

The official minutes of the University of South Carolina Board of Trustees are maintained by the Secretary of the Board. Certified copies of minutes may be requested by contacting the Board of Trustees' Office at trustees@sc.edu. Electronic or other copies of original minutes are not official Board of Trustees' documents.

University of South Carolina
BOARD OF TRUSTEES

Executive Committee, Called Meeting

June 8, 2018

The Executive Committee of the University of South Carolina Board of Trustees met in a called meeting at 2:30 p.m. on Friday, June 8, 2018, in the Alumni Center's C. Edward Floyd Boardroom.

Members participating were: Mr. John C. von Lehe Jr., Chairman; Mr. Hubert F. Mobley, Board Vice Chairman; Mr. Toney J. Lister; Mr. Miles Loadholt; and Mr. Eugene P. Warr Jr.; with Dr. C. Edward Floyd joining by telephone.

Other participating Trustees were: Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck Jr.; Mr. Thomas C. Cofield; Ms. Leah B. Moody; Ms. Rose Buyck Newton; Dr. C. Dorn Smith; Mr. Thad Westbrook; and Mr. Charles Williams.

Also present were: USC Columbia Faculty Senate Chairman Marco Valtorta and USC Columbia Student Government President Taylor Wright.

Others present were: President Harris Pastides; Secretary J. Cantey Heath Jr.; General Counsel Walter "Terry" H. Parham; Chief Operating Officer Edward L. Walton; Provost Joan Gabel; USC Advancement Team Leader Paula Harper Bethea; Chief Financial Officer Leslie Brunelli; Athletics Director Ray Tanner; Vice President for Human Resources Chris Byrd; Chief Communications Officer Wes Hickman; USC Beaufort Chancellor Al Panu; Palmetto College Chancellor Susan Elkins; USC Upstate Chancellor Brendan Kelly; Chief Audit Executive Pam Doran; University Treasurer Pat Lardner; Associate Vice President of Finance Kelly Epting; Office of Equal Opportunity Programs Director Clifford Scott; Executive Director of Economic Engagement William D. "Bill" Kirkland; Senior Associate Vice President for Student Affairs and Academic Support Stacey Bradley; USC Columbia Budget Director Joe Sobieralski; Director of State Government Relations Derrick Meggie; Executive Director for Strategic Initiatives Jack Claypoole; Associate Provost for Academic Programs Tena Crews; USC Aiken Vice Chancellor for Finance and Administration Cam Reagin; USC Aiken Executive Vice Chancellor for Academic Affairs Jeff Priest; University Technology Services Production Manager Joe Woodard; and Board staff members Debra Allen and Terri Saxon.

I. Call to Order

Chairman von Lehe called the meeting to order. He stated notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated; and a quorum was present to conduct business.

Mr. Hickman announced no media were present for the meeting.

Motion for Executive Session

Chairman von Lehe said there was a need for an Executive Session to discuss a proposed contractual matter regarding an athletics employment contract for USC Upstate. Mr. Mobley so moved, and Mr. Loadholt seconded the motion. A vote was taken, and the motion passed.

The following were invited to remain: President Pastides, Secretary Heath, Dr. Valtorta, Mr. Wright, the President's Executive Council, Ms. Doran and Ms. Bradley.

Executive Session

Return to Open Session

II. USC Upstate Athletics Director Employment Contract

Chairman von Lehe called on Mr. Parham who said USC Upstate sought approval of a new, four-year employment contract for Daniel Feig to serve as athletics director under the terms outlined in the full copy of the contract included in the Board's meeting materials.

Mr. Lister so moved, and Mr. Loadholt seconded the motion. The vote was taken, and motion passed.

III. FY2019 Budget

Joining Trustees at the meeting table to discuss the budget were Mr. Walton, Ms. Brunelli and Mr. Sobieralski. Before beginning the budget discussion, Chairman von Lehe indicated Mr. Mobley and he had discussed a better process for briefing Trustees on development of the budget. Instead of individual meetings, which would remain available to any Trustee who needed one, he and the Board's Vice Chairman felt it was better to have the budget process take place in a group setting in Columbia. The three-part process would begin with today's meeting where Ms. Brunelli would present an overview on expenses. A second meeting will be held June 22 to focus on funding. The third meeting will take place on July 11, at which the Board would vote on the budget.

Mr. Walton thanked Trustees for their guidance on a new approach for briefing them simultaneously on budget development. He said the information being presented had just been received

and would provide a high-level introduction to the FY2019 budget. Work was continuing on implementing a new way of budgeting at the University and more information on that would be provided during the second and third budget meetings.

Mr. Walton said the Legislature would return to deal with the final budget on June 27 or June 28. Thus, the University's budget meetings are being held before the General Assembly knows what it is going to do with the state budget. Today, the Board will receive general information and the administration can answer Trustees' questions and receive their input. On June 22, a more detailed budget would be available and by July 11 Trustees will be in a position to take a final vote once they know what the General Assembly has done.

Ms. Brunelli introduced Mr. Sobieralski, former vice chancellor for finance at USC Aiken who joined the Columbia campus Budget Office in 2017 and has been working on the new budget model with Huron and Elliott Davis. Mr. Sobieralski has been promoted to University Budget Director, replacing current University Budget Director Harry Bell who will retire June 30.

Ms. Brunelli presented a series of slides providing an overview of the size of the budget, sources and uses of funds, as well as highlighting cost controls, cost allocations, mission priorities, and the President's priorities. Mr. Walton indicated there remained a gap between what the University needs to accomplish and the necessary new funding to do it.

The presentation began with an overview of the FY 2017-2018 USC System Budget, reflecting total current revenues of \$1,579,691,261 detailed by category with each illustrated by dollar amount and as a percentage of the whole. Nearly 50% of the University System's revenue comes from tuition and fees. State appropriations provide 10.4% of the overall revenue, she said, noting this percentage will not change substantively in the new fiscal year. However, 20 years ago, the percentage of revenue from state appropriations was closer to 35%.

A similar chart was presented for current expenditures, with the largest expenditure – 28.9% – dedicated to instruction. Scholarships and fellowships represent 18.3% of expenditures, which reflects both the abatement for non-resident students and actual scholarships provided.

To provide more perspective, Ms. Brunelli showed a chart of the USC System headcount enrollment Fall 2012 through Fall 2017. Enrollment has increased from 46,264 to 51,130, with the undergraduate population reaching 42,394 in Fall 2017. While most of the growth is due to increased enrollment on the Columbia campus, USC Aiken, USC Beaufort and USC Upstate have each experienced

growth with the Aiken and Beaufort campuses showing the most growth outside of Columbia. The Palmetto College campuses also have shown growth this year.

Several enrollment and finance slides based on data reported through the Integrated Postsecondary Education Data System (IPEDS) were presented comparing USC Columbia's headcount and full-time equivalent (FTE) student numbers, tuition and state appropriations per FTE with those of Southeastern Conference (SEC) institutions, as well as with the University's peer and peer aspirant institutions, and Clemson University. Comparative information also was provided for other categories from the IPEDS Finance Reports for FY2016: core revenue and expenses per FTE student; instruction expenditures per FTE student; instruction as a percentage of core expenditures; institutional support per FTE student; and institutional support as a percentage of core expenditures.

Ms. Brunelli noted the University is a high tuition and low state appropriation institution. The University has the lowest resources of any institution per FTE student of any other university in the SEC, as well as in USC's peer and peer aspirant group. The comparison illustrates less per student revenue and expenses because of the fewer dollars available. However, she noted, the comparison shows the University is high among SEC institutions for instructional expenditures, spending more than \$10,000 per student on instructional costs. Illustrating the importance placed on instruction, she said, USC is the highest in the SEC when instruction is examined as a percentage of all core expenditures. This carries over to the comparison with peer and peer aspirants, where USC is the second highest in terms of instruction as a percentage of core expenditures.

USC ranks low for institutional support expenditures per student, which represents administrative costs. When looking at the percentage of institutional support the number is higher, but she reminded Trustees the number is reported for USC Columbia, but represents administrative functions performed for the system.

Proceeding to the proposed FY2019 budget, she noted it was not a bad budget year. Increased funding may only be \$8 million, which is a good increase given where funding has been since the recession. She presented detail on the best-case scenario based on action the General Assembly could take when it returns in late June to take up the state budget. Combining the recurring FY2018 base appropriation with the best-case increase plus the estimated state appropriated dollars for increased fringe expenses, the University System could receive \$174 million. Ms. Brunelli reminded Trustees that before the recession in 2008, the University's total state appropriations were over \$230 million.

Ms. Brunelli next reviewed the FY2019 state capital project funding of which \$20.9 million in Capital Reserve Funds for the University System had been signed into law. A second pool of funding in the amount of \$19.9 million for higher education still has to be approved. If approved, those dollars would go to the Commission on Higher Education and are required to be allocated based on resident enrollment, which could result in an additional \$5,419,542 for the University System.

Campuses outside of Columbia and other institutions also receive lottery funding for technology. The amount, which at one time totaled \$12 million, was \$6.5 million of which USC campuses received \$1.2 million in FY2018. The House of Representatives failed to allocate the funds for FY2019, as it has done for several years, while the State Senate restored and increased the funding. The House-amended version of the budget has this lottery funding allocated at \$4 million of which USC campuses could receive \$669,033. The Senate's budget would allocate \$1.3 million to USC campuses.

Ms. Brunelli noted the Senate budget allocated USC Union \$500,000 in non-recurring funding for parity, while USC Lancaster was allocated \$500,000 in recurring funds for renovations and repairs. This proposed funding would come from lottery funds.

She next presented a comparison of FY2018 in-state tuition and required fees, which showed USC as being the third highest for resident undergraduates in the SEC. She noted the amount of tuition increases at the various SEC institutions for FY2019: University of Arkansas will have a 0% tuition increase because it will receive additional state appropriations as part of the first year of state performance funding; Auburn has requested a 3% increase; Georgia will be 0% and will receive \$21.2 million new state dollars; and Kentucky is considering between a 2 to 4% increase. She said Louisiana State University (LSU) is considering a 5% increase, which would be the fourth or fifth year the school has increased tuition at this level.

Lately, LSU has had the most significant reduction in state funding of any of the University's SEC peers, Ms. Brunelli said, adding that Kentucky is facing a state budget cut of about 2% of its appropriations. Continuing with her list of SEC institutions and their requested tuition increases, Ms. Brunelli said the University of Mississippi has requested a 4.5% increase; Mississippi State a 4% increase; Texas A&M a 3.7% increase (which is the current level of Higher Education Price Index); University of Missouri a 1% increase, which is significant since the legislature has prevented increases for the past several years; University of Tennessee is at 0% and will receive \$17.3 million new state dollars. No information was available for the University of Alabama or the University of Florida.

Within South Carolina, information on tuition increases is currently available for only a few institutions. The Citadel's increase will be 3.25% for residents and non-residents; Coastal Carolina is 3% for residents and non-residents; and the College of Charleston is 3.5% for residents and 4% for non-residents. Ms. Brunelli provided a chart illustrating in-state undergraduate tuition and required fees on the Columbia campus for the past 10 years. The chart depicted the combined fall and spring dollar rate, as well as the percentage increase across each year since FY2010. She noted the highest increase at 6.9% came in FY2011, which was at the height of the recession when the University had already lost half of its state appropriation. Since FY2012, tuition increases have been held between 2.9% and 3.46%.

Ms. Brunelli provided a chart comparing the University's FY2018 resident undergraduate tuition of \$6,131 per semester with Clemson's \$7,356. If the University charged its students the difference of \$1,225, an additional \$60 million in revenue would result. She then illustrated a projected 2.6% increase for FY2019 would be an additional \$159 per semester, while a 2.0% increase would mean an additional \$123 at USC compared to \$191 and \$147 per semester at Clemson.

She indicated that the Higher Education Price Index (HEPI) was 3.7% in 2017, the highest it has been since the recession. The biggest contributing factor to this is the increase cost of fringe benefits, although the volatility of utility costs is another significant factor.

Ms. Brunelli said in Fall 2017, there were 25,170 full-time undergraduates at USC Columbia of which 55% were residents and 45% were non-residents. Net tuition for the non-residents amounted to \$113,041,641 or 58% compared to \$80,972,799 or 42% in net tuition paid by resident students. Breaking down tuition further, she said, 29.95% of non-resident students in Fall 2017 paid the full tuition rate; 13.99% of non-resident students paid the resident rate due to a special status such as military, reciprocity/sister state agreements or residency exceptions; 25.92% of non-resident scholarship students paid the resident rate as part of scholarship awards; and 30.14% non-resident scholarship students paid a variable rate between resident and non-resident rates as a result of holding athletics scholarships or departmental/divisional scholarships.

FY2019 has several new budget requirements, she said. These include increases in retirement and health insurance, strategic initiatives, law enforcement and safety, library materials, the undergraduate 4% fee waiver, advancement, student health center operations, and Audit & Advisory Services. Of the more than \$78 million in initiative requests, Ms. Brunelli presented those identified for FY2019 funding of which \$8,582,353 were required cost increases for items like retirement and health insurance and \$25,731,081 were for strategic priorities such as \$8 million for the Provost's Academic Excellence Initiative, \$3.275

million for the President's initiatives focusing on student success and career opportunities, \$860,000 to Student Affairs for programs and services related to enrollment services and financial aid, \$850,000 for facilities operations, and \$726,000 for Board-mandated fees related to the Student Health Center, student recreational fields and the Student Union plan.

Sources of funding for the FY2019 recurring budget initiatives totals \$8,736,081, which includes an increase in state appropriations of \$4,566,081, an increase in state appropriations for employee fringe benefits of \$2,170,000, an enrollment increase expected to yield \$1.5 million in revenue, and \$500,00 from the quasi endowment. Budget revenue is \$16,995,000 short of meeting USC Columbia's recurring initiatives, with any increase in student tuition yet to be determined.

Ms. Brunelli next detailed the FY2019 non-recurring budget initiatives, which includes a \$500 bonus for employees earning \$50,000 or less based on the State Senate budget and which would cost the University \$696,000. On the priority side for non-recurring funds, she identified \$10,681,372 needed for significant network and infrastructure repair. FY2019 non-recurring budget initiatives total \$18,055,372. She noted the impact of the proposed FY2019 bonus across all funds would cost the University \$761,283. Funding for the non-recurring budget initiatives totals \$11,155,372, which is \$6.9 million short.

Ms. Brunelli's presentation included information for the USC System. She said modest growth was expected at the School of Medicine's graduate programs, noting the School of Medicine Greenville will reach its full capacity for 2019 with 5% growth over 2018. USC Beaufort and Upstate are budgeting for flat enrollment, while USC Aiken expects enrollment to decline slightly. USC Salkehatchie and USC Union project modest enrollment increases, while USC Lancaster expects an increase in traditional students with a reduction in concurrent enrollments and USC Sumter expects flat enrollment. Palmetto College Online expects growth from new programs in Information Management & Systems and Health Promotion; enrollment in Liberal Studies and Education is declining.

Trustees also were provided information in their materials showing the base expenditure budget for each system campus, as well as the School of Medicine Columbia and School of Medicine Greenville.

The Board's next meeting will be June 22. Administrators will be available to receive Trustee input and answer questions. The General Assembly convenes June 27 and June 28 to finish the budget, reconvening in July or later to address budget vetoes. In the meantime, she said, the budget staff along with Huron Consulting and Elliott Davis will continue work on the new budget model.

Chairman von Lehe reminded Trustees it would not be possible to finalize the University's budget at the June 22 meeting. He said a called meeting would be held on July 11 to approve the University's budget.

In response to a Trustee question, Ms. Brunelli said a tuition increase of 4.4% would be required to meet all recurring and non-recurring initiatives, but that other sources of revenue were still being sought. President Pastides said that for the first time in his presidency, he felt the future held real hope for obtaining new funds for higher education from the General Assembly.

IV. Adjournment

There being no further budget discussion, and before declaring the meeting adjourned at 3:25 p.m., Chairman von Lehe noted the President's Reception hosted by the Alumni Association in Charleston had become a stellar event.

Respectfully submitted,

J. Cantey Heath, Jr.
Secretary