UNIVERSITY OF
SOUTH CAROLINA

October 8, 2013

Harris Pastides
President

The Honorable Nikki R. Haley
Governor of South Carolina
Office of the Governor
Post Office Box 12267
Columbia, South Carolina 29211

Dear Governor Haley:

We are providing the attached budget proposal for the 2015 fiscal year. As recovery from the recession continues, it is time to make a new compact with the state of South Carolina that includes a formula for fairly funding a public baccalaureate education. I believe we are in agreement that a college degree should not be considered a luxury for South Carolinians but rather a necessity for our state's economy. Consequently, we need to work together to invest in higher education at levels that make common sense.

Today, 46,000 future leaders, critical thinkers and problem solvers are enrolled across our USC system. Nothing is more important to the well-being of South Carolina than producing well-educated citizens. Indeed, by creating opportunities for our students to succeed, we are investing in South Carolina's future.

It is abundantly clear that the state's flagship university has become a destination point for top performing high school seniors. As our application rates steadily increase, we are able to serve larger numbers of qualified South Carolinians. In fact, applications and enrollment are at an all-time high. This year more than 23,000 students applied to the Columbia campus, and of those, 5,034 were enrolled. Last year 349 freshmen enrolled in the nation's No. 1 Honors College; this year our scholars increased to 411 with an average SAT score of 1431 and an average high school GPA of 4.61. Last year 537 freshmen were named Capstone Scholars, this year we have 760.

I introduced the following four statements during my recent State of the University address. They represent our university's identity today and stem from our values, our accomplishments and our aspirations. They also reflect the outstanding work of our faculty and staff and the spirit and optimism of our student body.

University of South Carolina • Columbia, South Carolina 29208 • 803-777-2001 • Fax 803-777-3264

An Equal Opportunity Institution

**The University of South Carolina is a globally recognized, high-impact research university.**

Carolina's national and global rankings are exceptional in several significant areas, none more relevant than our Columbia campus designation as the state's only Carnegie top-tier research university. This ranking places USC in the same category as Ivy League schools and other top private and public universities.

Today, members of the University of South Carolina's faculty continue to attract global recognition. While there are too many honors to address here, please note that a significant number of faculty was named fellows of the prestigious American Association for the Advancement of Science bringing the number of AAAS fellows up to 23. This important achievement is surely a source of pride to the entire state.

**The University of South Carolina is recognized for a superior student experience.**

Our Carolina Leadership Initiative is specifically designed to develop programs that will create future leaders for the Palmetto State. For the first time, undergraduates have the opportunity to leave Carolina with a new distinction on their transcripts, "Graduation with Leadership." This distinction reflects stringent requirements our students must complete in one of four targeted pathways of leadership: community service, global learning, professional and civic engagement or research.

Ultimately, the desired result of an exceptional liberal arts, sciences and humanities education is a student who graduates with an intellectual curiosity, who thinks critically, can analyze a problem and is able to suggest solutions. These are all attributes that employers tell us they want and find in USC graduates.

A superior student experience also requires a superior faculty. As our Faculty Replenishment Initiative moves forward, 127 outstanding new professors came on board this year joining the 120 new faculty members appointed last year.

**The University of South Carolina is committed to developing new models for college education that provide greater access and affordability.**

**On Your Time Graduation**, successfully piloted this past summer, provides great flexibility by opening up a third full semester with non-recurring support of $2.5 million from the State for FY2014. Students were extremely receptive and many classes were filled to capacity; approximately 11,000 seats were filled. This year we are asking CHE to support the use of lottery scholarships for credits that USC students take in the summer.

South Carolina's public online baccalaureate completion initiative, **Palmetto College**, officially launched at the Statehouse on April 18, 2013. This program is funded by a $5

million recurring commitment from the State. It allows place-bound and rural students to complete their baccalaureate degrees with the quality of USC online. This is a great idea at the right time.

The successful **Gamecock Gateway** is a partnership with Midlands Technical College that brings 168 selected students to live on our campus while preparing them for direct transfer to USC as sophomores.

Ensuring access, the **Gamecock Guarantee** covers the cost of undergraduate tuition and technology fees for 455 first-generation college students from low-income families in South Carolina.

**The University of South Carolina is a vital part of South Carolina's economic and overall well-being.**

Our future and the state's future are married to each other. We make a $4.1 billion impact on the state—30 times more than what we receive in direct appropriation. We plan to have an even greater statewide impact in the future. Recently, I consolidated all of our economic outreach efforts under the banner of the Office of Economic Engagement. Other responsibilities of this Office also include faculty technology and commercialization. And, with aviation companies moving to the state, USC is positioning itself to provide the research and development partnership they need through the McNair Center for Aerospace Innovation and Research.

**Funding.** I ask that state government work with us, and all public universities, to reform how higher education is funded and commit to a permanent fair funding strategy. This will help us make higher education accessible and affordable and it will stem the troubling trend of fewer South Carolinians attending college.

We can look to other states that have recently adopted new funding models–including Tennessee, Indiana and Colorado. While none of these models may be right for us, we can certainly come up with a model that puts the brakes on tuition increases by providing fair funding through a variety of performance based metrics. It would send a strong signal to the nation that South Carolina, does, in fact, value higher education for its citizens.

Any new funding model will require new money or it will not work. We know that the economy remains difficult, however, over the last two years, state government has budgeted almost $1 billion dollars in new recurring monies. Higher education received only a small fraction, 2.7 percent of those dollars. New monies must be appropriated for higher education in South Carolina, or the businesses that consider locating in our state will select other locations where education is a higher priority and better value.

I am asking that state government join us in agreeing to a three year moratorium on tuition increases in exchange for increased recurring state funds equal to the amount of an annual tuition increase of three percent. I also ask the state to recognize that unfunded mandates relating to mandatory state employee pay raises; mandatory increases in employer health insurance coverage and contributions, including the implementation of the Affordable Care Act; and state authorized increases in energy costs have been and will continue to be unfairly borne by our students and their families.

In addition, I am willing to take the lead and call for a moratorium on new earmarked requests for specific university projects. However, we cannot do this unilaterally without stable and recurring funding.

We also request statutory authorization allowing lottery funded scholarships be utilized by USC students during the full summer semester now known as "On Your Time" graduation. Along with this authorization, it is apparent that a one-time appropriation of lottery dollars is necessary to bridge any cash flow issues associated with this transition.

I will continue to work closely with you and your staff to provide greater access, flexibility and affordability for all South Carolinians seeking a higher education. Working together, there are no limits to what South Carolinians can achieve.

Sincerely,

Harris Pastides

c: Dr. Michael Amridis, Vice President for Academic Affairs and Provost
Mr. Harry Bell, University Budget Director
Mr. Les Boles, Director, Office of State Budget, Budget and Control Board
Ms. Leslie Brunelli, Associate Vice President for Business and Finance
Dr. Susan Elkins, Chancellor, USC Palmetto College
Dr. Dennis Pruitt, Vice President for Student Affairs
Dr. Richard Sutton, Executive Director, SC Commission on Higher Education
Mr. Edward Walton, Chief Financial Officer

| AGENCY NAME: | University of South Carolina - Aiken | | |
|---|---|---|---|
| AGENCY CODE: | H29 | SECTION: | 20B |

# Fiscal Year 2014-15 Agency Budget Plan

## FORM A – SUMMARY

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| RECURRING FUNDS *(FORM B DECISION PACKAGES)* | **My agency is submitting the following recurring decision packages (Form B): 1678 (Fair Funding), 1700 (Federal Funds)** |
| | **For FY 2014-15, my agency is (mark "X"):** |
| | X Requesting a net increase in recurring General Fund appropriations. |
| | Not requesting a net increase in recurring General Fund Appropriations. |
| CAPITAL & NON-RECURRING FUNDS *(FORM C DECISION PACKAGES)* | **My agency is submitting the following one-time decision packages (Form C): 872 (Penland Administration Building HVAC Replacement)** |
| | **For FY 2014-15, my agency is (mark "X"):** |
| | X Requesting capital and/or non-recurring funds. |
| | Not requesting capital and/or non-recurring funds. |
| PROVISOS | **For FY 2014-15, my agency is (mark "X"):** |
| | X Requesting a new proviso and/or substantive changes to existing provisos. |
| | Only requesting technical proviso changes (such as date references). |
| | Not requesting any proviso changes. |

Please identify your agency's preferred contacts for this year's budget process.

| | *Name* | *Phone* | *Email* |
|---|---|---|---|
| PRIMARY CONTACT: | Ed Walton/ Leslie Brunelli | 777-1967 | WALTONE@Mailbox.sc.edu<br>LGBRUNEL@Mailbox.sc.edu |
| SECONDARY CONTACT: | Harry Bell | 777-4033 | HBELL@Mailbox.sc.edu |

I have reviewed and approved the enclosed FY 2014-15 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

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| AGENCY DIRECTOR *(SIGN/DATE)*: | H Pastides | Tuesday, October 8, 2013 |
| AGENCY DIRECTOR *(TYPE/PRINT NAME)*: | Harris Pastides, President | |

*This form must be signed by the department head – not a delegate.*

| AGENCY NAME: | University of South Carolina Aiken | | |
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# FORM B – PROGRAM REVISION REQUEST

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| DECISION PACKAGE | **1678** |
| | *Provide the decision package number issued by the PBF system ("Governor's Request").* |
| TITLE | **FY2014-2015 Fair Funding Budget Request for the University of South Carolina Aiken** |
| | *Provide a brief, descriptive title for this request.* |
| AMOUNT | **$770,000 + Unfunded Mandates** |
| | *What is the net change in requested appropriations for FY 2014-15? This amount should correspond to the decision package's total in PBF across all funding sources.* |
| ENABLING AUTHORITY | Title 59, Chapter 117 of the South Carolina Code of Laws established the University of South Carolina. No establishment of or revision to that authority prompts this decision package. |
| | *What state or federal statutory, regulatory, and/or administrative authority established this program? Is this decision package prompted by the establishment of or a revision to that authority?* |

| FACTORS ASSOCIATED WITH THE REQUEST | **Mark "X" for all that apply:** | |
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| | X | Change in cost of providing current services to existing program audience. |
| | X | Non-mandated change in eligibility / enrollment for existing program. |
| | X | Change in case load / enrollment under existing program guidelines. |
| | | Non-mandated program change in service levels or areas. |
| | | Loss of federal or other external financial support for existing program. |
| | | Exhaustion of fund balances previously used to support program. |
| | | Proposed establishment of a new program or initiative. |

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| RECIPIENTS OF FUNDS | These funds will benefit the University of South Carolina Aiken student body of 3,250 and the faculty/administrative staff who serve them. The University only conducts a small percentage of its work through payment for services rendered by outside contractors, vendors, grantees, individual beneficiaries, etc. In those instances the University adheres to all applicable State Procurement requirements. |
| | *What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing formula, through a competitive process, based upon predetermined eligibility criteria?* |

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| **RELATED REQUEST(S)** | The University of South Carolina System submits FY2015 Fair Funding Requests for each of the system campuses. |

*Is this decision package associated with other decision packages requested by your agency or other agencies this year? Is it associated with a specific capital or non-recurring request?*

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| **MATCHING FUNDS** | These funds will not be matched by federal, institutional, philanthropic, or other resources. |

*Would these funds be matched by federal, institutional, philanthropic, or other resources? If so, identify the source and amount.*

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| **FUNDING ALTERNATIVES** | This budget request calls for State appropriations in lieu of tuition increases to be paid by students of the University of South Carolina Aiken campus. Should the State prove unable to meet this budget request, then tuition increases must be applied in order to yield necessary revenues. |

*What other possible funding sources were considered? Could this request be met in whole or in part with the use of other resources, including fund balances? If so, please comment on the sustainability of such an approach.*

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| **SUMMARY** | The University of South Carolina Aiken campus requests $770,000 recurring State General Fund Appropriations. In addition to this request, the University expects that all required recurring cost increases, such as legislated pay increases for University personnel, cost increases associated with health-care benefits, and rate increases associated with local utilities, will be provided by the General Assembly. Other planned costs associated with State-owned facilities maintenance and repairs, growth in size of the student body, and access to higher education for South Carolinians, are also covered by the amount of this request.<br><br>The University is committed to accessible and affordable higher education for South Carolinians. The amount in this budget request would enable the University to maintain quality while relaxing the financial burden on our students and their families, thereby ensuring access to a postsecondary education. Should this Fair Funding budget request be appropriated, the University will avoid raising tuition prices for South Carolina resident students for Fiscal Year 2014-15. |

*Provide a summary of the rationale for the decision package. Why has it been requested? How specifically would the requested funds be used?*

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| **METHOD OF CALCULATION** | Annually the University solicits budget information from each academic and service unit. Each year units request far more funding than can be allocated given the limits on tuition increases and estimated changes in student enrollment. The Chancellor and her budget team review and condense the listing of requested items to those that satisfy the institutional mission and serve the goals of the strategic plan. The items requested for funding through the fair funding initiative include inflationary cost increases and known changes in service and academic support functions to maintain our student enrollment. |

*How was the amount of the request calculated? What factors could cause deviations between the request and the amount that could ultimately be required in order to perform the underlying work?*

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| **FUTURE IMPACT** | The State does not incur any maintenance-of-effort or other obligations by adopting this decision package. If this request is not honored, the impact on the University of South Carolina Aiken campus future capital and/or operating budgets must be mitigated by increasing revenue through the escalation of tuition prices for students and families. |

*Will the state incur any maintenance-of-effort or other obligations by adopting this decision package? What impact will there be on future capital and/or operating budgets if this request is or is not honored? Has a source of any such funds been identified and/or obtained by your agency?*

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| **PRIORITIZATION** | If no or insufficient new funds are available to meet this budget request, then the University of South Carolina Aiken campus will be required to finance the maintenance of educational quality through tuition price increases for students and families. |

*If no or insufficient new funds are available in order to meet this need, how would the agency prefer to proceed? By using fund balances, generating new revenue, cutting other programs, or deferring action on this request in FY 2014-15?*

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| **INTENDED IMPACT** | This decision package is intended to maintain minimally the educational quality of the University of South Carolina Aiken campus. Direct outcomes will include continued service to more than 3,250 students for the academic year, graduation of more than 550 students annually, along with the generation of teaching, research, creative activity, and service on the part of University faculty. Economic impact of the University of South Carolina system on the state's economy is estimated at $4.1 Billion annually. The University will continue to teach future leaders, to build and attract economic drivers, to foster civic and cultural awareness within and without the University community, and to bring positive attention to the State. |

*What impact is this decision package intended to have on service delivery and program outcomes, and over what period of time?*

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| **PROGRAM EVALUATION** | The University assesses academic and administrative units annually, using Blueprints for Academic and Service Excellence as measures against stated goals. Regular evaluation versus peer institutions is permitted through data consortia such as the Consortium for Student Retention Data Exchange, the South Universities Group Salary Study, IPEDS and the Delaware Study. Data regarding student learning and other outcomes are gathered locally and compared to national norms. Excellence is measured through regular reaffirmation of accreditation with the Southern Association of Colleges and Schools Commission on Colleges, along with program- and discipline-specific accreditation reviews. Factors associated with The University's ability to attract, recruit, retain and educate students in today's competitive higher education market are also detailed in the University's annual Accountability Report. |

*How would the use of these funds be evaluated? What specific outcome or performance measures would be used to assess the effectiveness of this program?*

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# FORM B – PROGRAM REVISION REQUEST

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| DECISION PACKAGE | **1700** |
| | *Provide the decision package number issued by the PBF system ("Governor's Request").* |
| TITLE | **Federal Funds Authorization** |
| | *Provide a brief, descriptive title for this request.* |
| AMOUNT | **$400,000 Federal Funds** |
| | *What is the net change in requested appropriations for FY 2014-15? This amount should correspond to the decision package's total in PBF across all funding sources.* |
| ENABLING AUTHORITY | 59-117-10 et. Seq. |
| | *What state or federal statutory, regulatory, and/or administrative authority established this program? Is this decision package prompted by the establishment of or a revision to that authority?* |

| FACTORS ASSOCIATED WITH THE REQUEST | **Mark "X" for all that apply:** | |
|---|---|---|
| | X | Change in cost of providing current services to existing program audience. |
| | | Non-mandated change in eligibility / enrollment for existing program. |
| | X | Change in case load / enrollment under existing program guidelines. |
| | | Non-mandated program change in service levels or areas. |
| | | Loss of federal or other external financial support for existing program. |
| | | Exhaustion of fund balances previously used to support program. |
| | | Proposed establishment of a new program or initiative. |

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| RECIPIENTS OF FUNDS | Students receiving Federal Financial Assistance (primarily Pell Grants) and Federal research grant recipients. Financial Aid is awarded based on student application and qualifications. Research grants are awarded by the granting entity. |
| | *What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing formula, through a competitive process, based upon predetermined eligibility criteria?* |

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| **RELATED REQUEST(S)** | None. |

*Is this decision package associated with other decision packages requested by your agency or other agencies this year? Is it associated with a specific capital or non-recurring request?*

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| **MATCHING FUNDS** | None. |

*Would these funds be matched by federal, institutional, philanthropic, or other resources? If so, identify the source and amount.*

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| **FUNDING ALTERNATIVES** | The absence of Federal Financial assistance would impact the students' ability to afford a higher education opportunity. The absence of financial aid would force them to increase the amount they pay "out-of-pocket". Research projects would likely be discontinued. |

*What other possible funding sources were considered? Could this request be met in whole or in part with the use of other resources, including fund balances? If so, please comment on the sustainability of such an approach.*

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| **SUMMARY** | Aiken's Federal Funds are comprised primarily of Student Financial Aid (mostly Pell Grants). Research Funds are the second largest Federal source. Over the last five years Aiken's Federal Funds expenditures have increased by about 18% annually. Pell Grant revenue increased by 16% on an annual basis from FY09 to FY13. |

*Provide a summary of the rationale for the decision package. Why has it been requested? How specifically would the requested funds be used?*

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| **METHOD OF CALCULATION** | Total Federal Funds authorization requested is $7,996,607 which is 12% greater than FY 13 actuals or a 5.2% increase over the FY14/15 Federal Authorization base. This level of authorization should be sufficient for FY15. Federal budget complication may impact the actual amount available next fiscal year. However, the potential impact is unknown. |

*How was the amount of the request calculated? What factors could cause deviations between the request and the amount that could ultimately be required in order to perform the underlying work?*

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| **FUTURE IMPACT** | There is no Maintenance of Effort or matching requirements associated with this request. |

*Will the state incur any maintenance-of-effort or other obligations by adopting this decision package? What impact will there be on future capital and/or operating budgets if this request is or is not honored? Has a source of any such funds been identified and/or obtained by your agency?*

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| **PRIORITIZATION** | No State funds are associated with this request. The absence of sufficient Federal funds authorization would impede the University's ability to receive and expend Federal Research Grants and the students' ability to obtain Financial Assistance |

*If no or insufficient new funds are available in order to meet this need, how would the agency prefer to proceed? By using fund balances, generating new revenue, cutting other programs, or deferring action on this request in FY 2014-15?*

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| **INTENDED IMPACT** | Continued enrollment for those students who receive Federal Financial Assistance. Continuation of Research grants and ability to secure additional grants as the opportunities present themselves. |

*What impact is this decision package intended to have on service delivery and program outcomes, and over what period of time?*

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| **PROGRAM EVALUATION** | Accountability Report performance measures include student retention, progression, and graduation rate within specified time periods (4- 6 years). The number of students involved in research projects and research expenditures per FTE is also measured. Continued improvement in each of these areas is directly related to receipt of these Federal program Funds. |

*How would the use of these funds be evaluated? What specific outcome or performance measures would be used to assess the effectiveness of this program?*