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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

June 17, 2004

The Executive Committee of the University of South Carolina Board of Trustees met on Thursday, June 17, 2004, at 2:55 p.m. in the Carolina Plaza Board Room.

Members present were: Mr. Mack I. Whittle, Jr., Chairman; Mr. Herbert C. Adams, Vice Chairman; Mr. James Bradley; and Dr. C. Edward Floyd. Members absent were: Mr. William C. Hubbard and Mr. Michael J. Mungo. Other Trustees present were: Mr. Mark W. Buyck, Jr.; Mr. Samuel R. Foster, II; Mr. Miles Loadholt; Ms. Darla D. Moore; Mr. James A. Shuford, III; Mr. M. Wayne Staton; Mr. John C. von Lehe, Jr.; Mr. Eugene P. Warr, Jr.; Mr. Othniel H. Wienges, Jr.; Trustee-elect of the 14th Judicial Circuit, The Honorable William W. Jones, Jr.; and President-elect of the Alumni Association, The Honorable Rita M. McKinney.

Others present were: President Andrew A. Sorensen; Secretary Thomas L. Stepp; Associate Provost John N. Olsgaard Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Research and Health Sciences Harris Pastides; Vice President for University Advancement T.W. Hudson Akin; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Human Resources Jane M. Jameson; Vice President for Student Affairs Dennis A. Pruitt; General Counsel Walter (Terry) H. Parham; Vice Provost and Executive Dean for Regional Campuses and Continuing Education Chris P. Plyler; Chancellor of USC Aiken Thomas L. Hallman; Chancellor of USC Spartanburg John C. Stockwell; Dean of USC Lancaster John Catalano; Associate Chancellor for Business and Finance, USC Aiken, Virginia S. Steel; Vice Chancellor for Business Affairs, USC Spartanburg, Robert Connelly; Vice Chancellor for University Advancement, USC Spartanburg, John Perry; Director of Operations, USC Aiken, Tony Ateca; Assistant Treasurer Susan D. Hanna; Director of the Office of Budget William P. Bragdon; Associate Budget Director, Office of Budget, Glenda Ridgely; Director of the Department of Internal Audit Alton McCoy; Assistant to the Vice President, Office of Business and Finance, Ken Corbett; Professor in the Department of Pharmacology, Physiology, and Neuroscience, School of Medicine, and Chair of the Faculty Senate James R. Augustine; University Legislative Liaison John Gregory; President of the Student Government Association Zachery Scott; Director of

University Communications, Division of University Advancement, Russ McKinney, Jr.; and a member of the media.

Chairman Whittle called the meeting to order and invited Board members to introduce themselves. Mr. McKinney introduced a member of the media who was in attendance. Chairman Whittle stated that 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 to members of the Committee; and a quorum was present to conduct business.

There was a contractual matter regarding a campus identification which was appropriate for discussion in Executive Session. Chairman Whittle called for a motion to enter Executive Session. Dr. Floyd so moved. Mr. Bradley seconded the motion. The vote was taken, and the motion carried.

The following persons were invited to remain: Dr. Sorensen, Mr. Stepp, Mr. Jones, Ms. McKinney, Dr. Olsgaard, Mr. Kelly, Dr. Pastides, Mr. Akin, Dr. Hogue, Ms. Jameson, Dr. Pruitt; Dr. Plyler, Mr. Parham, Mr. McKinney, Dr. Stockwell, Ms. Tweedy, and Ms. Stone.

Return to Open Session

I. FY 2004-2005 Budget: Chairman Whittle called on President Sorensen who asked Mr. Kelly to present the proposed FY 2004-2005 University budget.

Mr. Kelly initially commented that he, President Sorensen, and Secretary Stepp, either singly or in combination had presented the budget in detail to each member of the Board predominately during face-to-face meetings.

Four topics of discussion will be reviewed during the budget presentation: FY 2005 state budget cuts; Columbia "A" Funds FY 2005 proposed budget; summary of budgetary changes; and proposed fees.

Mr. Kelly remarked that he had stood before this Committee last year to advise that for the first time in the history of the University, the state appropriation was no longer the leading revenue source. For the upcoming fiscal year, it was positioned as third on the list: contracts and grants, as well as tuition, had exceeded the state appropriation amount. He reminded members that State budget cuts were system wide, cumulative, and annually recurring.

The proposed Columbia "A" funds FY 2004-2005 budget was reviewed. Sources of funds for allocation included a general fund unallocated balance of \$3,765,916; approximately 50 percent of that amount was recurring dollars and the remainder was "one time money." A second source of revenue was a proposed student tuition increase of 11 percent which would generate \$14,400,000 for the Columbia campus. Also included were transfer savings to the Medical School of \$180,000 and an institutional direct charge increase over the prior year of \$125,334.

A projected state appropriations cumulative cut of \$3,092,968 (2.43 percent) had resulted from two actions. The University had sequestered 1 percent the previous November in anticipation of the Budget and Control Board cut; the other \$1.7 million cut had occurred when the General Assembly decreased travel and telephone budgets. Therefore, available FY 2004-2005 funds totaled \$15,378,282.

The University was proposing a total of \$13,618,152 "new dollars to be spent" leaving a net balance of \$1,760,130 remaining funds. A preponderance of those dollars would be spent in the area of academic and student services programs.

Mr. Kelly summarized the various sources of funds which included state appropriated funds of \$124,516,381; special line item appropriations of \$2,925,867. Of note was the \$1 million nano-technology appropriation which will now be funded with recurring dollars rather than one time money as in the past.

General fund transfers totaled \$14,255,458. The student fees allocated to academic departments had been transferred to departmental income as well as tuition because the VCM (value centered management) budget system had been implemented;

therefore, the particular colleges in which students enrolled would receive that tuition revenue immediately.

In addition, \$10,635,787 of student fee abatements would appear as expenditures because the University offered fee waivers. A \$2,247,171 total for other revenue from the general fund included various sources such as application fees, transcript fees, and interest investment money. And, transfers from other funds of \$1,372,500 were derived from two sources: \$872,500 was generated from parking revenues into the general fund and \$500,000 was generated from indirect costs recovery as a result of research efforts.

Under the heading of Departmental Income and Transfers, it was anticipated that \$151,114,950 of tuition revenue would be generated. Other departmental revenues of \$2,087,690 were those incidental fees associated directly with departmental classes and not across the board fees. Also included under this heading were departmental balances carried forward of \$32,338,848 and departmental transfers from other funds of \$458,287.

A year end balance carried forward of \$1,934,500 added to the other sources of funds would generate a total of \$329,631,981.

Mr. Kelly explained that a large percentage of these funds were allocated to departmental budgets. Further, it had been recommended that none of the state funding cut be appropriated to the colleges; this reduction had been incorporated into the 11 percent tuition increase.

Proposed resident tuition and fees had been increased \$304 per semester or 11 percent (\$3,078). The proposed non resident full tuition was \$8,262; proposed non resident scholarship tuition was \$4,568; and the proposed in state rate for non resident scholarship tuition for recipients of McNair, Lieber, Cooper, McKissick and Alumni scholars was \$3,078.

Mr. Kelly noted that USC Aiken and USC Beaufort, with the authorization of President Sorensen, had requested lower non resident fees in order to build their out of state student relationships from nearby border communities.

Mr. Kelly directed the attention of the Committee to the allocation of new funds for further explanation. Of the \$5 million for academic programs, Mr. Kelly indicated that, as President Sorensen had discussed previously, \$2 million will be set aside in order to hire up to 25 new faculty members next year; and \$1.2 million will be used to correct salary compression.

Fee waivers had generated nearly \$2.5 million of appropriated dollars to be used to attract better qualified in state students to the University.

Of the General Institutional Costs, \$1 million had been earmarked for enrollment management; \$872,000 for the continued growth and usage of utilities;

increased insurance costs of \$386,000; and, \$1.1 million for the University's portion of the 3 percent state salary increase mandated but not funded by the Legislature as well as \$355,000 for fringe benefit costs.

The figure of \$2,310,076 for Central Operations and General Support Programs included \$250,000 for admissions; \$52,000 for human resources to establish an applicant tracking pool; nearly \$2 million to be invested in the University's technology systems; and \$116,000 for advancement to facilitate the efforts of University recruiters and development officers.

Mr. Kelly again iterated that each Board member had been presented the proposed FY 2005 University budget individually in greater detail.

Chairman Whittle called for the following motion: to move approval of the adoption of the University operating budget for FY 2005 as presented including tuition and fee schedules and housing budgets associated with fee schedules, the athletics budget, and the designated funds budget. Mr. Bradley moved approval of the motion as presented. Dr. Floyd seconded the motion.

Dr. Floyd expressed concern about the proposed 11 percent tuition increase particularly because the current inflation rate was estimated between 5½ - 6 percent; he had hoped that the increase would be less than 10 percent.

The vote was taken, and the motion carried.

Since there were no other matters to come before the Committee, Chairman Whittle declared the meeting adjourned at 3:30 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary