a third to a half in any year actually have 1,000 or better on the SAT, have a 3.0 grade. I mean they don't have the credentials.

Now for us, we look at the College Board, we looked at ACT, we looked at college readiness, we looked at predictions with opportunity to make a C or a B. And if it looks like that student does have potential to make a C or a B, we ask them to go to the Gamecock Gateway Program where Midlands Tech can teach the remedial work.

TERRYE SECKINGER: Right. Right.

DENNIS PRUITT: In fact, they do a combination of remedial work and for credit work so the student doesn't lose progress towards his degree.

TERRYE SECKINGER: Right.

LOUIS LYNN: That's your Bridge Program?

DENNIS PRUITT: Yes. The Bridge Program. Just the same way that Clemson has. And a lot of those students begin, you know, they decide to go to a four-year institution elsewhere. They don't all come. If we faced what the University of Irvine did, if all these students decided to come all of a sudden.

And here's what's happened in the marketplace. There's no penalty for depositing at more than one institution. Historically when we all went to college you picked-- Well, there weren't any deposits when we went to college. But in the last 10 years, 15 years, a student would deposit to one institution and they would attend that institution. Once they made a commitment, they took somebody else's seat. They went to that institution.

Now we have families that are depositing at two or three different institutions, going to orientations, seeing what the financial aid package is, seeing their class schedule, seeing their residence hall room, seeing how their roommate is going to be. On August 1st, they sit down with the family and say: "I can go to Clemson, Carolina, College of Charleston, Harvard or Yale. And here's financially-- here's where my head tells me to go. Emotionally, here's where I want to go." And they make a decision.

TERRYE SECKINGER: So what you're telling me, basically is you have X number of seats and you might fill those seats to M with South Carolina students. And you're having to fill the other empty seats with out-of-state students to fill your university.

DENNIS PRUITT: To meet our enrollment goals--

TERRYE SECKINGER: And you're doing that on a regular, inclining basis from out-of-state students. Is that correct?

DENNIS PRUITT: We try to get all the in-state students we can first, yes. Just to give an example, we visited every high school in South Carolina this year. We gave an in-state scholarship to in-state students to try to convince them to come. And by the way, we have 509 more South Carolinians coming this year.

RICHARD JONES: Dr. Pruitt, just a quick question. Do we have any numbers or statistics that show what percentage of the out-of-state students stay in the state and contribute to our economy, become citizens, and pay taxes?

DENNIS PRUITT: You know that's great. And it's not just how many stay, because we think 60% of our graduates are in South Carolina. But remember this, there's also got to be the jobs. But once kids are going to Charlotte and Atlanta, and some of them become homing pigeons and come back. But you also have these families that are buying property in South Carolina and actually retiring in South Carolina or already have property in South Carolina.

DIANNE KUHL: If I might speak to Mr. Jones' direct question there. At our meeting on June 1st , Commissioner Phillips asked that exact same question of Ms. Brunelli: the number of out-of-state students that remained in South Carolina after graduation. And she said that they would have to get that number and get back to us. I don't believe that information has been provided yet.

DENNIS PRUIT: Yeah. Well let me just say that I--

DIANNE KUHL: You'll have that today?

DENNIS PRUITT: No. What I just said is that 60% of our graduates are in South Carolina. I didn't say the 60% of the out-of-state students stay.

RICHARD JONES: Well, the out-of-state is what we're talking about today, in terms of expenses.

DENNIS PRUITT: Yeah.

KIM PHILLIPS: So the out-of-state students that come, do any of them go through the Gateway program or anything like that? or do they come directly--

DENNIS PRUITT: Last year for the first time.

KIM PHILLIPS: So how many of them? What percentage?

DENNIS PRUITT: Ten percent.

KIM PHILLIPS: So never before in all this abatement-- and that's a word-- has an out-of-state student had to go through any of the other remedial stuff to get there?

DENNIS PRUITT: We didn't accept them.

KIM PHILLIPS: So they wouldn't have bumped another person?

DENNIS PRUITT: No. These are students who are have "bled Garnet and Black." You know, maybe a parent was here. Maybe they have vacationed in Myrtle Beach their entire life. These are the people that want to come South Carolina and pay their full payments.

KIM PHILLIPS: Well that leads me to another question. Why would you let an out-of-state person bump an in-state person by going through the gateway?

DENNIS PRUITT: We don't. We give preference to the in-state students.

KIM PHILLIPS: So how many did you--

DENNIS PRUITT: Four hundred and fifty.

KIM PHILLIPS: So there were not 450 more South Carolinians that met those same standards?

CHARLES MUNNS: 322, he said.

DENNIS PRUITT: Yeah.

CHARLES MUNNS: They didn't meet the standards.

KIM PHILLIPS: They didn't meet the standard? And is there a number you have to say, I need this on an SAT and this is to be accepted? Is there a guideline?

DENNIS PRUITT: Well, remember that we use two kinds of admissions. We use a kind of automatic admission based upon your test scores, your high school grade point average, the weighted grade point average. But then we do holistic admissions. And if you're familiar with holistic admissions, the way that works is that everybody who doesn't meet automatic admission goes to holistic review. And what we do is we have eight criteria and we look at those students to see if there's some reason that indicates to us they have the opportunity to be successful at the University of South Carolina.

And more of those students we admit than we don't. Because we're looking for reasons-- but what we've also done is that-- and I think this is important to know because this is the population that's coming in the pipeline nationally, as well as in South Carolina. In 2005, we started the Student Success Centers so that these students who come, we can't do remedial courses. But when they come to school, we can help them with everything from supplemental instruction, tutorials, and time management, and a wide variety of things to help them be successful.

And if you look at our graduation rate, they've gone from, you know, from an embarrassing number to 75%. When you look at our default rate, it's the best in the nation. Look at our student debt, it's less in the state than what it is nationally.

KIM PHILLIPS: The reason-- And I'll finish. The reason I asked this so many times. I am bombarded by good, solid, families that said because I'm on the Commission, "Why can my kid not get into USC?" Can I-- I'm not being funny. Will you sit down with them-- and I don't mean just to tell them this-- show them where their kid hit in the pot.

DENNIS PRUITT: Yeah.

KIM PHILLIPS: You don't have to show other kids' names, but say, "Here's your number. Here's what you did. Here's where you fit in and these 500 out-of-state students beat you." An in-state student-- I don't care. I think that's good.

DENNIS PRUITT: An in-state student wouldn't have beat them out. Let me-- Can I give you one other insight?

KIM PHILLIPS: So is that a yes or a no? Can you meet with them?

DENNIS PRUITT: Yes. I'm glad to meet with them. Or our staff.

KIM PHILLIPS: All right.

DENNIS PRUITT: And by the way, we meet with thousands of people. We have-- I believe last year, we had 2,700 admissions events, where we met people.

KIM PHILLIPS: Okay.

DENNIS PRUITT: We visited every high school in South Carolina. We had six-- I mean, the things we do to try to convince people to come. But can I tell you one insight that might be helpful to understand? And that is that a lot of times, people come to the university and they want to upgrade. So they're in the Gateway Program, they want regular admission. If they regular admit, they want Capstone. If they're in Capstone, then they want Honors College. And that's with their lodging. And so many people don't look at the Gateway Program as admission to the university. And it is. It's provisional admission. You know, come in, make your 30 hours, do the work and you've come. But we let them live on campus. We let them have full availability.

LOUIS LYNN: You count them as Carolina students?

DENNIS PRUITT: Pardon?

LOUIS LYNN: You count the Gateway kids-

DENNIS PRUITT: Sure.

LOUIS LYNN: As part of your student population?

DENNIS PRUITT: No, no, no, no. We don't.

LOUIS LYNN: Okay.

DENNIS PRUITT: No. We don't.

TIM HOFFERTH: We have Commissioner Kuhl, Commissioner Edwards

[UNCLEAR-- Crosstalk]

TIM HOFFERTH: Go ahead, Chuck. [UNCLEAR-- Crosstalk] There's a lot of questions. Thank you for your patience.

CHARLES MUNNS: I'd like to lay out the logic that I'm trying to think through and so, it's part statement, but there's-- I'm looking for information to make this logic fit. The logic is: First, I believe out-of-state students are important to the education-- to the quality of education for our state. And secondly, for the economic development of our state because many of them stay here. So I take that they're important.

Then I move into who's paying whom. So this is the question that you said in-states-- out-of-state subsidizes in-state. But, I know it seems right from the numbers, so we really need to understand that with the common definition. Once we--And I'm not even saying it's wrong for in-state to subsidize out-of-state, because I think there's a piece of this that's important enough to have out-of-state students maybe-- maybe the state should subsidize. So I'm not saying it has to be just the one direction. If you follow, okay?

But then-- So then the third piece though is, once we have an understanding of whose subsidizing who and what level is appropriate, then, in my mind, the question is: Okay, what policy will drive that over the next 10 years? And as I think you've said, there really is no policy. I understand how it happens. You've got a strategic plan and an annual budget, but there ought to be a policy limit where you come back to the Board and say, "Hey, we can't [you know] we're bumped up to your limit and you either need to change your limit or we need more-- we need to bring in more students."

And so I'm looking for those three pieces. The presumption that out-of-state is good. Second, is who's paying for who and that's where we need the facts. And then third is: How do we control it over the long run with the policy? And I think today that policy is the USC Board of Trustees' policy. I'm not saying it should be ours, but I'm looking for where is it and who watches it. Who monitors it? So that's my logic. You may or may not have any comments on that right now.

LESLIE BRUNELLI: No. I think that what you said is absolutely correct. And we will-- I think we need to look at-- make sure that we're all talking apples to apples.

CHARLES MUNNS: Right. Right.

LESLIE BRUNELLI: And not, as the Commissioner said, apples to oranges. And make sure we all agree on the numbers we're utilizing.

TIM HOFFERTH: Commissioner Kuhl?

DIANNE KUHL: I'm going to take this in a slightly different direction, but before we go, I want to go back to this chart. Those are your numbers. And I have one simple question: Can you explain to this body, can you explain to the taxpayers of South Carolina, why out-of-state students are costing the University $23 million? Can you explain that right here, right now? Can you give us an answer?

DENNIS PRUITT: I cannot.

DIANNE KUHL: Okay. All right, let's move to a second question. Thank you. I appreciate that honesty. Thank you for that. Second question: In our conversations with Mr. Walton, we talked about how the abatements worked over time. If you have a student that comes in as a freshman, does that student continue to receive abatements, or tuition credits, or whatever you want to call them, throughout their tenure at the university? And he said if they kept their grades up, if they met the requirements. In most cases it did, but he also indicated that a high percentage of students after their freshman year apply for in-state residency.

Now I've gone through Clemson's website. I've gone through your website. I've gone through four or five other university websites looking at the residency requirement, and I think I've got a pretty good handle on what the law says, on what the requirements are. And to be told that nearly half of the freshmen become in-state residents during their sophomore year, moving forward. Is that an inaccurate number?

DENNIS PRUITT: Yeah, it is. Mr. Walton's not here, is he?

DIANNE KUHL: How many students--

DENNIS PRUITT: He was wrong.

DIANNE KUHL: Well, that's why I'm asking. How many students switch to in-state residency?

DENNIS PRUITT: It's very, very -- If you've looked at the law, it's very, very hard to become a resident of the state of South Carolina. The only way really you can become a resident-- and [UNCLEAR] is you can work 37½ hours/week all year. And you have to do a series of eight other things in order to get there. And I can't tell you the exact numbers, but this is pretty accurate. Annually, we have 10 to 20 people apply and appeal for residency, 10 to 20 total. And of those 10 to 20, it's usually about 50/50 given. You know, eight do and nine don't. Vice versa.

DIANNE KUHL: Do you track those numbers at the university?

DENNIS PRUITT: Yes ma'am. It wouldn't make any sense for us to let students come here-- And now, there are other states that do that. We in South Carolina do not. If you come here as a nonresident, you're a nonresident.

DIANNE KUHL: Right.

DENNIS PRUITT: In fact, what happens is that we have students who come on scholarship and lose their scholarship, lose their discount and stay. But, Mr. Walton, I don't know where he got that.

KEN KIRKLAND: Well, let me ask a question and put in just in a real world scenario. You've got a student that comes here from New Jersey. They come to South Carolina. The first month they're here they get a South Carolina driver's license.

DENNIS PRUITT: That won't do it.

KEN KIRKLAND: Okay? They obtain a residence off premise-- off campus.

DENNIS PRUITT They buy a condo?. Stay and buy a condo?

KEN KIRKLAND: Buy a condo.

DENNIS PRUITT: Nope.

KEN KIRKLAND: They own that 12 months. You're telling me that that student, as a sophomore, cannot apply for a South Carolina in-state tuition rate?

DENNIS PRUITT: He can apply, but he won't get it.

KEN KIRKLAND: Okay.

DENNIS PRUITT: The law says clearly that if you come to South Carolina for the purpose of getting a college education, that there are all these things that you have to do to become a resident. And it is *extremely* difficult. Now our law in South Carolina is one of the most stringent. I think the staff here would say-- Karen might say. I don't want to put you on the spot-- would say is that oftentimes they come to us because we get accused of being one of the most stringent institutions in the state. We actually have students who transfer from other institutions who don't meet the residency requirements as we see it. So.

TIM HOFFERTH: How would that request for a change come to you? And what would you do?

DENNIS PRUITT: We have a residency office-- an Office of Residency. And they certify every student. And by the way, you have to certify you're a South Carolina student, a South Carolina resident. And if you don't, they classify you as an out-of-state. So the burden of proof is on the student and the family.

DIANNE KUHL: So you require them to bring the tax reports to show that they are [UNCLEAR] of their support and all of these other things.

DENNIS PRUITT: If they're appealing, you mean?

DIANNE KUHL: Yeah. You've got a whole list on there of things that they have to do.

DENNIS PRUITT: Yeah.

DIANNE KUHL: That's how the dependent versus independent status is defined-- is if a student provides 51% of their own support. If it's less than that, then their domiciled wherever their support comes from.

DENNIS PRUITT: Yeah. And I can tell you, just fascinatingly interesting stories that are straight from movies about families who say they own land in Hilton Head so they're eligible. Or they buy a condo here. Or a student declaring he's independent and he has $100,000 in his bank account. Well where did he get that? You know, it's probably not. So. And again, the committee, they only hear-- First of all, they don't hear an appeal if it doesn't look as if it's justified. And again, we get 10 to 20 a year maximum. There is no mass movement of students coming to the University of South Carolina and becoming new residents. There is not.

DIANNE KUHL: Can you provide us with tracking say, here's the freshman class of 2012--Here's how many of those students were in-state/out-of-state. How many of them were in-state/out-of-state in their sophomore, junior, or senior year? Can you provide us with that data so that we can see the movement?

DENNIS PRUITT: Yes.

DIANNE KUHL: And also it would be useful to know how many of those out-of-state students, once they receive the abatement for their freshman year, how many of them stay at the University of South Carolina and how many of them wind up leaving and going elsewhere?

CHARLES MUNNS: We shouldn't ask for a report that you don't normally provide unless we vote on it. So is that stuff you normally have?

DENNIS PRUITT: Do we have it? Yes sir, we have it. I'm sure we do. We track them both from a-- we track them both from an admissions perspective because we want to know whether students come. But those students come. They come. They stay. They graduate.

DIANNE KUHL: That's why I was asking if they tracked it already.

DENNIS PRUITT: But they don't become in-state students. They do not.

TIM HOFFERTH: Commissioner Edwards?

DEVRON EDWARDS: Yes. A couple of things real quick. Just to follow up on that, the numbers for in-state/out-of-state by definition are truly in-state/out-of-state. So the ones you mentioned before, I believe, in the co-op as an example. They would still be listed as out-of-state?

DENNIS PRUITT: You mean in the Bridge Program?

DEVRON EDWARDS: No. The, um, the 13-state, uh---

LESLIE BRUNELLI: The Academic Common Market?

DEVRON EDWARDS: They would still be listed in these numbers as out-of-state?

LESLIE BRUNELLI: Your staff prepares a very thorough chart that shows that.

DEVRON EDWARDS: Okay. Very good.

CHARLES MUNNS: Military veterans would pay in-state.

LESLIE BRUNELLI: And their dependents.

LOUIS LYNN: Small numbers though?

LESLIE BRUNELLI: Not here anymore in South Carolina. That is a growing population.

DEVRON EDWARDS: The question I have, and it goes back to these numbers, just to kind of connect the dots. You had mentioned the $200 million. Is that number the same? So talking apples to apples here. Is that $200 million- is that the number?

DENNIS PRUITT: Is that the number of out-of-state?

LESLIE BRUNELLI: I don't have it. I have to get that.

CHARLES MUNNS: Question: What's the revenue from out-of-state students?

DEVRON EDWARDS: Yes.

CHARLES MUNNS: You said $200 million. This shows $239 million.

DENNIS PRUITT: So that’s probably it.

KEN KIRKLAND: So if it's $200 million, then it's a $62 million shortfall, not a $20 million.

DENNIS PRUITT: $200 million is a round number that admissions persons use, you know. The finance people are going to [UNCLEAR-- Crosstalk].

CHARLES MUNNS: That's why I asked the question. Who's subsidizing who? If you can answer that with apples to apples discussion.

DEVRON EDWARDS: That's why I asked the question. Number one, I want to say, this is *very* helpful. And this discussion, I appreciate your time, your details.

LESLIE BRUNELLI: Thank you.

DEVRON EDWARDS: Others in the room, that are experts with you on this team, this is-- And I'll say this, at least for myself and for all of us, this is *very* helpful. We truly are trying to get to a good place and try to understand. I mean, you're educating us in this process and we appreciate that. And the main thing we want to do is to be able to see problems coming down the road and to help out. And for us to be asked, "Why didn't you ask? Why didn't you at least raise your hand?" That's where we are in this process and we really think it's important.

One of the things that connect the dots to that $200 million is also, I believe the number was—There were a lot of numbers. A lot of good numbers. Very helpful-- $1.7 billion. That's the revenue?

LESLIE BRUNELLI: That's our annual budget. That's the System. Columbia is about $1.15 billion of that.

DEVRON EDWARDS: Okay. And those numbers are based off of just Columbia?

LESLIE BRUNELLI: That's just Columbia.

DEVRON EDWARDS: Okay, so then let's stay with just Columbia. The $1.15 billion. So then just simple math. And I have more—I have simple math. The $1.15 billion. If out-of-state revenue from those students--and we have the number of how many—are providing somewhere between $200 million, as a round number, and $239 million, can you help put into simple buckets the rest of that revenue?

LESLIE BRUNELLI: Sure. The resident tuition would be the next source, then our state appropriation is about $120 million.

DEVRON EDWARDS: What is the in-state revenue? That next source?

LESLIE BRUNELLI: I would like to look at it before-- going through my notes, grants and contracts would be next, the student financial aid, and auxiliary enterprises. And then we have a very small amount of the things we do that are not the mission. They are things like continuing education, the camps and all those things that are a smaller number.

LESLIE BRUNELLI: But in sources, it's gonna be nonresident, resident, state, grants and contracts, all the auxiliary and then the miscellaneous category.

LOUIS LYNN: All the lottery money is in residents?

LESLIE BRUNELLI: Yes.

DEVRON EDWARDS: The lottery is accounted for in the residents?

LESLIE BRUNELLI: The lottery absolutely goes under residents.

DEVRON EDWARDS: Okay, so. And that helps. Thank you very much. I agree with some of the earlier comments. I don't think this is a question of having this in place. And you're obviously trying to do the best you can to manage all the changing things. And I think you called it the cone of chaos at some point?

DENNIS PRUITT: The cone of uncertainty.

DEVRON EDWARDS: Uncertainty which can be chaos and the other things that play out. But just from rounding the numbers, if we as a state-- meaning the students that are students at USC and the state supporting it. It's just for one year. I'm not even taking into account if a family's been supporting through tax dollars for the past 20 years or 4 years. But just one year of support, if we're talking about, at your numbers, $200 million-- and I'm going to round down-- on a billion dollar budget, you know, that's-- it's less than 20% that they are funding. So, when you say that South Carolina is subsidizing out-of-state, I just think that is a major leap. And it seems very simple that it's the other way around.

CHARLES MUNNS: The numbers are in the dashboard.

LOUIS LYNN: You said it backwards.

KIM PHILLIPS: You said when they are saying South Carolina subsidizes, they are saying out-of-state

DEVRON EDWARDS: Out-of-state, right? And that's a consistent question and a consistent concern. If that's where we are today. Is it getting worse? And it sounds like it is. I think I heard 10% growth. Year to year. So that's a concern from my perspective. And I would assume it's a concern from-- for many taxpayers.

TIM HOFFERTH: All right. Let's go to Commissioner Horne who's been waiting patiently.

BETTIE ROSE HORNE: We're all patient. We are trying to understand this and it's complicated. And you are not simple. That helps *enormously* to see the bottom line. And I think we're all asking from a different direction the same question: What is wrong with that? And are you certain it's not going to get worse? And that's my question. That was simple enough that I grasped-- I'm the dumb blonde at the table--And if I got it, everybody got it. So I would just like for you to tell me, is the reverse true?

WES HICKMAN: Very quickly, I can explain a little bit about that number and the seeming disparity between what we understand to be true and what appears to be true based on that. So. And it does come down to apples versus oranges, and who's comparing what, and where you're deriving your data from. So, the $24,600 number is derived from a national research study that is conducted and compares values across institutions across the country. So they value data, and collect measures, and select some things based on what they see across the breath of the national higher education landscape.

So it's not-- and this is why Leslie can't speak to it-- It is not an exact, specific cost at USC. It's an average, based on a national survey of data that is selected from universities, commissions on higher educations across the country and those types of things. So, if you look at that $24,60, you could roughly approximate that to the cost of educating a student at USC. However, the true cost for some students may be significantly higher. The true cost for some students may be significantly lower.

So when you take that national average number and multiply it by real numbers, then you start to get a little out of whack on numbers. But we can provide you with the survey that that came from so you can see that.

BETTIE ROSE HORNE: Surely you would know the answer to that question about what is the actual cost? You would have to use the actual cost rather than some sort of number from national.

TERRYE SECKINGER: I mean, you know what your costs are.

BETTIE ROSE HORNE: You have to.

TERRYE SECKINGER: Because you're sitting at your institution. So is it that number?

CHARLES MUNNS: If we go to our dashboard which we just saw thirty minutes ago, so none of the other commissioners have studied it. But it shows for USC about a $24,000 expenses per student, but only $10,000 of that is for instruction, $4,000 is for research, $6,000 is for support and services and so on and so forth.

KIM PHILLIPS: Where did you get that number, Kenny?

KEN KIRKLAND: I got it from published information from USC's website.

[UNCLEAR-- Crosstalk]

WES HICKMAN: We published that as a national comparative, because it comes out of that national study, and then we compare that to the cost listed-- the list cost of nonresident rates and the list cost of resident rates.

So, for example, what you see on our website-- and I believe this is what you're referring to-- there's a graph on there that shows the list price of out-of-state tuition as $33,000. The list price of in-state is roughly-- the list price of in-state tuition is roughly $12,000. There's a little bar graph that indicates that the state provides about $5,600 per student for South Carolina students in state appropriations.

So the total resources available to USC, based on these national standards, is about $17,600. And then based on this national measure, that falls below the $24,600 that it costs to educate a student. Now educate, as you've indicated, is not all instruction. There's some research and other things in there.

CHARLES MUNNS: Is it about half of-- [UNCLEAR-- Crosstalk].

KIM PHILLIPS: What number do you want us to put in that equation? [UNCLEAR-- Crosstalk] How could you not know what it actually costs to educate a kid at your school?

DIANNE KUHL: Let's be real clear on this. And I'm going to give y'all Dianne's handy tip for the day. When we ask you guys for numbers, either give us real numbers or tell us this is something that we pulled out of some average or some study. Or say to us, "we don't know and we'll get that number back to you" because where we got that number was on June 1st, sitting in Finance Committee meeting. And bless her heart, Ms. Brunelli, is the one who told us that. And I want to say this publicly, right now. Ms. Brunelli, Mr. Pruitt, I do not envy the situation that you find yourselves in sitting right there having to represent your university because I know we're asking you some very difficult questions and I understand that you're instruments of policy. You don't necessarily make the policy. So, for myself, I appreciate you being here and I want you to understand that we have nothing but respect for you as individuals and the situation that you find yourself in.

That being the case, I'm not happy with the answers that I'm getting today. When we ask you for information and you say you'll get it back to us, I expect you to bring it back. And I think everybody else on this Commission does too. And y'all might want to pass that along because when we don't get the information we ask for, we have more of these uncomfortable conversations. And y'all wind up sitting at the end of the table wishing you weren't. So I'll just pass that along and-- But that number we got, right there? That came out of our June 1st meeting. That's what we were told it cost to educate a student.

TERRYE SECKINGER: I understand. And that does not negate the fact that the formula is what it is. Give or take $200 dollars on either side of that $24,600. We understand that, you know, you're not going to give us down to the penny. But the formula is what it is. And that's what's so concerning. Because our job here, at the Commission on Higher Education, is to educate students of South Carolina first. While we welcome out-of-state students, and out-of-state intellectual talent, and all of that, our job is to drive the economic engine of this state. And we do that through our wonderful system of institutions around South Carolina of which you're really a big one.

So when we look at these kind of numbers, it is *very* concerning to us, because from a taxpayer standpoint, we are nosebleed taxpayers here. That is big money that we're paying for out-of-state students to come in when in-state students could be sitting there.

WES HICKMAN: Yes ma'am. I think to Ms. Brunelli's point, what she would like to do is have the opportunity to go back and look at the costs because this equation as it's done here is not necessarily comparing a real number to real students.

TERRYE SECKINGER: And we welcome that opportunity for you all to take that opportunity and share with us, so we can have a meeting of the minds on this.

TIM HOFFERTH: Let me just try to keep some order here real quick. The point was well noted on both sides. We understand that. We've got to get the proper information first.

CHARLES MUNNS: A suggestion. We now have the dashboard. All of thE state universities feed this, or USC has fed this. And so I would suggest, in your answer, look at our dashboard and that's the context that we've had. It shows that the cost per student for education is only $10,000. So if we want out-of-state students to pay for the education slice, they're already doing it. If we want them to also pay for R&D, then that's more. If we want them to pay for services, that's a little bit more. If we want them to pay for debt relief, that's a little bit more.

So the question is how much of that $24,000 are you willing to pay for and what categories? So I suggest looking at this simple breakdown. I think it's already described. This is the way you report the data. That would be consistent with [UNCLEAR].

LOUIS LYNN: It would also be helpful if you used in-state students as your base, what would it cost to educate incremental out-of-staters. You guys are talking math, I'm talking arithmetic.

PAUL BATSON: I've got a question on residency. You said that y'all have a residency committee to make the decision on who would qualify to be a resident? Is there any state guidance, state statute telling what has to be done?

DENNIS PRUITT: Yes. It's a very rigorous form, compared to other places. You really have to go through— there are eight or nine things you have to do in order to-- And by the way, you can do eight and not the ninth thing. If you don't do the ninth as well, you don't get residency. It's very, very-- I don't want to say it's impossible, but again we have eight or ten a year when they come in. Through our appeal process.

BETTIE ROSE HORNE: Is that your experience Dr. Woodfaulk?

[UNCLEAR-- Crosstalk]

KAREN WOODFAULK: Members of the Commission, there are, to speak to Dr. Pruitt, there is a list. Of course, at the given point I'll share that residency information with you--that list is not exhaustive. That list is an example of what can be produced in order to show residency. And it-- So you can't say one, when if you don't have the other. It's the preponderance of evidence, I guess, is what we would say in the room. So that means that yes, there are documents that have been provided to the Office of Legal Residency at USC to show that a student is indeed a resident of the state or they've changed over residency. And it includes driver's license, vehicle registration, domicile, where you live. It could be their name and the institution could ask for things like utility bills and in whose name, a lease from a landlord. All of those items coming together. And sometimes documents beget other documents. Or if something comes in: your parents live out-of-state, but everything leads towards one area. But on taxes, you're declared as a dependent in another state. That one item may trump other items. And so you think you're in-state, but you're really being declared as a dependent in another state.

BETTIE ROSE HORNE: So that is an appealable decision or does the institution alone have that authority?

KAREN WOODFAULK: The institution has the authority to determine residency.

BETTIE ROSE HORNE: Period?

KAREN WOODFAULK: Period. This body makes and determines, and approves regulation for determining residency. That's given to us by the General Assembly. However, the institution based on the regulations, within that perimeter. They can't go outside the perimeter and make it up. But, within the perimeter, the documents and that what we talked about, can make residency decisions. And also, they must have an appellant body. An appeals process. So the students have the opportunity to appeal that decision.

BETTIE ROSE HORNE: Thank you.

DENNIS PRUITT: Can I just say that our appeals group includes our university attorney and a member of the faculty from the law school. So they are strictly applying the law.

DIANNE KUHL: And let's speak to exactly that regulation since Karen brought it up: 62.605 Residency status may not be acquired by an applicant or student while residing in South Carolina for the primary purpose of enrollment in an institution or for access to state supported programs designed to serve South Carolina residents. An applicant or student from another state who comes to South Carolina usually does so for the purpose of attending school; therefore, an applicant or student who enrolls is a nonresident in an institution is presumed to remain a nonresident throughout his or her attendance, as does not qualify for any of the residency provisions.

TIM HOFFERTH: Well, we're audited. Because there are financial implications, we're audited on that.

DIANNE KUHL: Yes.

LOUIS LYNN: When you answered our questions, would you just say when you're talking about Columbia versus system? Because we get confused.

DENNIS PRUITT: Okay. I'm only talking about Columbia.

LOUIS LYNN: But the-- I think the questions we're asking, we need to know Columbia/system.

DENNIS PRUITT: On the residency question?

LOUIS LYNN: Oh, not on residency. I mean on all the questions we've asked.

TERRYE SECKINGER: Mr. Pruitt, could you provide for us the residency department's number for the last like five years?

DENNIS PRUITT: Yes.

TERRYE SECKINGER: Who they've allowed to--

DENNIS PRUITT: It's about 15 to 20 a year. And it seems like-- it seems like they've always split, half and half. Half here and half to the other. I don't think there's a rhyme or reason to it.

TERRYE SECKINGER: I would appreciate that. Thank you.

TIM HOFFERTH: All right, if we could we have Commissioner Love who's been waiting patiently on the phone. Commissioner Love, are you there?

ALLISON DEAN LOVE: I am still here Mr. Chairman. Thank you so much.

TIM HOFFERTH: The floor is yours.

ALLISON DEAN LOVE: I want to say thank you to Ms. Brunelli and Mr. Pruitt for being here. And I'm sorry that I'm not able to be there in person. I am serving my alma mater, The Citadel while we're in the middle of a three-day strategic planning session. So my apologies for not being there in person, but I've listened and I'll stay on as long as I can.

So Ms. Brunelli, I wanted to say I especially liked what you said earlier about anecdote. And, you know, we get told a lot of information and anecdotal data all the time. And we need to make better decisions on data. And for example, I'm glad that you addressed the in-state residency decisions. because there has been some speculation that after the first year , those being abated are being re-coded in-state. And so, I appreciate you clearing that up.

I'm down to one question and I know that you probably heard the speculation or perception, whether it be real or perceived, we need to make sure we get it clear. One of the major issues in minorities has been the diminishing number of African American enrollment. And I'm just trying to get a better understanding of the process.

As you increase abatements, your-- it appears-- and I don't have the data right in front of me right now, but based on my notes, it appears that your African American enrollment has dropped. Is that true or not true? And if it is true, then why do you think that is?

DENNIS PRUITT: Yes, I can response to that. And by the way, I'm happy to report that we have a 39% increase in Hispanics and a 31% increase in African American students attending the University this fall. This is a long, complicated answer. Let me see if I can simplify it a couple of ways. One is the very students that I was talking earlier who make the decision not to come to the University of South Carolina. We're admitting as many students as we have. African American students are attending universities; more are selecting not to come. Some are going to historical Black institutions. Some are staying closer to home. Some are going out of state.

LOUIS LYNN: Following the money.

DENNIS PRUITT: Right. Following the money. Thank you. They're going where the money is. But, there's another thing that's happened that people don't want to acknowledge and that is that there is a new category of race called "two or more races." And if you—there's a book called [UNCLEAR] and a book called the Diversity Explosion.

While we've had limited increase in the number of African Americans, we've had about a 7% or 9% increase, we've had a 300% increase in “two or more races,” because the census changed the way that they counted citizens. You could self-declare what your race was starting in 2000.

So in 2011, the census came out. You know, the way the census is you’re Hispanic first. If you’re Hispanic, that’s what you are. But if you’re not, you can pick and choose your race or combination of races. So it's this huge increase in “two or more races.” So one of the things that we've seen at the University of South Carolina, we mirror that same thing. We have many students who are declaring themselves “two or more races.” So that’s a factor.

CHARLES MUNNS: It was 1,000 students last year--

DENNIS PRUITT: Yes. Yeah.

CHARLES MUNNS: --by our books.

DENNIS PRUITT: And we have a lot of students who transfer into the University of South Carolina. If you look at the University of South Carolina, I can tell you two things that I think are important. One is: we educate more African Americans than anybody in the state of South Carolina, by far. We have more Pell Grant recipients than most institutions of our type. And most importantly, it's not only that we admit students, but we graduate students. The *Educational Trust* says the University of South Carolina graduates more African American students than 97% of the other institutions in the country. More than 97% and we’re in the top 3% of the country graduating African American students.

So yes, we're trying to recruit students. We're trying to give them all the help they might need. Many of our students, African Americans, are middle class, upper class. Most of them are in-state. They're not out-of-state. So, yes. The numbers have dwindled, but the number of students in South Carolina who have decided for the very reasons I cited earlier to stay close to home, to be with their church, because they have a job, because they can cut their expenses in half are staying at home. And those are the numbers-- those are first-time, full-time numbers. It doesn’t capture our transfer students.

So we have a lot of students who come to us their sophomore and junior year and that’s why we have 6,000 minority students at the University of South Carolina. Because they are savvy consumers and they make decisions that are good for themselves.

TIM HOFFERTH: I mean just for our Commissioners' context, there are a lot of numbers. A Lot of numbers. Here's the 15-year rate of African American enrollment at USC, going back to 2002. This includes all students. It's down 17% over that period of time from a high of 2,766 in 2002.

And in 2016, 2,301. Over that period of time that population is down. And the increase has been 16.7%. Initially, in 2002 down to 9% was the total undergraduate population today, just for context.

BETTIE ROSE HORNE: In fairness to USC, if you look at them in their sector, they have done their homework. And I have always respected what you all are trying to do in the research sector.

LOUIS LYNN: We're all different.

BETTIE ROSE HORNE: Oh, I hear that all the time. But they are affective on that. That's my alma mater See me after class.

DENNIS PRUITT: Can I just also add, least you think we don't, we spend a tremendous amount of time trying to recruit minority students to the University of South Carolina.

DENNIS PRUITT: We have an extensive minority recruiting program. We have special programs. We have special venues. We offer financial aid. We have relationships with organizations—we've just joined an organization called the Coalition. And the Coalition is designed specifically to help particularly rural students and minority students who wouldn't be college bound; to help them with the application process.

We started a program last year called Raise.Me. It's an opportunity for students in rural areas, and for minority students, to get points. And those points are rewarded with grant money when they sign with the University. And I could go on, and on, and on. So it's not from lack of effort. Partly, I think it's partly a financial question, because access doesn't mean affordability. And it's partly a notion that there's a decrease in the population and they changed the stature.

BETTIE ROSE HORNE: Well, we had a celebration when Clemson got out of single digits. I'm just saying.

TIM HOFFERTH: All right. Let me end with this: *Thank you*. Thank you for being here. We truly appreciate your time and the explanation, and the detail behind your comments, your responding to the questions.

Please. I would be remiss and I know our Commissioners would be as well, if we wouldn't state emphatically, that we're absolutely, 100% on the same team. We're here to serve the people of the state, the families of the state, and that's top on your agenda.

The only difference-- and I told Dr. Pastides this over the 4th of July weekend, that where you stand on issues depends on where you sit. And our perspective is the one for the greater good. It's not challenging the information you've got. We're looking at it as advocates for the families and environment when we have skyrocketing costs, crippling student debt. Most importantly, a widening gap between that cost of attendance and household incomes.

And we've got to make a dent in this. And understanding complex business models is part of what this group is tasked with. So, we appreciate your patience in tolerating the questions. Although some of them may not, you know, be as high a level as you want. We appreciate the way you've responded for them to help us better understand what you see in meeting the challenges for USC. Because quite frankly, sometimes we don't say enough.

I can see what this-- in Dr. Clements and Dr. Pastides that you have no greater champions. The state has no greater champions for higher education that the people sitting around this table who don't get paid anything, who put in hours, and hours to try to understand so that we can make good recommendations for the same master that we all serve.

So I tell you that with the utmost respect from the positions that you're in. You've done a phenomenal job in so many different areas. Please don't ever confuse the line of questioning with our respect for you because it's off the charts. So thank you for that. And I appreciate your time being here.

LOUIS LYNN: What's your average SAT for freshmen?

DENNIS PRUITT: It's hard to say. We haven't calculated the new SATs, but we were, you know, we were 1,445 in the Honors College; 1,323 for Capstone; we were 1,218 for freshmen.

TIM HOFFERTH: All right. That's it. Thank you. If we could take a quick five minute break, we'll start at five after three.

TIM HOFFERTH: Thank you. We're on to the Chairman's report. And at this particular time and for the sake of everyone's time this afternoon -- we still have quite a bit on the agenda -- there will be no Chairman's report. I'll ask Vice Chair Kuhl if there is a report from the Vice Chair.

DIANNE KUHL: Very briefly I got notes here somewhere on that. Yes. Per Chairman Hofferth's request some time back, Commissioner Seckinger, Commissioner Munns, and I have taken a look at the bylaws [UNCLEAR] and we are doing the bylaws' review. There are a few areas where we need to make some updates in order to be compliant with some of our new directions and also a couple of areas of discussion. We will break that up for you at the Two-Day Working Session where we can have some discussion and that will allow us to be within our one-day to have a vote at the September meeting on these changes.

A little housekeeping note: Laura has been doing a phenomenal job on the logistics for our working session and I can tell you so has President Schilz. When we walked in and sat down with him and he's working through the agenda I just sat there. I didn't know whether to sing hallelujah or jump up and dance. But he's done a fantastic job with taking comments from the board and issues that we needed to take a look at and through that insight, I think it's going to be a very productive two days. So thank you, Jeff.

Housekeeping notes on that. We are-- Right now we have two hotels. We will be asked to make a decision in all probability. Laura has rooms booked at the Staybridge. The Inn at USC was already full, because Carolina's having classes coming back in. She's trying to get the DoubleTree, who gave us a fantastic rate, and if they can get us in direct bill, then we can all move to the DoubleTree.

Otherwise, you will have a choice between the Staybridge, where you just go, get your key, and you're done or the DoubleTree, which gives us a better rate, but we have to pay for it and then put it on our expenses and the Commission reimburses us. So those are the two options. And we're hoping that the DoubleTree is going to get into direct bill in time for us to be able to have that as an option and Laura will get that information out to us as quickly as we can.

So, again, they've done a fantastic job. We're going to have great meals and it's going to be a wonderful couple of days. That's all.

TIM HOFFERTH: Well, thank you. And thank you for your help on the Two-Day Working Session coming up here. That's taking a lot of your time and I appreciate that.

President Schilz?

JEFF SCHILZ: Thank you, Mr. Chairman. Just a few quick items. Don't want to be too lengthy, because I know we're running short on time here.

I first wanted to let everybody know we had a Council of Presidents meeting on June 28th. We discussed a few items. I have a copy of a letter that I sent to the Governor and some of the relevant chairmen in the House and Senate to let them know that the presidents were here, and we had a good discussion about the agenda that's listed in that letter.

I had some meetings on July 6th and 7th relative to the public agenda and made a lot of great progress. Commissioner Love will be talking about that in her report. But we had great collaboration with some other agencies.

One thing that I've kind of seen this agency hasn't been doing maybe as well as we'd like to or maybe should have, is interact with other agencies. The Department of Employment and Workforce was represented, Department of Commerce, Chamber of Commerce, Department of Education, The Education Oversight Committee. And we got a lot of great feedback. And we'll be meeting with you guys at the retreat about that, and then also starting to introduce that document to the presidents, and we'll obviously want their feedback. What we're really trying to do is build off of the 2009 Strategic Plan that was done. That was a really good document that had a lot of input from, I think, just about everybody; not just stakeholders, but everybody in the state. So we want to use that as the base document going forward as we work on this.

I had a lot of meetings with some legislators and the governor relative to the lottery scholarship issue; the move from the 7-point grading scale to the 10-point grading scale and what that impact's going to be. It's about an $88- $89-million four-year impact. Given that information-- and really the point is to let's not wait until January to start putting together a solution; let's see if we can all talk about it. And I know that Senator Peeler has an ad hoc committee that's been put together in the Senate and that's one of the topics that they're going to be discussing there. So, I appreciate his leadership on that.

On both of those issues and kind of tying back to the first one, I think we're going to look at trying to do another Presidents' Council meeting in late September. I've heard from two or three different presidents and also in my meeting that they want more input in this topic or on this topic, however that may be. And the elected officials, policymakers that I've talked to also have indicated they'd like some more feedback from the presidents.

So those would probably be the two issues that would be the topics of that next Council meeting and we might break it into the four-year-- have a meeting with four-year presidents and a meeting with the two-year presidents, because there is a little bit different point of view on the lottery scholarship issue. So I want to make sure that we get all their input.

Since the last meeting, I've met with the presidents of Clemson, Citadel, USC Aiken, Palmetto College at USC, Francis Marion, all of the tech college presidents at their retreat down in Charleston, President Hardee at the tech college system and have really had a lot of good conversations about how the Commission can better interact with them and talk about ways that we can work together going forward and hear their concerns.

And, you know, the thing I've tried to commit to them is that, you know, we want to work with everybody. We understand that there's going to be times where the Commission doesn't come down on the same place that they do on an issue, but we do want to have a good working relationship going forward and are committed to doing everything on our end to do that.

I have a few additions to our staff since our last meeting. Katie Philpott is going to be our Government Affairs Manager. As I've met with the legislative folks in the Governor's office that's one of the first questions that always pops up, are we going to get somebody to help us with the legislative liaison piece? And Katie will be filling that role for us. Katie's a Naval Academy grad, a Marine, and we're fortunate to have her on board with us.

And then Keeran--

KEERAN SITTAMPALAM: Sittampalam

JEFF SCHILZ: There you go. I told him with my last name, you know, I'm used to it. So don't be offended. But Keeran recently finished his MBA over at USC.

KIM PHILLIPS: All right.

JEFF SCHILZ: He's a graduate from there. He's originally from Malaysia and started about a month ago and we've enjoyed having him on the team here.

Some of the IT initiatives that we've got going on, wanted to address that real quick. Of course, Camille Brown, who had been in charge of data at the agency for about 20 years, retired at the end of June.

We have reshuffled some seats down there. We are going to be hiring some people in the future, but we really need to figure out where our most serious needs are; do that needs assessment. But in the interim, we have Monica, who's our IT head, and some other folks really step up to take on a little bit more in the short term. And we've had a couple of information sessions with all of the institutional research people from the colleges, both public and private, because they all report some information to us, and those have gone really well. That's something that hadn't happened in a while- where we get people in the same room and we want to do that going forward. That should've been happening and want to keep that engagement level going.

We're also working with the Division of Technology Operations through the Department of Administration about moving our servers. Our servers are currently in this building, and we're going to migrate them to their facility, I think, out on Broad River Road, and then working on privacy and security training for our people here. We need to have a good privacy policy. We obviously collect a lot of information and want to make sure that we're following all protocols there. And that's about all I need to address right now.

TIM HOFFERTH: Thank you.

ALLISON DEAN LOVE: Mr. Chairman, can I make a comment real quick?

TIM HOFFERTH: Yes, ma'am.

ALLISON DEAN LOVE: Thank you. Jeff, thank you for that wonderful report and especially for everything that you mentioned related to the public agenda. I just wanted to say thank you so much to you and Dr. Lane, and Dr. Woodfaulk, and Dr. Anderson, and Dr. Harvey, and Dr. Rucker, and Dr.--Oh, my goodness who am I missing, Dr. Walker, Trena. All of you did so much July 6th and 7th in preparing for that and in working on the public agenda.

And I'm saying this now because I'm afraid I may not be able to stay on this call or the phone with you guys until the public agenda report. But I just wanted to thank you for that and to say how exciting it was to see all of that coming together and to have wonderful discussion about our educational attainment rates in South Carolina, and metrics, and measurements, and to write a number on the wall.

And I'm not going to say what that number is today, but I did take a picture of it with my cell phone and will be happy to share that with you at the appropriate time. But Jeff, I just wanted to say thanks to you and to everybody on your staff for all your hard work. Very impressive. Thank you.

JEFF SCHILZ: I appreciate that and thank you for your leadership and sharing that. I know that's been a year, year-and-a-half process and you stuck with it, so thank you.

TIM HOFFERTH: Thank you, Commissioner Love.

PAUL BATSON: Mr. Chairman?

TIM HOFFERTH: Yes, sir?

PAUL BATSON: I'd just like to sort of add on to what she said. I've heard really good feedback from some the technical college presidents about the presidents' meeting. They were very complimentary of what you did and especially of our staff and otherwise. So the fact that it's statutory is one thing, but that really, I think, brought a lot of goodwill amongst a lot of people.

And I would also add, that may be the only way or the only venue for getting the four-year college presidents and the two-year college presidents together. And I'm sure they all group together in silos, if you will, but putting them all together and letting them have a similar perspective and learn their outlooks, I think, is a very positive thing. We really need to continue doing that.

BETTIE ROSE HORNE: Were most of them there? The two-year sector at the technical--

PAUL BATSON: We had at least 11 out of the 16 technical college presidents there.

BETTIE ROSE HORNE: And I appreciate you all including them, because in the past -- nobody likes the past -- we always had, and Hope will confirm this. We would invite the sector head, and we never got to see the technical college presidents. And you learn a lot from the individual perspective and point of view and the variety of the missions. It makes you much more appreciative. So I'm glad you all are including them. They need to be there. They're a huge part--.

JEFF SCHILZ: They are. There's a lot of tremendous individuals that are leading some of the tech colleges of the state and their input adds value.

TIM HOFFERTH: Yes. And I mean, just to echo that a little bit, I mean, we've always talked about those three prongs and us being in the middle with K-12, business on the other side and us. Jeff embodies-- every time I call him he's meeting with Molly Spearman or he's meeting with Ted Pitts or he's meeting with-

TERRYE SECKINGER: Connecting the dots.

TIM HOFFERTH: --the legislators. Everything that we said we needed to do in the way of collaboration with our presidents, with our--

BETTIE ROSE HORNE: Right.

TIM HOFFERTH: --technical college presidents is happening as well as running an office at a very, very high level. And I'm truly appreciative. It's phenomenal having you here.

JEFF SCHILZ: Thank you.

BETTIE ROSE HORNE: Well, we keep talking about economic development, and I have hard time seeing how you can talk about it when 14 out of 15 of the presidents are not present that drive that engine for us.

TIM HOFFERTH: No question.

BETTIE ROSE HORNE: Thank you.

CHARLES MUNNS: It would be good for us to listen, if you can make room at those meetings. That'll be good for the Commissioners to be able to join. We just need to know when you're going to have them.

JEFF SCHILZ: We'll do that.

TIM HOFFERTH: Thank you. Committee reports, nothing to report on the Executive Committee. Commissioner Seckinger, Academic Affairs and Licensing?

TERRYE SECKINGER: Mr. Chairman, I have no report. This month and next month I will have a lengthy report and I'll leave it at that. Thank you.

TIM HOFFERTH: Thank you. Appreciate all your work. Commissioner Batson, Access and Equity, and Student Services.

PAUL BATSON: Thank you, Mr. Chairman. We have no report. We do have a meeting scheduled on August 9th. It's going to be a telephone meeting. That'll allow us some time to go through a number of things we need to deal with.

But I would like to ask the Chair if you will allow Dr. Woodfaulk to make a comment. Commissioner Kuhl asked me a week or two ago about what I knew about residency issues. We had some discussion about that earlier and I asked Dr. Woodfaulk if she could sort of go back and look at what our directives were when we were going through this lawsuit business last year. And if she could just briefly brief us, at your pleasure, about the residency issues.

TIM HOFFERTH: Dr. Woodfaulk?

BETTIE ROSE HORNE: And we better answer Commissioner Kuhl's questions or she'll call us out in the meeting. She will.

KAREN WOODFAULK: Yes, sir. I'm going to ask Mr. Gerrick Hampton to pass some information out for you. At the risk of being very brief and very regulatory, I'm going to go very quickly with you.

Commissioner Kuhl, we certainly appreciate your going through the residency regulations, and these are residency regulations that Commissioner Kuhl was referring to. So you'll have a packet before you and I'll be glad to send this to you electronically as well.

Very briefly, number one, the statuteS governing the determination of tuition and fees, as you know, residency classification, as we heard this morning, is an essential part of tuition and fee determination; admissions regulations, scholarships and grants, and other relevant policies of the state. The statute, as I mentioned earlier, gives authority to the Commission to determine regulations. And I apologize for being old school in the past, but you have paper before you. And again, I'll send something to you electronically if you'd like.

Commissioner Kuhl did go through the list, but I do want to make sure that everyone notes that in our regulatory process, we identify really four key areas that I'm just going to bring up very briefly. 62-603 -- again, I apologize for sounding regulatory here -- citizens and permanent residents.

In our regulations that this body has approved, we must show that individuals are domiciled in the State of South Carolina. That's general and typically. So someone outside of the state is going to be presumed-- We call it presumptive language. You might've heard that term before. That someone is going to be presumed to be out-of-state unless they can show evidence that they are in-state residents. That's under 62-603.

62-604 is very explanatory here. If they're non-residents, they're aliens, non-citizens. Again, they're to be charged out-of-state tuition unless, again, they can show documents otherwise.

Two more, please. 62-605: If there is an intent to become a South Carolina resident, as Commissioner Kuhl stated, there is a list of items that a student has to provide. And again, most students who are out-of-state are going to be presumed to be in-state, because they are here for educational purposes. That is what Commissioner Kuhl read to us earlier on. Again, if they can provide evidence otherwise, but the presumption is going to be there.

Finally, and we talked about this earlier, there are exceptions: Military personnel who are currently stationed in the state of South Carolina, faculty, and employees with full-time employment, also residents with full-time employment who are full-time in-state and who will continue to work full-time. This is sort of a workforce initiative. If you can show you are full-time, working full-time, you don't have to meet the 12 months, but you have to show you're working 37.5 hours a week. So that encourages persons, of course, to be-- to domicile in the state.

Retired persons and their dependents are also-- and if they're receiving a pension may receive an exemption, and the key word is may. And we have new exceptions that you have approved and that's the Veterans' Bill that you've approved here. That particular bill allows for veterans who meet certain requirements to receive in-state tuition.

I'll be glad to answer any questions that you might have but that's the quick briefing.

PAUL BATSON: Great report.

KAREN WOODFAULK: Thank you.

TIM HOFFERTH: Thank you, Dr. Woodfaulk.

KAREN WOODFAULK: Thank you very much.

DIANNE KUHL: Karen, may I ask one question? On the regulations, am I correct in my understanding that once we pass those they're also sent to the legislature?

KAREN WOODFAULK: Oh, yes.

DIANNE KUHL: Do they ratify them as well?

KAREN WOODFAULK: Yes. There's one piece that we have the authority to approve without legislative oversight. That's Visa classification.

DIANNE KUHL: Okay.

KAREN WOODFAULK: We have that determination. It doesn't have to go across the street. Everything else-- go over to the General Assembly. Everything else, of course, has to go through the regulatory process.

DIANNE KUHL: Perfect. Thank you very much.

TIM HOFFERTH: Mr. Batson, anything else?

PAUL BATSON: Nothing else Mr. Chairman. Thank you.

TIM HOFFERTH: Thank you very much.

DIANNE KUHL: Thanks Paul.

TIM HOFFERTH: Commissioner Kuhl, Finance and Facilities?

DIANNE KUHL: This is going to be fun. I've got 42 pieces of paper here.

We had a great Finance Committee meeting. I want to thank those of you who came and who listened in. I think we will all say that one of the highlights was the presentation by Miss Jordan, who is the Deputy State Engineer, who came and talked to us about the State Engineer's Office and their involvement in the capital improvement project process. But that was extremely educational, I know for myself, and I think, given the fact that we had about an hour's worth of questions during back and forth conversation, I think we had the opportunity to work much more closely with that office and possibly even to streamline some of the approving processes preventing additional delays.

One of the challenges that she brought up is that they-- the universities are required to provide information to the Office of the State Engineer and have their plans reviewed at various stages. One of them is when they complete their-- I guess the first architectural renderings and they sit down and do a tabletop review with the State Engineers. Then they go through their process. They would like to stay involved as they go. They would like for them to come back before we get it for Phase II so that way they can look at it and see if there are any safety concerns, if there are any code violations. She said there have been things like "you can't put that there because firetrucks can't get there or you have to have an extra exit door" or—

And if they know about that kind of thing before we get it for Phase II, then they can remedy that, bring it us one time. Whereas, if they bring it to us for Phase II, we approve it, it goes back, and then they have to come back and ask for another $700,000 because they didn't remember to put all of the exits where they needed to; that further delays the process for the universities because it has to come back to us then it has to go back to JBRC. And, you know, that's another three or four months that delays their going out for bids, which means that costs can go up and, you know, lather, rinse, repeat. So we're looking forward to the opportunity to work more closely with the State Engineer's Office.

On our consent agenda we bring-- it looks like five projects here to you today. I'll give you a brief overview. Florence-Darlington has brought phase-- they're a technical college -- brought Phase II of the new Academic Workforce Development Building. It is a $30 million dollar building which will add 81,000 square feet, replace two 50-year-old buildings.

They do have an equity investment of 51 percent, which includes $6.5 million from the state, a million from the Florence-Darlington Technical Foundation. It is a much needed construction project and it will not result in a tuition increase for their students.

The Spartanburg Community College, this one was real simple. They got a grant. They've already completed the project, but they got a grant. They wanted permission to change the source of funds to let somebody else help pay for something they've already finished. We thought that was a great idea.

College of Charleston, Avery Envelope is the Avery Research Center for African-American History and Culture. They previously came to us and requested a Phase II with an increase over their anticipated budget of close to $300,000. They came back to us today to ask for an additional $715,000.

This is one of the reasons we got the Office of the State Engineer in here today, because they ran into some challenges. We had approved Phase II and it got back to the State Engineer's Office and they said there's some things you haven't thought about and they had to make some remedies. They also are running into a serious labor problem in Charleston, which has contributed to additional costs. So we bring those to you on the Consent Agenda for the Committee. It does not require an acceptance of a motion.

TIM HOFFERTH: Okay. We accept that and we'll take it to vote. All in favor of the Consent Agenda as presented, please say, "Aye".

[Multiple speakers, "Aye"]

TIM HOFFERTH: Any opposed? [No response] It will pass.

DIANNE KUHL: Okay. On the Unfinished Business side, in June, we never actually got to the University of South Carolina's SCANA property acquisition proposal. That was tabled and they are under a bit of a time crunch, because they have to-- They still got to get past us, get past JBRC, and State Fiscal Accountability Authority and they've got to do all of that by the end of October or they lose their earnest money that they put down.

So we pulled that project from the table in the Committee today and they need to advance it directly here to the Commission to allow them to get the project here before all of you so that we don't have another month's delay in there between the Committee reviewing it and then bringing it forward to each of you. So we will at that time-- Or now at this time, we're going to go ahead and vet this project. Carrie, would you like to do a brief introduction of what the project represents?

CARRIE EBERLY: Today, we have University of South Carolina that is presenting a 14.63-acre land acquisition which includes several existing buildings and currently, the property is owned by SCANA Corporation. The property is bound by Assembly and Flora Streets. The purchase price for the property is $9.375 million dollars. This request is to establish that Phase II budget for an additional $9.3 million, which brings it up to the $9.375.

We did the preliminary land acquisition and established the project in December of 2016 for $75,000 dollars and this is coming forward to you guys to approve the land acquisition to move forward.

DIANNE KUHL: Mr. Kelly, you did not get a chance to speak to us at our last meeting on this particular project. Before we move into questions, is there anything specific?

RICK KELLY: I don't think so other than just a few things that I've heard different Commissioners talk about this. The SCANA property-- We were aware that the SCANA property was going to be available back in the early 2000s. They're relocating to a campus area with all their facilities. This was one of their maintenance facility areas and their data processing center area.

So we started sharing interest in this property back then, back in 2003, 2004. But them moving took time and then they had to clean the property up because it had some contamination on it, and then we had to get appraisals, and the world just takes a long time to turn. And so that's where we find ourselves now.

SCANA does have permission from the Public Service Commission to sell this directly to us rather than to advertise it publicly to everyone. They also were required to get the fair market value or the appraised value. As you saw, the appraised value was $10 million dollars. We offered them $9.3 and they have it at $9.375 and they've accepted that.

Simultaneously, our facilities-- We knew we wanted the property and yet there was probably a half a dozen things we could've used it for. And so, as time has matured, the facilities department has-- Our facilities department is located directly behind the Colonial

Life Center and we've known for some time we need to get that off of our core campus. There's a lot of student parking down in that area. There's a lot of need for parking for events and things like that.

Also, Greene Street-- That's Greene Street that goes down to the facilities department ended at the railroad cut. But now there is a county that is going to put a bridge there and so it's going to open that up so that you can go straight out to Huger Street. And in doing so, that bridge is going to cut the water lines, electrical lines, and everything that come right across the front of the facilities department.

Relocating facilities was one of the places we wanted to do this because there is a maintenance facility at this property. We also have about a million dollars' worth of costs that we'll incur. We believe the county will be participating in that for that to not cost us anything.

So all that said, it is a request for less than the appraised value. It will allow us to create probably eight to nine hundred more parking places on our core campus for commuting students. It is inside of the main campus and we request your permission to do that.

DIANNE KUHL: Rick, we had had some conversation-- I mean, you and I have had a lot of conversations about this. But when you say the million dollars is that-- The City of Columbia is going to give you some money to help with the relocation, right?

RICK KELLY: It's actually the county.

DIANNE KUHL: Oh, it's the county? Okay, okay. And that's-- So that does not reduce the purchase price?. That just covers the cost of the move?

RICK KELLY: That's going to cover the actual cost that we have in relocating to the facilities department.

DIANNE KUHL: Thank you. In reading this-- I read everything you send us.

RICK KELLY: I know that. [LAUGHTER]

DIANNE KUHL: You didn't say that. [LAUGHTER]

RICK KELLY: Excuse me, I know that. [LAUGHTER]

DIANNE KUHL: Can you share with-- I know that there are-- you've got roughly 14 and a half acres here. I know there have been some concerns about the other buildings that are in the middle of the property that you're not going to be able to get. So I'd like you to speak to that point for the edification of everybody else. And can you tell us-- That's a fair amount of acreage and I know-- How many buildings are you getting?

RICK KELLY: I think there are about four buildings on it right now. If you'll-- I think everybody has in their agenda package Item E or Exhibit E. It's going to be almost the last page in your exhibit. It's going to show a blueprint like this right here and it's exhibit E-- or J. I'm sorry, J not E. And it will actually format this property for you. This is for 14.63 acres. I'll give you just a second for somebody to get there if you can.

DIANNE KUHL: Exhibit-- Which one, E?

RICK KELLY: J.

DIANNE KUHL: J.

RICK KELLY: I'm sorry. I said E and it's J.

DIANNE KUHL: Okay.

RICK KELLY: It was J. It looks like an E to me.

DIANNE KUHL: All right guys, that's Page 20 of 31 on our--

RICK KELLY: 20 of 31? Okay. If you see on there the blue-- the dark blue facilities are the three pieces of property that are privately owned and that's owned by the Campbell family. They have a record company there and they do some other small things. And you see how we've laid out our blueprint for the use of that property around that.

We certainly had hoped that we would acquire all that property, but clearly once the Campbells saw that we were getting-- or trying to get the bigger piece, they were sort of holding us hostage on the smaller piece, so we let it go. And we can make it-- clearly make it work without that.

The buildings in the red exist and those are buildings that we will maintain and utilize. The big red building there on the left side of the property will be the warehouse facility. There's also a major office facility on the second floor. Then the next largest red building will be our welding shop. We got some hazardous waste and recycling material in the other buildings.

BETTIE ROSE HORNE: Did you make an offer to Campbell that they refused and tried to--

RICK KELLY: We actually asked them if they would sell that to us and they said they didn't want to but probably, and then they gave us a price that was way out of reach.

KENNETH KIRKLAND: Are you going to still continue to pursue those options to buy that property?

RICK KELLY: I'm sure through our foundation we will regularly call them and talk to them but they know our interest. I don't think anybody's going to pay what they want, but we would come closest to paying the most that they going to probably get because we got the highest use for it.

KENNETH KIRKLAND: Right.

RICK KELLY: And this is not a location where it's going to be attractive to put a convenience store or something like it by this facility. Now, we are going to have-- The yellow piece you see there is a student recreational area, which we desperately need as well, and parking to go with it. But there's not going to be a public business that can really be very attractive to buy that piece of property.

KENNETH KIRKLAND: Sure.

BETTIE ROSE HORNE: Rick, it's kind of light industrial as I remember driving through it. Is it safe for students to be there, you think?

RICK KELLY: I think so. I think over the next decade or so the city and the state are going to have to – I think you and I talked about this -- going to have to address Assembly Street. It's got so much railroad traffic right now, which blocks the progress for everything, and I think it will change.

RICHARD JONES: What road is that? Assembly?

RICK KELLY: Assembly is right here. And actually, directly across the street, which was originally in 2003 attached to this, SCANA also owned the old Columbia baseball stadium, which you know now has relocated to the state farmer's market and everything. So we were trying to buy that as well, but that came off the table and we've seen that grocery stores and other things are trying to get the community to let them build there.

BETTIE ROSE HORNE: But at dusk it got very dark in that area. You didn't--

RICK KELLY: Yes, ma'am. The traffic is the big issue, I mean, and you see a lot of our kids walking to the games on game day and that's not a good situation for them. That's a very busy, dangerous street.

DIANNE KUHL: Are these light green parcels on the other side of the road, are those also part of the purchase?

RICK KELLY: Yes, ma'am. But those are green-- We identify that as green space right now.

DIANNE KUHL: Okay. And then the light blue one that you've got listed as overflow student parking, that's also part of this?

RICK KELLY: Yes, ma'am.

DIANNE KUHL: Okay.

RICHARD JONES: The baseball stadium?

DIANNE KUHL: And you don't--

RICK KELLY: It's right over here.

DIANNE KUHL: You don't anticipate any easement issues or other problems with the Campbells?

RICK KELLY: No.

DIANNE KUHL: Okay. What are you going to do with the other property, with the Greene Street property?

RICK KELLY: Return the majority of it, if not all of it. And when I say majority, I think I'm talking 90 percent or more. There is a slide-- Probably not worth turning to, but there is a slide. I think it's one or two. It's Exhibit D, and it outlines the current location that-- where the facilities now sit. And you see there are a number of buildings on that property. Most of them will be demolished and that will create all commuter student parking right now. If there's a building or two on there that can be salvaged that doesn't interrupt the parking flow, I think we will maintain them if we can at the expense of 10 or 12 spaces or 15 spaces for storage and some other things that we might need. But I think I would be safe to say that our primary purpose of this is to vacate those spaces and turn that into student parking.

TERRYE SECKINGER: What's the size of this property, the Greene Street?

RICK KELLY: The size that we are leaving? Just slightly over nine acres.

DIANNE KUHL: So you do plan to retain ownership of that property?

RICK KELLY: I'm sorry?

DIANNE KUHL: You do plan to retain ownership of that property?

RICK KELLY: Oh, yes, ma'am.

BETTIE ROSE HORNE: That's going to be a huge contribution. I used to have to walk an average of six blocks when I was working on a PhD. Six blocks is a long way for me. But I found a sidewalk to park on. Every week I would get a five-dollar ticket, but that was the cheapest parking in Columbia. [LAUGHTER]

RICK KELLY: You know, I found an eight-dollar ticket on my car downstairs today and that's the cheapest parking I can find coming to these meetings. [LAUGHTER] One of the things the Commissioners have asked is this parking really convenient for the students. And again, if you look at this map right here, what you find is the City of Columbia is interestingly enough laid out in four-acre blocks. It's almost squares that are laid out from the river. And there's two-- There's eight acres of parking right here for students, which is right across the street from it.

I say that to say we run shuttle buses there on a regular basis. Quite honestly, this is the parking that we use to help support the new baseball field because there's not really much parking at the new baseball field. But this is right there inside and the shuttle bus will get you there in five minutes, hopefully.

BETTIE ROSE HORNE: Won't help me. [Laughter] I'm still going to vote yes.

LOUIS LYNN: In light of this great presentation, I move that we accept the proposal.

KEN KIRKLAND: Second.

DIANNE KUHL: We have a motion and a second. All in favor?

[Multiple speakers, “Aye”]

DIANNE KUHL: Any opposition? [No response].

RICK KELLY: Thank you, Madam Chairman. Thank you.

DIANNE KUHL: We have one other item. In May of this year, Clemson University brought forward a tennis center construction project. It came in with $12.5 million. This was a Phase II. They did ask to fund this project with 100 percent athletic revenue bonds and the Finance Committee elected not to advance this project, because it was 100 percent bond funded. There was no equity, there was no private investment, there were no upfront dollars included in this project. Clemson has, in accordance with our appeals process, exercised their right to appeal and they’ve asked to bring this forward to the full board today. Dan, are you going to speak on this or is Brett? Would you like to give us just a few brief remarks about what the tennis center-- what you propose do with this? Very brief, please.

BRETT DALTON: You all made me nervous after that Finance and Facilities meeting. I have approximately six minutes of information that I would like to share and then answer any questions you have. A lot of the Commission members were here previously, but a lot of members were not.

DIANNE KUHL: And I'm going to caution you that we did-- because of the rules of the appeal and because of the correspondence that we had with your attorney, you were advised that you may not present new material. This has to be what you brought to us before.

BRETT DALTON: Oh, I understand all that.

DIANNE KUHL: Okay, thank you.

BRETT DALTON: I would though like to share comments based on our discussion to try to expedite that instead of going through the presentation slide by slide.

Thank you Chairman Hofferth and Commissioners. We do appreciate the opportunity to be before you today and we are here because of the action taken on May the 11th and taken from your press release. The Commission on Higher Education Finance Committee unanimously voted to reject the $12.5 million tennis facility project proposal submitted by Clemson University, because the plan presented included zero dollars in private financing for upfront investment. In short, it was rejected based on the funding source.

Clemson University committed to you at that meeting that we would take this back to our Board of Trustees at their July meeting for reconsideration. To give you an update on that, the Board of Trustees reviewed this proposal again. They reviewed it holistically. In fact, there are two board members here today that were present at that meeting in July; board member Nicki McCarter and board member Bill Smith. So the board reviewed this, as we told you they would. They reviewed it holistically in light of the University’s total financial health, the University’s total capital plan, budget, market considerations, and the Board of Trustees reaffirmed the original funding plan and instructed the administration to resubmit the original proposal for reconsideration. So we are respectfully resubmitting that for your consideration.

Now, out of respect for your time I'm going to walk quickly through what I believe were the most salient points from the presentation and points that came up in our discussion. That was an incredibly productive session. I know I learned a lot about where you all are coming from. I learned where we have information gaps, and I hope we closed some of those but I know through time that that's going to take more work.

Let me please start by acknowledging I think the most important issue and that began with Chairwoman Kuhl's opening remarks last time and that is that Clemson University and CHE--these are my observation--Clemson and CHE share common ground. Clemson and CHE are jointly focused on three things: access, affordability, and quality. CHE appropriately refers to this as its North Star, and I do hope that our discussion today starts on that common ground. We may differ on how certain things occur, but that is a shared common ground that our Board has, the administration has. So I want to share with you points from our last time together that are focused on those issues so that we don't perhaps get distracted about he said, she said or technicalities but to talk about this project and the proposed funding plan as it relates to that North Star that CHE has adopted.

Let's start with access and affordability. I want to stress points that are covered in this presentation that we went over before, but that the full Commission didn't have an opportunity to review. This project does not have and will not have any relationship to the costs of attendance or access at Clemson University. I believe learning that and understanding some of those details was a bit of a breakthrough at our last meeting and I'm hoping that everyone can better understand that now.

Every project, every institution has to be evaluated carefully in its particular context. This isn't the case at most schools in South Carolina, public or private, so we understand that. It's also interesting to note that this is not the case in most states in this country. In fact, it was stated at the last meeting that most states are either coming up with private equity or equity on the deal of 100 percent. The data from the Knight Commission, looking at over $4 billion worth of athletic projects at FBS institutions, across 33 states, shows that the average debt financing for these facilities is 96 percent and the median value is actually 100 percent debt financing. So with Clemson's projects, tennis included, beginning with a football operations center, we're about 58 percent cash proposing. So we're way above what is normal in the market. I think that's important for this Commission and for our Board of Trustees to have accurate information before making these decisions.

Why is this important? Again, access and affordability. This project and all athletic projects at Clemson University, all athletic operations are 100 percent privately funded, 100 percent privately funded from revenues generated from private ticket purchasers, voluntarily, the owners, television, multimedia rights, purchases of licensed apparel and gear, conference distributions. So in short, Clemson athletics is 100 percent privately funded. This applies to the tennis center as well. Even though tennis doesn't generate revenue, the athletic operation generates significant revenue to cover the sports that are required for Title 9 and to have a complete athletic program.

So I'm going to repeat one more time. Clemson University is in fact the only university in South Carolina, public or private, that doesn't utilize any student fees, no state appropriations, no general or university revenue to support athletics, operations, facilities or debt service associated with athletics. And again, that includes this tennis center.

The bonds that are issued for this project-- And I appreciated Commissioner Battson with his experience as a CPA speaking up last time about the difference between general obligation and revenue bonds. These are revenue bonds and in South Carolina these revenue bonds are much different than revenue bonds that are issued in many other states. These bonds are backed only--they're secured and serviced only by athletic department generated revenue. No taxpayer underwriting. No taxpayer obligation should these bonds be defaulted on. No student tuition and fee obligation. No obligation of general university revenues. So again, this financing plan has zero impact on access and affordability.

I don't remember if I said it a while ago. South Carolina is one of only eight states in the United States that doesn't either apply tuition and fees, taxpayer dollars, or a broad pledge of university revenues to back revenue bonds. So South Carolina is one of the strongest states in this country in protecting taxpayers and protecting the students. Clemson, we believe, is at the top of that pack, because we don't have a student athletic fee or fees that are tied to support this debt. I want to share one final thing in this category and it's counterintuitive. I understand that. But I think understanding and appreciating the differences among all these institutions is important.

There's been a lot of suggestions about fundraising. Tennis is not a high profile fundraising project. It's not like football. Anybody in this group, this room that's ever had the pleasure of serving on a church building fund campaign or a stewardship committee or a capital campaign at a university understands that there's a finite amount of money that you're going to get.

And I actually, following the last meeting, went to some of my friends that are major donors and kind of go-to people when you get in a bind for a project and said, "Look, if we're forced to put cash, private giving on the table for this project, would you consider it?" and some of those good people -- I'll protect their names -- said, "Well, yeah, I would but I'm going to have to reduce what I planned to give to the business school. I'm going to have to reduce what my wife and I had planned to put into our scholarship for students in engineering. I'm going to have to reduce what I was going to do for the school of education."

So what happens that nobody sees is in those efforts for projects like this that aren't high profile, you end up diverting gifts that could've otherwise gone to reduce costs for students. Make school more affordable. I understand it's counterintuitive but that's why it's so critical that we not have, as you all have said, a one-size-fits-all formula. We got to look at the specific project, the specific situation at each institution.

So doing what on the surface might seem like a good idea counterintuitively could increase the cost of education for students because when I go to a donor they're going to say, “Well, I’ll do that but I'm moving it from what I was planning on doing for the business school or what I was doing elsewhere.” So for us it was simple that this project, the athletics at Clemson, don’t reduce access or affordability and this proposed plan actually helps to better manage the cost and ensure that it’s 100 percent privately funded through athletic generated revenues.

The third element-- Access, affordability. The third element, quality. The proposed funding source, athletic revenue bonds, allow the university to take advantage of one of the most favorable borrowing climates in over 50 years. We've got a retired banker, we got CPAs, we’ve got finance people in the room. You're aware of this. At 10:00 a.m. today, Clemson University sold bonds for an important academic project and a refinancing opportunity that’s going to save $5 million net present value, 2.45 percent interest, 2.45 percent interest, and all of our consultants, financial advisors, investment houses say a conservative estimate for returns over this 30-year period is 6.25; 6.25 conservative return estimate, sold bonds this morning for 2.45 percent.

So the proposed funding source allows the university to take advantage of long-term investment strategies that further strengthen the university’s balance sheet, further strengthen athletics, and actually provide an opportunity to earn upwards to $36 million, taking those investment house conservative estimates. Not liquidating investments, keeping them invested for this purpose would generate $36 million. That’s $36 million that could go to fund quality. Athletics at Clemson subsidizes University.

I got a call last week from a faculty member that said, “When are the tennis courts going to be redone? When's the tennis center going to be done?” The City administrator in Clemson calls constantly, “When is the tennis center going to be done?” So athletic projects provide fields for intramural sports, faculty, staff, community members, jogging, walking, tennis center. So these investments and the strength of the athletic department actually provide quality and enhance the experience at the university overall.

So for us and for our Board, they didn’t give us an option--the math is simple. And their decision was that they cannot endorse something-- after looking holistically at the University’s projects and financial health, that they could not endorse something that would be irresponsible financially if they had an opportunity to generate that type of return over this period to enhance the university’s balance sheet and to provide more quality.

So I'm going to wrap up real quickly here and just recap a few points. We share a common ground. We care about access, affordability, and quality. I hope that you see that this funding plan carefully considered those things. We certainly considered the guideline, as we always will, and at times, as we've demonstrated, we’ll do 50 percent, we’ll do more. In fact, the average, again, from football operations through tennis would be 58 percent cash for those projects; well above what we're seeing across the country. So we do pay attention to that but in this case this is the most prudent decision given the investment climate, the interest rate climate, and really the small amount of that debt.

Reminder, Clemson Athletics, including all capital and debt costs, fully funded, fully underwritten by private dollars. There's no public money here. No state appropriations. No student fees. Nothing that impacts affordability. These bonds are not backed by the State of South Carolina. They're not backed by Clemson University. With a pledge of general revenues, this protects the taxpayers and the students.

So again, we do believe that this funding plan is in support of our shared values of access, affordability, and quality. So we respectfully request that you join us in supporting what, in this case, is a prudent and responsible funding plan. This wouldn't apply for every project at Clemson University. It wouldn't apply for every entity within the state. That's the good thing about a guideline is that it's a guideline and you carefully analyze the individual situations in a comprehensive manner and make a good decision, and that's what our Board has sent us to share with you all today. So, we respectfully request that the Commission review this project in a manner consistent with Section 2-47-40 of the South Carolina code. If you have questions, I'd be happy to answer those.

DIANNE KUHL: Before we start questions -- excuse me-- I do want to go ahead and make sure that everybody has the benefit of the timeline here. Mr. Jones, you were not here for this so I want to make sure that you get this as well.

If you'll recall, we did have this conversation, as Brett says, back in May. We had lengthy discussion about the fact that there was zero percent brought to the table. Mr. Dalton did ask us, "Well, how much should we bring?" and we had to tell him, "This is not an answer that we can provide. This is something that the University needs to bring back to us." And on May the 16th--

BRETT DALTON: That's the question we took to our Board.

DIANNE KUHL: Right. I just want to make sure that everybody understands exactly what took place here between us. On May the 16th, we received a letter from Mr. Hood, who is general counsel at Clemson, advising us that Clemson would be exercising their opportunity to appeal. He did state that they had some questions and in his last line he said they wanted it to come back today, which would allow time for all of the parties to have ample time to discuss possible resolutions of appeal and seek approval before the board of directors-- or the Board of Trustees at Clemson.

I know Commission Hofferth had numerous conversations back and forth with you, I believe, and with President Clements. I sent a letter to Mr. Hood on June 30th, which you all got copies of, explaining in detail the approval-- the appeals process and we actually told them because we knew that the Board of Trustees was going to be meeting in July, even though they had missed the deadline to submit any changes on sources of funding or other substantive modifications to the project, that we would allow them 48 hours following the Board of Trustees' meeting to bring any changes back to us.

We did receive a letter from the general counsel on the 18th advising that they had elected to come back and present the proposal on appeal as it was, without any modifications. So it's important to note that as a Commission we did everything we could to reach out and to make this as easy as we could for Clemson to come back and meet us at least part way on this. That being said, I will open this up for comments.

TIM HOFFERTH: Let me-- If I could just-- Since you referenced the fact of that timeline, my involvement in that timeline. For context, I think it's important to understand this because Mr. Dalton and I had three conversations during that period of time and Dr. Clements and I had three conversations specifically about this project. And as much as, you know, I understand the perspective, me personally on the Commission, I think we've done a pretty good job of trying to respond to all of the institutions in regards to helping them understand the expectation of this group, which we know the direction has changed from a standpoint of asking a lot more questions, trying to make better data-based decisions, all in line with, as you correctly and accurately stated, that North Star.

I don't want to get into the debate as to whether or not decisions that are being made inside athletics because these are revenue bonds creates a correlation between cost of attendance. The numbers are what the numbers are, relative to where the gaps are in the state and cost of attendance versus household incomes, and Clemson is on the top of that list. They do a lot of things great, no question about it, but at the end of the day if we look at it from the standpoint-- All of the context of my conversations with Mr. Dalton and Dr. Clements was all about in this environment as the strongest financial institution in the state.

We all can see it-- I've said it in this forum on multiple occasions that that's not the whole story. The whole story is that we've made a differentiation at the Commission level between those projects that are central to academic core-- And that's what we're here for, to educate kids and develop skill sets to be productive members of South Carolina's economy, okay? So we've made a differentiation between ancillary and auxiliary projects in this climate with these trends and I did everything I could do to try to convey how important it would be. I used the reference of the business building for 84 and a half million dollars at, I think, either the month or the month before sailed through like a knife through warm butter, because it was central to core. It recognized everything that you so eloquently articulated relative to the budget.

But the optics at this particular time, coming from an institution that we have all regarded as one of the strongest institutions that has done great things, you can't on a tennis court put zero in and we tried to say, "Listen, if nothing else, for no other reason than the optics.

Help us on this deal. Bring something so that we can have something to point to and be able to see if we could craft something." You know those conversations took place.

BRETT DALTON: Absolutely.

TIM HOFFERTH: And I understand if you compartmentalize and draw the dotted line for athletics that it's an entity into its own. That's a decision that the institution has made in regards to where those resources go. We're looking at it in its totality and we're trying-- Whether it's-- Whether that number's 50 percent, it's an expectation. It's not a prerequisite. It's not something that we would shy away from entertaining the vetting a capital project but it's an expectation. When you come with zero, I think that it sends the wrong message and that's where I think, coming from the Finance Committee, which I was not on but I followed it, was involved trying to do something that is in line with our North Star, and there is a direct correlation in our opinion.

We're not trying to tell the Board or the institution or its Trustees how to run their financials, but there is a disconnect if a $12.5 million tennis complex-I've been in athletic fundraising and I can relate to Dan--the only option would be to--it's a little bit of a misleading statement to say that when you go back in the private sector to try to raise funds it's always going to be at the expense of another project. I mean, you've done so many things that have been great. There's a lot of unbudgeted revenue coming in from the ACC as a result of the National Championship. There's other unbudgeted revenue lines coming from licensing and other things that were not accounted for before you won an awesome accomplishment.

What we're saying is that's the good faith message that I think South Carolinians need to hear, want to hear, have to hear to say that we've made a distinction between ancillary and auxiliary projects, whether they're tennis courts, you know, football operations buildings or football stadium expansions. They're all important. They're very, very important to all of our institutions.

But there is a priority going on right now due to the fact that costs are beyond the reach of the average South Carolinian and I think that encapsulates the message in regards to where we've been in this conversation. Because I credit Mr. Dalton. We've had some really good conversations and I think, again, it's another situation that could be summarized, you know, where you stand depends on where you sit on an issue. This issue, I think, is important and I would hope that we could get Clemson to be the leader on that side to be able to make that distinction and I think-- I'm just speaking for myself-- I think based on what came out of the Finance Committee--

BRETT DALTON: Can I just very quickly respond to that because our Board is here? Everything that you said we have shared with our board.

TIM HOFFERTH: Okay.

BRETT DALTON: Just a couple points. One, at the end of the day -- and it's critical that the public understand this -- it's critical that this body help the public understand that every institution and every program is not created equal. It's critical to understand that there is no linkage between athletic operations, this project, and tuition or cost of attendance. It's essential. Not making that clear is doing a disservice to the taxpayer.

Number two, we talked about optics, and this is something that the Board reviewed. The optics of doing something that has a negative opportunity cost of $20 to $30 million is not doing right by the taxpayers, the public, the people that are supporters of athletics, and those are objective, quantifiable data. Those are aren't perspectives or a matter of where we sit. Those are facts.

TIM HOFFERTH: Well.

BRETT DALTON: And so those two facts are--

TIM HOFFERTH: I hear you.

BRETT DALTON: --are essential—to understand about this project and Clemson University. Not every school, not the fact that South Carolina is higher than the average. And then the final thing, you said to do something to be a model to set the standard. We believe that Clemson University has done so. When you look at football operations through every project that we have planned on our CPIP that you all have, we're at 60 percent cash. Right now we're at 58 percent if we only go through tennis. So we believe that Clemson has set the standard and has demonstrated an enormous amount of commitment to the same principles that you're espousing.

TIM HOFFERTH: Let me just address that because I've heard that on multiple occasions regarding there's a one-size-fits-all. That's a misnomer. None of the deals that we've been able to do to change from a green light to every project, $3.7 billion over the last ten years have sailed through with no vetting in this state to a red light. We've done just the opposite. There have been other Commissioners, including myself, that have put in full-time jobs talking to get projects past the finish line. So this narrative about one-size-fits-all is a fallacy. And number two—

BRETT DALTON: I was referring to the message.

TIM HOFFERTH: Let me finish, let me finish.

BRETT DALTON: Sorry.

TIM HOFFERTH : And number two, I think you grossly underestimate the talents of your athletic director, who's a national championship athletic director in the country, in regards to his ability to generate revenue. At the end of the day to say that it has to come out of an existing pot or be reallocated, I would say if there's anybody in the country that has a proven track record of being able to enhance revenue, it's the gentleman sitting right back there.

BRETT DALTON: It's either going to be invested or spent and invested is where we lose money.

TIM HOFFERTH: Well, my point is-- my point is you're talking about the allocation of existing capital. I'm talking about bringing in new private sources of funding from a fundraising expert, guru, leader in the industry. That’s what we’re talking about. We’re saying yes, we want to be global leaders. We actually believe you can offer great academic programs, win national championships, and make that distinction between academic core. But we got a state that’s hurting and they're holding on to that last rung of the rail and we’re trying to bridge that gap and change those trajectories. And just so you understand from our perspective, that’s the viewpoint, at least from one Commissioner.

DIANNE KUHL: Okay. Mr. Jones and then Chuck. And Bret, you are welcome to sit down if you want to. You may be there for a few minutes.

BRET DALTON: That’s alright. I’ve been sitting all day.

RICHARD JONES: I realize that I was not here before, but this bothers me. It bothers me, because he's presenting something I'm very familiar with. He's got an institution that can issue bonds. They're tax-free to the buyers and he gets a benefit from that and what he's saying is that he can save money by using the bonds. And if you look at the—and I understand—that there was a suggestion made to come back with a decision to put some cash into this and I hope this is not an adverse reaction to that. I kind of sense some of it. But I don’t disagree—if I look at what the athletic department has done up there, you made the point of how much cash you’ve got into it--and I may be out of line, Mr. Chairman, but I just feel uncomfortable when somebody makes a computation to show how they can save money by using-- And it doesn’t matter to me whether it’s Clemson or Carolina or whoever it is. Because if that extra cost, in effect, ends up costing more to the people of South Carolina, whether they are fans or not. How are we served?

BRETT DALTON: Exactly.

RICHARD JONES: And I understand the goal here and I agree 100 percent, but I think I mentioned to you earlier I didn’t understand quite how the athletic part of it fits in with the academic part. You said, “Well, they're all just considered together.” But to me when I look at the source of funding and I look at what you said about the cost involved, I understand their argument. And from the standpoint of what I do professionally, I look at the tax cost of items and I'm sure you do too. If you can save money by tax leverage, save it. Now, that may be contrary to the rules that you’ve established and so forth but it does make me uncomfortable not to allow this type of analysis and this type of financing to take place. Obviously I think you can get too far over the cliff with this, but I certainly don’t see that with this information.

BRETT DALTON: This particular issue with the seven-tenths of one percent of the athletics’ annual operating budget, that’s the cost to athletics. It’s a very small issue.

RICHARD JONES: Did you know that these bonds would be immediately callable and will do some benefit of your financing?

BRETT DALTON: Typically they're not callable for 15 years. The bonds are sold to maturity.

RICHARD JONES: So my apologies but that just strikes me as bothering me. And again, I may be the only one. It may be just because I haven't been here and maybe you'll teach me—I hope all of you teach me. But I do think when someone can illustrate that they can save money that ought to be considered. That's all I'm saying.

BRETT DALTON: And that's exactly what was behind the decision, that there's a real cost of not taking advantage of this opportunity and that cost could be as high as $36 million over the life of this. That somebody will be paying more for than they otherwise would have to. And when I get questioned by Moody's and Standard and Poor's, that if we do it, they question our acumen. They question our financial abilities to manage our enterprise. .

DIANNE KUHL: Commissioner Munns?

CHARLES MUNNS: Statement first and then the question I will get to is is there not another way to bridge this gap. The statement is first, the business case is solid. I agree with Dick. I think that what you've put here makes sense. A tennis court is needed with the presentation that you've given us. It doesn't drive tuition today. I get that point. But I have to agree with the Chairman. We are also here attuned to the public expectation. The public expectation is not to live off of debt. So I note, at least by our dashboard, Clemson's debt gone up to $356 million. It's more than 100 percent growth over the last ten years, I guess. So it's certainly the wrong direction in--

BRETT DALTON: Because it was so low.

CHARLES MUNNS: --certainly the wrong direction in the times that we're living in. So the public doesn't understand your analysis. You make the case we should help educate them. Maybe. But my question, is there not a way we can do this without being 100 percent debt-based? And maybe you don't have the money right now but there-- with the revenue from athletics can you not maybe get a short-term deal and then buy down some of this debt so that it's not 100 percent based?

BRETT DALTON: Let me clarify. That question came up in the Finance and Facilities meeting.

CHARLES MUNNS: Again. I'm new to this discussion, too.

BRETT DALTON: We absolutely have the cash to do this. 100 percent. We've got a $70 million fund balance in our athletic operation. Why is it strong? Because we've made the decisions like this in the past. Why is Clemson held up as a model? Because--

CHARLES MUNNS: I get all that.

BRETT DALTON: Because we've made decisions--

CHARLES MUNNS: But the other side of-- the other side of--I get all that. I get all that. The other side of the point is the public has a view of this too and my view of the public is they expect us not to allow 100 percent debt and rising debt if you look at this in general. They don't understand revenue bonds. They don't understand athletics. They just see Clemson, fancy buildings, high tuition sticker price. And so there's got to be a way we can meet the gap here and somehow make this not 100 percent debt.

BRETT DALTON: And I think Clemson's decision was the optics. Clemson cannot defend to its customers, its students, its families, its ticket purchasers making a decision that is $36 million more costly than [INAUDIBLE].

CHARLES MUNNS: You just made the case that you're already at 60 percent balance. You're already-- If you're making that same argument with those other cases.

BRETT DALTON: We're making that decision holistically and this was a part of that decision.

CHALRES MUNNS: And what I'm saying is there's another calculus here and that's the public perception and it is hard for them to understand how we would allow 100 percent debt given--

BRETT DALTON: And I guess we have to decide the value of that. Is it $36 million? Is it $10 million? Is it--

CHARLES MUNNS: I don't think it's total, nor do I think it's zero and so that's what I'm asking. Was there not any consideration for the public view of this?

BRETT DALTON: You all refer to Leslie as a policy—I don't have the authority. The board made a decision on the financing plan. They asked us to come here.

CHARLES MUNNS: In my view, I think this is a needed project. We ought to approve it somehow but I worry about the 100 percent debtand so there ought to be a way we can get around that, whether it's short-term. And so we buy it down in this-- And I don't know what the answer is but--

TIM HOFFERTH: Commissioner Horne?

BETTIE ROSE HORNE: I want to thank you for a really excellent presentation. I question whether we ought not to question the rule that says you can't bring anything new. If there is something new that you can bring to tell us that would inform our decision, I'd like to hear it without us saying "you didn't think of that last month-it's too late." But it was very informative to me. But as I hear sparks around the table, it kind of reflects the way our General Assembly and federal government operate, that some on this and some over here. Everyone takes the position, "it's my way or the highway." And it seems to me that the Finance and Facilities Committee offered a compromise to say "could you bring something?" You are so well-funded. You do have geniuses up there raising money. Don't look around because you're one of them. You're a very compelling speaker-you made an excellent presentation. I just remember when my husband was the athletics director, he went to visit Dwight Rainey once. Mr. Rainey said, "Excuse me, Coach, I have to take this call." He kept saying "No. No. No." When he hung up, he said, "People call me all the time trying to give me $10,000 and I have to say no, you can't have a parking place." And my husband said to him, "We can run our program on $10,000." You're in a different world. If Williamsburg Tech was at the table and said, "we think we can recruit more students if we can have an athletics program, could you help us with our facilities?" I think we would still say, "Bring us something. Bring us something to show a good-faith effort to try to get on board. Under Tim Hofferth, we're trying to turn a ship around in the ocean and it's not an easy thing to do. So $6 million to Clemson is nothing. It would be a boat-capsizer for Williamsburg Tech. But you guys carry that in petty cash. And so bring us something to show us a good-faith effort to help us with our major goal. You're major goal is not in debt, because if we say no, you've got other places you can go and get that money and you will. You'll walk up that hill, I have no doubt and you'll get it. But I think what we're saying is "give us some help with our goal." And, as the Admiral says, let us try to help you with your goal, your goal is worthy. I've seen that tennis complex. It doesn't reflect your football program. So let's try to help each other. Take some money out of petty cash. Tell your Board members who are astute businessmen, just give us a good-faith effort. You guys are riding a wave.

KIM PHILLIPS: Yeah, I just-- I understand your math. I get it, but nothing down, that's hard for me. That's hard for me.

BRETT DALTON: Even understanding that there is a real cost? The $6 million that you refer to as petty cash is what's invested to create the $36 million that would reduce cost.

KIM PHILLIPS: Well, here's what I hear-- here's what I hear daily. I don't know how to afford to send my kid to school. It costs too much. It's expensive. I'm just telling you what I hear. What I'll hear is we've given you $12 million, and there goes my tuition again. I think it's a great facility and I get what you're doing but I have to-- We serve the people of this state and I don't feel that they understand the least little bit of what you're talking about. I get it, okay? But still the perception and the visual of it. It's wrong. It's just wrong. It is not right to put nothing down. An average Joe looks at that-- And I'm an average Joe. That hurts. That hurts feelings. That hurts feelings, especially when you just bragged that you have $70 million.

BRETT DALTON: That wasn't a brag.

KIM PHILLIPS: I'm just saying you just said you had $70 million cash. Good for you. I wish you had $150 million. I'm a dad; my kids go there. So when you say something like that and then you put nothing down, that hurts.

[Crosstalk]

KEN KIRKLAND: According to the figures that you have presented, you're going to be basically maintaining after debt service close to $9 or $10 million a year, starting this year forward. I agree the tennis facility would be a wonderful addition to the Clemson family. Certainly it's well needed. With a 1970s facility last renovated in '87, Lord knows you need it. There's no issue there. But if you've made do with things the way they are since 1987 and you know you've got $10 million coming in next year and for the next five after that, why can't you just patiently wait 12 more months? Put $6 million in the deal and do it on future revenue, not the revenue you've already got in the bank. The revenue that's coming according to the numbers.

So my question is that money has not yet been invested. That money is unencumbered money. That's net profit. So my question is I agree with the concept but why do we do it today? Why don't we wait 12 months and let's save the 50 percent and go from there?

BRETT DALTON: It sounds like there's no disagreement about the math. It's the disagreement about the optics and kind of something that's just difficult to quantify because that future earnings that you're talking about can still be invested at that 6.25, while servicing debt at a significantly lower rate. And that's part of our comprehensive plan to have the strongest balance sheet and the strongest university possible to better manage the cost for students and people that buy tickets.

So the math is what it is. There's not a debate there. The question is is the optics worth $10 million, $20 million, $36 million because it's really not-- I think I hear agreement that the plan we've proposed is the most financially astute. Now, educating the general population about that may be difficult but it does make sense from a finance perspective and that was the decision that was made.

DEVRON EDWARDS: Just one thing to add on and I agree, the presentation's phenomenal, the details are phenomenal. I jump on board with everything. If the only discussion was how to finance it, everything you said is right. Because to me, it's-- I don't care how things look. I agree it matters, but there's really two things. And to your point, you're losing money if you don't do it this way. So why would don't we triple [UNCLEAR] and why would do it three times if we're losing money?

And the point is there's really two issues. One is how it's financed. But the real issue goes back to what you said. Spend, spend--it's just keep doing more, keep doing more, keep doing more and the system overall—Clemson is phenomenal. The system overall can only take so much. And even if athletics is funding it all, there's people that would say everything keeps going up, ticket prices, parking and I'm not saying just Clemson, I'm saying the whole system is complaining.

So to me it's two things. One, I agree 100 percent that the financing plan, the interest rate-- You can't not make that decision. But it's more about the entire side of it and putting more money into it.

TIM HOFFERTH: Commissioner Seckinger?

TERRYE SECKINGER: Yes. I'm going to have to stand up because this is really very-- this really-- It's very important for me to say this. In November of last year, we passed a guideline. Now a guideline is a guideline. It's not a policy. It's a guideline. Because costs are going up and kids can't get into college and their parents can't pay for it. And we all know that and we all talk about that every time we come here. And the guideline was if you have non-central to core, nonacademic programs, we're looking for 50 percent, as a guideline, cash in. Because it's a non-central, nonacademic. And we're here for academics to graduate students and keep them in the state. We're here to build the workforce. We get all that. There's nobody more orange in this room than me. And I love my school. I know how solvent the school is. I know this, that when we pass this guideline, it's just a guideline, you all. It's a guideline. You know, I've been serving on boards and commissions in this state almost 30 years, 28 years. When I was on the juvenile parole board it was a requirement--people were put on the board for our judgment, just like this board, to protect the public, you know, and scrutinize these prisoners that are getting out –there was every sense possible in the juvenile system.

But the guidelines were guidelines of incarceration according to the category of the sentence. It could be from three to six months, 12 to 18 months, 36 to 54 months. Some of those people we let out below the guideline. I even got a call from a Senator one time chewing me out because I let a murderer out who was-- who had killed somebody in self-defense because he was trying to rape her. She went straight, She went straight to Piedmont Tech and got a two-year degree. That was under the guideline. There were some kids, we left--we never let out. We let them age out the system because you can't be adjudicated as an adult in a juvenile system. We never let them out, because they-- it was so bad and so egregious. It's a guideline. We use our good common sense as guidelines.

When we ask you all for a guideline. We gave them a guideline of 50 percent. Does that mean you have to bring 50 percent? No. What you're asking us to do, my dear friends, my dear friends, your Board has said forget you, we're going to come with nothing. We just wanted you to come with something. You're the most solvent-- I consider Clemson to be, outside of the medical anomaly [INAUDIBLE], the flagship school of our state, the flagship school. You're stronger. You've done things right. You have a great Board with great minds. You have a wonderful school that has so much-- You know, it's in such high demand, regardless of cost. You've got a person and a half to fill every seat. And your building partner-- You've got to build, build, build because great, great, great because everybody wants to be a Tiger, but not everybody can be a Tiger.

So the point is what we're looking for-- what we were looking for in Clemson is leadership on this. We have a runaway cost. We have-- I was asked to serve on this board by a Senator. He said we don't know what's going on at CHE because everything-- The costs are running away and all this.

We have worked so hard on this board to redirect what's going on in higher learning in South Carolina and we value every single institution. And it's almost like I consider it a family where you have some members of the family that are-- they've graduated magna cum laude, they've got great jobs, and they're doing really well. Then you've got some members of the family that are barely making it and some, I think, are in the hospital.

So when we ask for this guideline for nonacademic, non-central to the core projects, we would hope that you all would show leadership and give us something because--I can't speak for the rest of this board but do I think you should put 50 percent down? No. Do I anticipate you-- this board saying well, you know, let's just forget what CHE says and come with nothing? That was a real disappointment for me because we ask this as a guideline.

And you know what? In solvent schools, I don't expect 50 percent. I don't even expect 20 percent. I expect something because we're looking to you all to show leadership to the rest of the schools that really do need to rein in spending.

And I understand the state's perspective, and your perspective and Clemson's perspective and I appreciate that and that's where you're supposed to be. But you know what? You are a part of the South Carolina higher education family and that family—not everyone in that family is well. And so if some schools come to us for a non-central, nonacademic, you know, project, we might have to require 90 percent, and they might have to go get all that up front in private funds before we say yes. That doesn't mean we don't want to say yes. We want to say yes to all of it.

So to the board I just say, I'm hoping for leadership because you all are the leaders. You all are the leaders. And to the folks that come to Columbia, I'm hoping that there will be a collaboration with CHE. It's hard turning a ship that's been going in an opposite direction and when you're in state government that's really hard. It's one thing to be in a private company and you've got stocks that are going down-- and you have a board of directors meeting and you can whip things left and right. It doesn't happen that way in state government.

But the bottom line is this. We are permanent partners with you all. You're in our state. When I go to Death Valley to see Bill Smith's son play and my son who's just graduated, we're walking on state property. We're married forever. The question is are we going to communicate and reason with one another for the betterment of not only our schools but the whole state because there's a lot riding on everything that we do in this boardroom. And that is the quality of workforce we turn out, the quality of individuals and their character that we turn out of these institutions, and whether they're going to stay here in South Carolina and have-- raise wonderful families who are going to send their children. Or are we just going to let costs run away so nobody can go to college or a few can go to college and everyone else is on the government dole? We can't do that.

So I don't-- What you're asking us is to deny a guideline that we labored over, we worked hard over, we came to that 50 percent, and we're going to massage that 50 percent because it's got to be-- there's got to be some data points on that that really helps substantiate that. But what you've done is slap us in the face and said, "take your guideline and just throw it out the window." And really, that's kind of untenable thing as we set the bar for all the other agencies that are following behind us.

And that's what's so egregious to me. That's what's so hard for me today. I didn't want to get up and come to Columbia today. I really didn't because-- And I started not to say anything because I don't want all my Clemson friends in the corner to be furious with me. But you can't to us and say "we're just going to disregard your guideline" and not have a dime in this project, which I know you can pay for, Brett. And thank God, you've done it right. You are an example to every single other institution in the state in terms of how you grow your school. You're doing it hard, you're doing it right, and you're on a firm foundation. But to ask us to pass this with no money down, no money down, it's really asking us to slap ourselves in the face and I hope you see that. If I had my way, I would send you back up to Clemson, you all have a quick meeting and throw some cash at it, and put it back on the table.

And that's not saying that I'm know how everybody's going to vote here today. They might vote for 30 percent down. They might vote for 25 percent down. I would vote for a whole lot less down, because I understand the finances of what you're trying to do and I understand that you're solvent. But to come with nothing, I have a very hard time doing that.

And let me just say to the folks that come to Columbia on behalf of Clemson, please work with CHE. Don't just get angry and go back to Clemson and say "look what they're doing today." No, because we have to respect each other's perspective. I know that you are solidly for Clemson and that's where you should be. We have to represent the entire state and we have only have so many resources. And so it's important that all members of the family are involved in this decision that we make and we do that around this table. People come from different parts of the state, different institutions. They represent different institutions. We all collaborate because the number one focus on this board what's the best for South Carolina. I'm not going to require 50 percent from you. It's a guideline. I might require 75 percent from somebody else. That is, that's the crux of what is happening here.

TIM HOFFERTH: Commissioner Seckinger?

BRETT DALTON: One thing, while we have some Board members here. I think if the chairman of our board were here he would say that in no way reflects the Board's intent or their discussion of the debate. Now, I understand we're all passionate about a lot of issues. But this was not a contentious discussion at the Board meeting. It was very—one of the most boring parts of the meeting: give us the financial update, let's review the financing, let's look to see if anything has changed. It was a very black and white, we have to make a decision--

TERRYE SECKINGER: There's a way to satisfy your needs--

BRETT DALTON: I disagree--

[Crosstalk]

TIM HOFFERTH: Mr. Dalton, for the sake of-- We've got to get some people home here pretty soon. Commissioner Batson, did you have a comment? [UNCLEAR] I can tell you that right now because that's why it's an honor to serve with people like that because that's from the heart and I think it says it all. Commissioner Kuhl, you said you had one more comment?

DIANNE KUHL: I do. I really don't want to go after Terrye, though. That was beautifully said. Thank you. There are a couple of--but I am going to make one clarification. When you say there is no linkage between academics and athletics, that's just flat wrong. That may be how you have it structured at Clemson and I know Mr. Radokovich and I have had some spirited debate about this particular issue. And when you've got $12 million to spend over here on something that benefits a very small percentage of South Carolina's population and then I have students and families who are speaking to me and saying why did my tuition go up, there can be some linkage. The athletic department can make steps to lower tuition if that was what your Board made its determination to do. That's not my job. I don't sit on your Board. That's not what I'm here to talk about today. But I don't want to have somebody stand up and say there are no linkages between the two because there absolutely are.

My question--Going back to what Mr. Jones said, I understand completely the financial model. I understand that there are times when you actually make money by borrowing money because you make more interest on what you've got over here than you have to pay on what you borrowed. I get that completely. But when you came in here and stood before us in-- Was it May?

BRETT DALTON: May the 11th.

DIANNE KUHL: You told us that you all had already raised a couple million dollars in private money for this project and yet none of that has been put in here. You're still coming back to us saying you're going to borrow 100 percent and there is difference in saying we're going to take money that we've got sitting here and we're going to lose this percentage so that we can, you know, pay it up front and in doing an actual fundraiser and actually utilizing the money. And you had close to $2 million back in May and I'm going to tell you, nobody's kidding about Dan Radokovich—I'm a Tennessee fan and he almost had me buying season tickets. So, you know, you all are good. You've got a great product.

TIM HOFFERTH: Okay, let me-- let me do this. I'm going to interject. I'm going to do something we haven't done before in an attempt to reach an agreement—advancing to show that we've-- You know, we tried to get in the front door, couldn't get in; tried to get in the back door, can't get in; we're going to go in the side door, and the side door looks like a motion. I vote that we approve this tennis-- these tennis courts on the condition that you put $6 million of equity into the deal.

KEN KIRKLAND: Second.

TIM HOFFERTH: We have a second. Commissioner Kirkland. Any discussion?

BETTIE ROSE HORNE: I was going to ask you that. We got three Board members here and I so appreciate what this lady had to say and I'm so in awe of how she's been able to lift up her university that she loves. I'm so proud of her. Just before we started talking about this I said I wish you would rethink your vote and she re-thougt it. And I will just add to her metaphor on marriage. Marriage is like a card game. In the beginning you need two hearts and a diamond. At the end it's a club and a spade. Let's go back to hearts and diamonds. We sit in here and we challenge other institutions to emulate Clemson, but I'm sitting here listening to everything around the table. I'm going to vote—I was going to vote no if the motion was [UNCLEAR]. You're offering us a way out and I would challenge the three Board members who are here. Please carry this back. Not as a slap to you all, but the CHE is trying to go back to hearts and diamonds. I'm going to vote yes.

TIM HOFFERTH: The vote on the floor is--

DIANNE KUHL: Motion.

TIM HOFFERTH: The motion on the floor is to approve this project on a condition that they-- that Clemson puts $6 million in equity in the deal. Commissioner Horne voted yes. I'm going to do a roll call vote. Commissioner Kuhl?

DIANNE KUHL: Yes.

TIM HOFFERTH: Commissioner Batson?

PAUL BATSON: Yes.

TIM HOFFERTH: Commissioner Edwards?

DEVRON EDWARDS: Yes.

TIM HOFFERTH: Commission Love, are you still there? Commissioner Lynn?

LOUIS LYNN: Regarding the $6 million?

TIM HOFFERTH: The motion on the floor is to approve the tennis courts on the condition that Clemson puts in $6 million in equity.

LOUIS LYNN: No.

TIM HOFFERTH: You're voting no?

LOUIS LYNN: I'm voting no.

TIM HOFFERTH: Commissioner Munns?

CHARLES MUNNS: Yes.

TIM HOFFERTH: Commissioner Phillips?

KIM PHILLIPS: Yes.

TIM HOFFERTH: Commissioner Seckinger?

TERRYE SECKINGER: Abstain

TIM HOFFERTH: Commissioner Jones?

RICHARD JONES: Yes.

TIM HOFFERTH: The motion passes.

DIANNE KUHL: Yes.

TIM HOFFERTH: Nine yes, one no, one abstention and one not with us. So the motion passes with those considerations. Thank you gentleman from Clemson. I appreciate your time this afternoon.