FY 2005-2006

Mission Resource Requirements

South Carolina
Commission on Higher Education

SOUTH CAROLINA
COMMISSION ON HIGHER EDUCATION

Division of
Finance, Facilities & Management Information Systems

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MISSION RESOURCE REQUIREMENT (MRR)

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ACT NUMBER: 359

SECTION 5. **Section 59-103-35 of the 1976 Code, as last amended by Act 178 of 1993, is further amended to read:**

"Section 59-103-35. All public institutions of higher learning shall submit annual budget requests to the commission in the manner set forth in this section. The State Board for Technical and Comprehensive Education shall submit an annual budget request to the Commission representing the total requests of all area-wide technical and comprehensive educational institutions. The budget submitted by each institution and the State Board for Technical and Comprehensive Education must include all state funds, federal grant, tuition, and fees other than funds derived wholly from athletic or other student contests, from the activities of student organizations, from approved private practice plans, and from the operation of canteens and bookstores which may be retained by the institution and be used as determined by the respective governing boards, subject to annual audit by the State. Fees established by the respective governing boards for programs, activities, and projects not covered by appropriations or other revenues may be retained and used by each institutions as previously determined by the respective governing boards, subject to annual audit by the State. The budget request for the public higher education system shall be submitted by the Commission to the Governor and appropriate standing committees of the General Assembly in conjunction with the preparations of the annual general appropriations act for the applicable year."

Supplemental appropriations requests from any public institution of higher education must be submitted first to the Commission. If the Commission does not concur in the requests, the affected institution may request a hearing on the requests before the appropriate committee of the General Assembly. The Commission may appear at the hearing and present its own recommendations and findings to the same committee. The provisions of this paragraph do not apply to any capital improvement projects funded in whole or in part prior to July 30, 1996.

No new program may be undertaken by any public institution of higher education without the approval of the Commission. The provisions of this chapter apply to all college parallel, transferable, and associate degree programs of technical and comprehensive education institutions. All other programs and offerings of technical and comprehensive education institutions are excluded from this chapter.

SECTION 6. Section 59-103-45 of the 1976 Code is amended to read:

Section 59-103-45. In addition to the powers, duties, and function of the Commission on Higher Education as provided by law, the Commission, notwithstanding any other provision of law to the contrary, shall have the following additional duties with regard to the various public institution of higher education:

(4)(b) base the higher education funding formula in part on the achievement of the standards set for these performance indicators including base-line funding for institutions meeting the standards of achievement, incentive funding for institutions exceeding the standards of achievement, incentive funding for institutions exceeding the standards of achievement, provided that each institution under the formula until July 1, 1999, must receive at least its fiscal year 1996-1997 formula amount:

(d) develop a higher education funding formula based entirely on an institution's achievement of the standards set for these performance indicators, this formula to be used beginning July 1, 1999. This new funding formula also must be contained in regulations promulgated by the Commission and submitted to the General Assembly for its review in accordance with the Administrative Act;

MRR FUNDING MODEL

During the process of implementing Performance Funding, the Commission identified two major components of an overall plan. These components are the determination of a Performance Percentage based on institutional ratings on indicators, and the development of a Resource Allocation Plan (RAP). The first component of the RAP is an estimate of the fiscal needs of the institution, the MRR Model, which provides funding for those costs associated with the Education and General (E&G) activities of the institution for which the State is responsible.

SECTION 7. Section 59-103-60 of the 1976 Code, as last amended by Act 137 of the 1995, is further amended to read:

"Section 59-103-60. The commission shall make such recommendations to the Governor's Office and the General Assembly as to policies, programs, curricula, facilities, administration, and financing of all state-supported institutions of higher learning as may be considered desirable. The House Ways and Means Committee, the Senate Finance Committee, and the State Budget and Control Board may refer to the Commission for investigation, study, and report any requests of institutions of higher learning for new or additional appropriations for operating and for other purposes and for the establishment of new or expanded programs."

GUIDING PRINCIPLES FOR A PERFORMANCE-BASED FUNDING MODEL SOUTH CAROLINA COMMISSION ON HIGER EDUCATION

Characteristic	**Summary Description of Principles**
A. Goal-Based	The funding model should incorporate and reinforce the broad goals of Act 359 and the Commission on Higher Education for the State's system of college and universities as expressed through approved missions, quality expectations, and performance standards.
B. Mission-Sensitive	The funding model should be based on the recognition that different institutional missions (including differences in degree levels, program offerings, student readiness for college success and geographic location) require different rates of funding.
C. Adequacy-Driven	The funding model should determine the funding level needed by each institution to fulfill its approved mission.
D. Size-Sensitive	The funding model should reflect the impact that relative levels of student enrollment have on funding requirements.
E. Responsive	The funding model should reflect changes in institutional workloads and missions as well as changing external conditions in measuring the need for resources.
F. Adaptable to Economic Conditions	The funding model should have the capacity to apply under a variety of economic situations, such as when the state appropriations for higher education are increasing, stable or decreasing.
G. Concerned with Stability	The funding model should not permit shifts in funding levels to occur more quickly than institutional managers can reasonably be expected to respond.
H. Simple to Understand	The funding model should effectively communicate to key participants in the state budget process how changes in institutional characteristics and performance and modifications in budget policies will affect funding levels.
I. Equitable	The funding model should provide both horizontal equity (equal treatment of equals) and vertical equity (unequal treatment of unequals) based on size, mission, and growth characteristics of the institutions.

GUIDING PRINCIPLES FOR A PERFORMANCE-BASED FUNDING MODEL SOUTH CAROLINA COMMISSION ON HIGER EDUCATION

J. Adaptable to Special Situations	The funding model should include provisions for supplemental state funding for unique activities that represent significant financial commitments and that are not common across the institutions.
K. Reliant on Valid & Reliable Data	The funding model should rely on data that are appropriate for measuring differences in funding requirements and that can be verified by third parties when necessary.
L. Flexible	The funding model should be used to estimate funding requirements in broad categories; it is not intended for use in creating budget control categories.
M. Incentive-Based	The funding model should provide incentives for institutional effectiveness and efficiency and should not provide any inappropriate incentives for institutional behavior.
N. Balanced	The funding model should achieve a reasonable balance among the sometimes competing requirements of each of the criteria listed above.

MRR NUMERIC SUMMARY, ALL INSTITUTIONS

Steps

1.	**Instruction**	**1,097,870,413**
2.	**Research**	**87,577,791**
3.	**Public Service**	**21,077,020**
4.	**Libraries**	**78,904,694**
5.	**Student Services**	**149,794,112**
6.	**Physical Plant**	**150,532,220**
7.	**Administration**	**411,508,028**
8.	**Subtotal – E & G**	**1,997,264,279**
9.	**Revenue Deduction**	**(860,127,447)**
10.	**Total E & G**	**1,137,136,832**

OUTLINE OF THE MRR MODEL

FY 2005-2006

Step 1: Instruction
All student credit hour activity, including summer school, will be used to determine projected enrollment levels by discipline. Undergraduate enrollment will be compared to the institutionally projected levels as approved by the Commission (from respective strategic plans). For institutions in the Research and Teaching Universities sectors, increases in undergraduate enrollment above two percent (2%) of the Commission approved levels will not be funded. Also, decreases up to two percent (2%) will not result in funding reductions. Decreases of more than two percent (2%) will result in reductions. There are no limitations on enrollment changes at the graduate level or for the two-year institutions. The projected enrollment will be converted to a number of needed faculty based on student/faculty ratios. The resulting number of faculty will be multiplied by national average salaries of peer institutions, by discipline, by sector. Also, an estimation of employer contributions will be made in order to provide for the employer's share of certain taxes, insurance premiums, and retirement contributions. The projection of these costs will be calculated using a percentage which will be developed in conjunction with the State Office of Human Resources, and the State Budget Division of the Budget & Control Board. Finally, instructional support will be calculated based on respective percentages for each discipline. The combination of projected faculty costs and projected instructional support will be the total instructional costs.

The credit hours included in instruction are the three-year rolling averages for the years, Fall 2002, Spring 2003, and Summer 2003; Fall 2003, Spring 2004, and Summer 2004; Fall 2004, Estimated Spring 2005, and Estimated Summer 2005. The salary data is reported by the national peer institutions according to the College and University Personnel Association (CUPA) guidelines every three years, and American Association of University Professors (AAUP) Faculty Salary Averages for the two-year regional campuses and technical colleges and inflated by 2004-2005 S.C. cost of living percent increase. The credit hours included are from Commission on Higher Education Management Information System (CHEMIS) and verified by the institutions. The student/faculty ratios are the ratios from the previous funding formula, as recommended by MGT of America. Fringe benefits are funded at 26% of calculated faculty salaries.

Step 2: Research
Calculated at 30% of FY 2003-04 sponsored research expenditures at the institutions.

Step 3: Public Service
Calculated at 25% of FY 2003-04 sponsored public service and non-general fund public service expenditures at the institution.

Step 4: Libraries
This category includes library activities which support the academic functions of the institution. This step is computed by using expenditures per full-time equivalent (FTE) students from the most recently available Integrated Postsecondary Education Data System (IPEDS) data and inflated by the Higher Education Price Index (HEPI). See Table 6.

Step 5: Student Services
This step is computed by using the Expenditures per headcount student form the most recently available IPEDS data and inflated by HEPI. See Table 6.

Step 6: Physical Plant
Physical plant costs are generated using formulas for physical plant general services (insurance and administration of physical plant), building maintenance, custodial services, grounds maintenance, and utilities. These formulas consider the building values based on the replacement costs of educational and general (E&G) buildings (using values established by the State Property Management Office); maintenance costs based on type of construction; custodial services costs based on average hourly costs for service wages and the E&G square footage of buildings; grounds maintenance including average hourly costs for services wages (using data from the Department of Labor, Bureau of Labor Statistics, Office of Monthly Industry Employment) and the total number of acres of regularly maintained areas.

Step 7: Administration
These costs include those activities which are non-instructional in nature, but are integral to the operation of the institution. Examples include institutional and academic administration, non-instructional faculty activities, academic and institutional support. This step is funded at 25% of MRR steps 1-6 (Instructional, Research, Public Service, Libraries, Student Services, and Physical Plant).

Step 8: Total Education & General Cost
This amount is the summation of steps one through seven and represents the projected total costs of operation for the institutions.

Step 9: Revenue Deduction
This step of the model recognizes the fact that some of the costs are supported by academic fee revenues from the students. The total E&G cost amount must be reduced by these student fee revenues in order to determine the amount of support required from the State. The Target Revenue is an amount based on the percentage of E&G costs as determined in the above steps 1-8 to be borne by student fee revenues. The Target Revenues for four-year institutions is 50% for in-state undergraduate students (40% for two-year institutions) and 100% for out-of-state undergraduate students. Actual fee revenues are deducted for graduate students. There is an exception to these percentages for the State's two medical institutions. This exception recognizes the higher costs associated with medical education. For these institutions, the respective percentages will be 30% for in-state undergraduate and graduate students and 75% for out-of-state

medicine and dentistry students. The deduction amount will be 100% of the target student revenues plus 50% of the difference between target and any actual revenues above 105% of the target.

Actual Revenue (Academic Fees) – The institutions submit annually to the CHE staff a listing of all fees assessed to the students. This complete listing is referred to as tuition and fee revenues. Some of the tuition and fees, such as plant improvement fees, capital fees, fee waivers, and others are deducted from the total tuition and fees amount. The resulting amount is referred to as Academic Fees. The CHE staff and the institutions' finance staff have agreed on items that are appropriate for deduction from tuition and fee revenues. Once the academic fees are determined, the deducted amount will be the target student revenues and any actual revenues above 105% of the target student revenues. If actual revenues are less than the target student revenues, then the revenue deduction will be the target student revenue amount.

Step 10: State Support Needs Amount

This amount represents the identified need which should be provided by the State in support of E&G activities. The amount is determined by reducing the total E&G costs (step 8) by the revenue deduction amount (step 9).

TABLE 1
INSTITUTIONAL SECTOR/GROUPING

Sector/Institution

Sector I – Research Sector

Clemson
USC – Columbia (Includes Med. Sch.)
Medical University of SC

Sector II – Teaching Sector

The Citadel
Coastal Carolina University
College of Charleston
Francis Marion University
USC – Upstate
Lander University
SC State University
USC – Aiken
USC – Beaufort
Winthrop University

Sector III – Regional Campuses Sector

USC – Lancaster
USC – Salkehatchie
USC – Sumter
USC – Union

Sector IV – Technical Colleges Sector

Aiken
Central Carolina
Northeastern
Denmark
Florence-Darlington
Greenville
Horry-Georgetown
Midlands
Orangeburg-Calhoun
Piedmont
Spartanburg
Tech. Coll. of the Lowcountry
Tri-County
Trident
Williamsburg
York

TABLE 2
SECTOR 1 – STUDENT/FACULTY RATIOS & FACULTY SALARIES

Discipline	CIP Code	Student-Faculty Ratios					Faculty	Instructional Support
		Student-Faculty Ratios						
		Remedial	Undergraduate	Masters	First Prof.	Doctoral	Salaries	Percentage
Agricultural Bus. & Production	0100	14	15	6	0	3	$77,383	42%
Agricultural Sciences	0200	14	15	6	0	3	72,181	42%
Forestry, Conservation, & Nat. Res.	0300	14	15	6	0	3	70,642	53%
Architecture	0400	14	14	6	0	6	67,786	28%
Area Studies	0500	14	20	12	0	6	66,616	22%
Marketing Operations	0800	14	18	17	0	12	54,324	29%
Communications	0900	14	12	9	0	5	64,304	28%
Computer & Info. Tech.	1100	14	18	9	0	7	95,578	57%
Teacher Education	1300	14	16	12	0	9	67,770	33%
Industrial Education	1313	14	13	13	0	10	66,565	59%
Practice Teaching	1399	14	12	12	0	12	57,389	35%
Engineering	1400	14	16	12	0	6	92,961	59%
Engineering	1417	14	20	12	0	6	87,428	44%
Engineering Rel. Technologies	1500	14	16	12	0	6	69,441	59%
Foreign Languages	1600	14	17	9	0	5	55,715	25%
Clinical Sciences-Medicine	1810.5*	14	2	2	2	2	101,200	38%
Pharm-D	1882*	14	3	3	3	3	78,924	60%
Graduate Medicine	1883*	14	2	2	2	2	101,200	35%
Graduate Medicine	1883.5*	14	2	2	2	2	101,200	35%
Graduate Dentistry	1884*	14	2	2	2	2	95,614	35%
Pharm. Residents	1885*	14	2	2	2	0	78,924	60%
Home Economics	1900	14	17	12	0	12	65,545	32%
Law	2200	14	18	21	21	21	120,816	31%
Intl. Legal Studies	2200	14	0	12	21	0	81,957	31%
Letters	2300	14	17	11	0	5	54,278	17%
Gen. Liberal Studies	2400	14	17	12	0	6	53,752	15%
Library Science	2500	14	17	13	0	11	67,156	25%
Life Sciences	2600	14	17	9	9	7	75,703	64%
Mathematics	2700	14	18	9	0	7	78,617	20%
Military Technology	2900	14	10	0	0	0	46,429	45%
Interdisciplinary	3000	14	17	12	0	6	64,136	27%
Parks, Recreation, Leisure	3100	14	12	8	0	8	62,498	38%
Philosophy & Religion	3800	14	17	11	0	5	67,371	17%
Physical Science	4000	14	16	10	10	8	82,738	56%
Textile Science	4099	14	9	5	0	3	75,238	85%
Psychology	4200	14	24	13	0	7	72,510	35%
Protective Services	4300	14	18	14	0	14	66,939	22%
Public Affairs	4400	14	18	12	0	6	64,997	17%
Social Work	4407	14	18	15	0	15	66,847	22%
Social Sciences	4500	14	18	12	0	6	75,705	22%
Visual & Performing Arts	5000	14	12	8	0	8	59,982	28%
Allied Health Sciences	5100	14	7	7	7	8	69,317	30%
Speech Pathology/Audiology	5102	14	9	6	0	6	65,576	23%
Dental Basic Science	5104	14	0	3	3	3	89,394	64%
Dental Clinical Science	5105	14	0	3	3	3	95,614	39%
Medical Technology	5110	14	7	7	0	7	63,241	38%
Medical Basic Science	5113	14	3	3	3	3	82,014	64%
Medical Basic Science (USC)	5113.5*	14	3	3	3	3	90,904	64%
Medical Clinical Science	5114	14	2	2	2	2	101,200	38%
Nursing	5116	14	7	7	0	7	64,703	38%
Pharmacy	5120	14	13	7	7	8	78,924	58%
Public Health	5122	14	17	8	0	8	72,749	23%
Nurse-Midwifery	5198	14	2	2	0	0	58,302	35%
Business & Management	5200	14	18	17	0	12	104,290	29%
History	5400	14	18	12	0	6	68,104	22%

TABLE 3
SECTOR II – STUDENT /FACULTY RATIOS & FACULTY SALARIES

Discipline	CIP Code	Student-Faculty Ratios				Faculty Salaries	Instructional Support Percentage
		Remedial	Undergraduate	Masters	Doctoral		
Agricultural Bus. & Production	0100	15	15	10		$59,201	32%
Forestry, Conservation, & Nat. Res.	0300	15	15	10		60,485	32%
Area Studies	0500	15	20	12		57,307	22%
Marketing Operations	0800	15	18	17		86,392	29%
Communications	0900	15	12	11		52,651	28%
Computer & Info. Tech.	1100	15	18	9		69,296	57%
Teacher Education	1300	15	16	12	9	55,696	33%
Industrial Education	1313	15	10	12		52,715	59%
Practice Teaching	1399	15	15	15		51,610	35%
Engineering	1400	15	16	10		72,949	59%
Engineering Rel. Technologies	1500	15	16	10		59,699	59%
Foreign Languages	1600	15	17	10		52,148	25%
Home Economics	1900	15	17	10		53,441	32%
Letters	2300	15	17	12		52,342	17%
Gen. Liberal Studies	2400	15	17	12		60,366	15%
Library Science	2500	15	18	11		56,059	25%
Life Sciences	2600	15	17	8		56,664	64%
Mathematics	2700	15	18	10		60,674	20%
Military Technology	2900	15	12	0		57,420	45%
Interdisciplinary	3000	15	17	12		63,394	27%
Parks, Recreation, Leisure	3100	15	12	10		55,522	32%
Philosophy & Religion	3800	15	17	12		57,187	17%
Physical Science	4000	15	16	10		58,361	56%
Psychology	4200	15	24	13		56,052	35%
Protective Services	4300	15	18	14		54,684	22%
Public Affairs	4400	15	18	12		55,270	17%
Social Work	4407	15	15	12		56,164	22%
Social Sciences	4500	15	18	12		57,600	22%
Visual & Performing Arts	5000	15	12	8		53,336	28%
Allied Health Sciences	5100	15	7	6		54,898	38%
Speech Pathology/Audiology	5102	15	8	6		63,569	23%
Medical Technology	5110	15	6	0		62,133	38%
Nursing	5116	15	6	6		55,793	38%
Business & Management	5200	15	18	17		74,870	29%
History	5400	15	18	12		54,742	22%

TABLE 4
SECTOR III – STUDENT/FACULTY RATIOS & FACULTY SALARIES

Discipline	CIP Code	Student-Faculty Ratios		Faculty	Instructional
		Remedial	Undergraduate	Salaries	Support Percentage
Area Studies	0500	15	20	$54,208	22%
Marketing Operations	0800	15	18	54,208	29%
Communications	0900	15	12	54,208	28%
Computer & Info. Tech.	1100	15	18	54,208	57%
Teacher Education	1300	15	16	54,208	33%
Engineering	1400	15	16	54,208	59%
Foreign Languages	1600	15	17	54,208	25%
Home Economics	1900	15	17	54,208	25%
Letters	2300	15	17	54,208	17%
Gen. Liberal Studies	2400	15	17	54,208	15%
Library Science	2500	15	18	54,208	25%
Life Sciences	2600	15	17	54,208	64%
Mathematics	2700	15	18	54,208	20%
Interdisciplinary	3000	15	17	54,208	27%
Parks, Recreation, Leisure	3100	15	12	54,208	32%
Philosophy & Religion	3800	15	17	54,208	17%
Physical Science	4000	15	16	54,208	56%
Psychology	4200	15	24	54,208	35%
Protective Services	4300	15	18	54,208	22%
Public Affairs	4400	15	18	54,208	22%
Social Sciences	4500	15	18	54,208	22%
Visual & Performing Arts	5000	15	12	54,208	28%
Nursing	5116	15	7	54,208	38%
Public Health	5122	15	17	54,208	64%
Business & Management	5200	15	18	54,208	29%
History	5400	15	18	54,208	22%

TABLE 5
SECTOR IV – STUDENT/FACULTY RATIOS & FACULTY SALARIES

Discipline	CIP Code	Student-Faculty Ratios		Faculty	Instructional
		Remedial	Undergraduate	Salaries	Support Percentage
Agricultural Bus. & Production	0100	14	15	$51,088	42%
Agricultural Sciences	0200	14	15	51,088	42%
Forestry, Conservation, & Nat. Res.	0300	14	15	51,088	42%
Marketing Operations	0800	14	18	51,088	29%
Communications	0900	14	12	51,088	28%
Communications Tech.	1000	14	12	51,088	28%
Computer & Info. Tech.	1100	14	18	51,088	57%
Personal & Misc. Services	1200	14	18	51,088	22%
Teacher Education	1300	14	16	51,088	33%
Engineering	1400	14	16	51,088	59%
Engineering Rel. Technologies	1500	14	16	51,088	59%
Foreign Languages	1600	14	17	51,088	25%
Home Economics	1900	14	17	51,088	25%
Vocational Home Ec.	2000	14	18	51,088	22%
Law	2200	14	18	51,088	22%
Letters	2300	14	17	51,088	17%
Gen. Liberal Studies	2400	14	17	51,088	17%
Life Sciences	2600	14	17	51,088	64%
Mathematics	2700	14	18	51,088	20%
Interdisciplinary	3000	14	17	51,088	27%
Parks, Recreation, Leisure	3100	14	12	51,088	22%
Developmental	3200	14	14	51,088	25%
Citizenship Activity	3300	14	17	51,088	27%
Interpersonal & S	3500	14	17	51,088	27%
Philosophy & Religion	3800	14	17	51,088	17%
Physical Science	4000	14	16	51,088	56%
Science Technologies	4100	14	16	51,088	56%
Psychology	4200	14	24	51,088	35%
Protective Services	4300	14	18	51,088	22%
Public Affairs	4400	14	18	51,088	22%
Social Sciences	4500	14	18	51,088	22%
Construction Trades	4600	14	12	51,088	59%
Mechanics & Repairers	4700	14	12	51,088	59%
Precision Prod. Workers	4800	14	12	51,088	59%
Transportation Workers	4900	14	12	51,088	59%
Visual & Performing Arts	5000	14	12	51,088	28%
Allied Health Sciences	5100	14	7	51,088	38%
Business & Mgt.	5200	14	18	51,088	29%
History	5400	14	18	51,088	22%
Occupational Training (SBTCE)	59101*	14	15	25,544	58%
Apprenticeship (SBTCE)	59102*	14	15	25,544	58%
Industrial Training (SBTCE)	59103*	14	15	25,544	58%
Sponsored Training (SBTCE)	59104*	14	15	25,544	58%
Adult Basic/GED (SBTCE)	59105*	14	15	25,544	58%
Supervised Fire Training (SBTCE)	59106*	14	15	25,544	58%
Vocational Educational Training (SBTCE)	59107*	14	15	25,544	58%

TABLE 6
EXPENDITURES PER FTE/HC USING IPEDS DATA (INFLATED BY HEPI TO FY 2005-2006 AMOUNTS)

Sector I	**FTE Libraries** $	**HC Student Services** $
Land Grant (Clemson)	683	791
Health Centers (MUSC)	2,481	786
Univ. with Medical School (USC-Columbia including Med. Sch.)	885	989
Sector II	406	846
Sector III (USC 2-Yr. Regional Campuses)	270	610
Sector IV (Technical College)	170	605

TABLE 7
FORMULA FOR OPERATION AND MAINTENANCE OF PLANT

I. General Services = SW ([FTES + (2 x FTEE)] x 3.90) + (E & G RBC x .0028)

Definitions of terms used in the formula:

1. **SW** is the average hourly earnings for services (adjusted for February 2005, as published by the Department of Labor, Bureau of Labor Statistics, and Office of Monthly Industry Employment.
   SW = $14.52 for FY 2005-06 calculations.

2. **FTES** is the full-time equivalent students determined in Step 2.

3. **2** is for two (2) semesters

4. **FTEE** is the full-time employees (all employees, not just E&G) enrolled in the State Retirement System as of January 1, 2004.

5. **3.90** is the estimated administrative cost.

6. **RCB** is the estimated cost to replace the building at the time of inventory. Include the cost of connecting utilities, foundations, and fixed equipment. Institutions will report the replacement cost valuation as determined by the Property Management Office of the Division of General Services. The RCB values are established through appraisal, used for State insurance purposes. **E & G RCB is the estimated replacement costs for the E&G portion of the building.**

7. **.0028** represents the insurance factor on the buildings.

II. BUILDING MAINTENANCE = MCF x E & G RCB

Definitions of terms used in the formula:

1. **MCF** is the maintenance cost factor, based on type of construction, as shown below:

	Wood Frame Construction (2)	Masonry Wood Construction (3)	Masonry-Concrete (4)
Air Conditioned	1.90%	1.45%	1.25%
Non-Air Conditioned	1.75%	1.30%	1.10%

2. **E & G RCB** is the educational and general replacement cost of buildings As calculated in the formula for Physical Plant General Services.

III. CUSTODIAL SERVICES*=SW x I x (E&G SF/22,400)x 2,080 x 1.2

Definitions of terms used in the formula:

1. **SW** is the average hourly earnings for services (adjusted) for February 2005, as published by the Department of Labor, Bureau of Labor Statistics, Office of Monthly Industry Employment (see II).

2. **I** represents labor and material inflation factor. For fiscal year 2003-2004, this factor is 1.036%.

3. **E&G SF** is the total educational and general square feet (E & G square footage plus the common space associated with E & G) of educational, general, and service buildings.

4. **22,400** is the estimated number of square feet maintained by one person per year.

5. **2,080** is the number of hours worked by one person per year based on 40 hours per week.

6. **1.2** is the vacation and sick time factor.

TABLE 7 (CONTINUED)

IV. GROUNDS MAINTENANCE = SW (.70P + 122L + .50E)

Definitions of terms used in the formula:

1. **SW** is the average hourly earnings for services (adjusted) for February 2005, as published by the Department of Labor, Bureau of Labor Statistics, and Office of Monthly Industry Employment. (SW = $14.52)

2. **P** is the total linear feet of perimeter of campus buildings including academic, office, service, administration, etc.

3. **.70** hour to maintain 1 foot of perimeter with shrubs.

4. **L** is the total number of acres of lawns and regularly maintained areas (malls, flower beds, parking lots, sidewalks, streets, etc.). Exclude all building, street areas, and areas covered under organized activities (i.e., college farms).

5. **122** represents the number of hours per year to maintain 1 acre of lawn per year.

6. **E** is the Fall Semester Headcount Enrollment (Use headcount enrollment during Fall 2002, Fall 2003, and Fall 2004 to compute a three year average of Fall semester headcount enrollment.)

V. UTILITIES – For utilities, add the actual 2003-2004 expenditures for utilities plus 2.0% per year up to 2005.

TABLE 8
DEFINITIONS

Formula for Operation and Maintenance of Plant

I. **Physical Plant General Services** – Salaries, wages, supplies, travel, equipment, and other operation expenses to carry out the duties of physical plant administration, planning, and general services. Examples of the activities included are:

1. **Administration** – Salaries, wages, travel, equipment, and other operating costs required to administer one or more functional units of the Physical Plant.

2. **Planning** – Salaries, wages, travel, equipment, and other costs required to prepare architectural and engineering plans and specifications, for the expansion, renovation, and rehabilitation of physical plant facilities, excluding fees for new construction.

3. **Other General Services, including** –

   (a) Acquisition and repair of general classroom and laboratory furniture – does not include office furniture

   (b) Central receiving and store of supplies and equipment

   (c) Safety, including fire, occupational, radiation, health and sanitation safety

   (d) Garbage and trash disposal

   (e) Hauling, moving and storing

   (f) Property Insurance

   (g) Truck and automobile expense in general service of the institution

TABLE 8 (CONTINUED)

II. **Building Maintenance** – Cost, including salaries, wages, supplies, materials, equipment, services, and other expenses, necessary to keep building in good appearance and usable condition and prevent the building from deterioration once it has been placed in first class condition for that type and age of building. (Do not include Auxiliary Enterprise buildings.) Building Maintenance includes minor repairs and alterations, costs of materials, hire of personnel, and other necessary expenses for the repair and/or painting of the following: roofs, exterior walls, foundations, flooring, ceilings, partitions, doors, windows, plaster, structural ironworks, screens, windows shades, blinds, plumbing, heating and air conditioning equipment within or a part of the building, electric wiring, light fixtures (including the replacement of lamps), washing of all outside window surfaces, built-in shelving, and other related items.

III. **Custodial Services** – Costs including salaries, wages, supplies, materials, equipment, services, and other expenses necessary to keep the buildings in a clean and sanitary condition. (Do not include Auxiliary Enterprise buildings.) These services include care of the floors, stairways and landings, and restrooms; cleaning chalk boards, inside of windows, walls, and room furniture and fixtures; assigned dusting, removal of waste paper and refuse and other related duties.

Common operations include: Mopping, sweeping, waxing, renovating of floors (sanding and refinishing of floors are excluded); dusting, polishing of furniture and fixtures such as Venetian blinds, partitions, pictures, maps, radiators, etc.; cleaning of chalk boards, chalk trays, erasers, and replacement of chalk; washing and dusting of walls, cleaning and disinfecting commodes and urinals, cleaning and washing other fixtures, walls and partitions, replenishing supplies for restrooms; emptying and cleaning the waste receptacles, and dusting and cleaning of windows and other glass surfaces' and sweeping and cleaning of entrances, and opening and/or closing of buildings, doors, and windows.

IV. **Grounds Maintenance** – Costs, including salaries, wages, supplies, materials, equipment, services, and other expenses relating to the upkeep of all lands designated as campus property (improved and unimproved) not occupied by actual buildings, including any court, patio, and/or garden or count enclosed by buildings. Ground Maintenance begins after the site improvements are complete.

TABLE 8 (CONTINUED)

Phases of Grounds Maintenance are:

1. Land Improvements
   (a) Permanent – Lawns, trees, shrubs, etc.
   (b) Seasonal – Flowers, bulbs, etc.

2. Circulation Systems
   (a) Vehicular – Streets and roads – improved and unimproved; traffic controls – signal lights, signs, and barriers
   (b) Pedestrian – Walks and paths – improved and unimproved

3. Other Activities
   (a) Campus lighting
   (b) Irrigation systems
   (c) Nonstructural improvements – walls, fences, fountains, campus furniture, others
   (d) Ancillary enterprise – nursery, greenhouse – areas for special academic study

V. **Utilities** – All costs of purchase, manufacture and delivery of utility services, including; electricity, steam heat, water (hot, cold or chilled), sanitary sewers, and gas for heating, cooling and lighting. (Do not include costs of utilities for Auxiliary Enterprises.) Supportable estimates may by included for new buildings, or for buildings which have been out of service, or otherwise not included in prior years.

VI. **Savings Realized From Energy Conservation** – A proviso was attached to the FY95 budget and later codified as Section 48-52-635 of Act 145 of 1995: "Section 48-52-635. Pursuant to Section 48-52-630, an agency's savings realized in the prior fiscal year from implementing an energy conservation measure as compared to a baseline energy use **as certified by the State Energy Office**, may by retained and carried forward into the current fiscal year. This savings, as certified by the State Energy Office, must first be used for debt retirement of capital expenditures, if any, on the energy conservation, after which time savings may be used for agency operational purpose and where practical, reinvested into energy conservation areas. The agency must report all actual savings in the energy portion of its annual report to the State Budget and Control Board." The projected

TABLE 8 (CONTINUED)

annual savings produced by an energy conservation measure would be added to the utility cost factor for a specified number of years. The adjustment period would be determined by the lesser of:

1. The projected life of measure; or

2. The simple payback period plus five years.

The maximum adjustment period would be 10 years after implementations of measure.

TABLE 9
CHE 150 REPORT

Definitions

Research – This category should include all expenditures for activities specifically organized to produce research outcomes, whether commissioned by an agency external to the institution or separately budgeted by an organizational unity within the institution. Subject to these conditions, it includes expenditures for individual and/or project research as well as those of institutes and research centers. This category does not include all sponsored programs (training grants are an example) nor is it necessarily limited to sponsored research, since internally supported research programs, if separately budgeted, might be included in this category under the circumstances described above. Expenditures for departmental research that are separately budgeted specifically for research are included in this category.

Public Service – This category should include funds expended for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. These activities include community service programs (excluding instructional activities) and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar non-instructional services to particular sectors of the community.

Research & Public Service issues:

1. No expenditures of State funds are to be included in the Research or Public Services expenditures.

2. Funds received form other State agencies are not to be included. These funds are not allowed even if the original funds are non-State, unless documentation can be provided which clearly supports the fact that the funds were received by the other agency with the intention of passing those funds through to the reporting institution. For example, the grant proposal of the other agency should specifically name the reporting institution as a sub recipient, or subcontractor, for a particular portion of the grant. If the non-State funds are passed through another institution, documentation should be provided from the other institution as to how the funds are to be divided and claimed for formula matching purposes.

3. Equipment donations for a specific project can be included as expenditures for matching purposes. Donations as a contribution or for general improvement should not be included.

Another clarification for Research:

1. Funds paid to subcontractors are not includable as expenditures. For example: an institution obtains a grant and pays XYZ company (or agency or non-S.C. entity) to perform a segment of the grant work, then that portion of the grant is not to be included for formula matching purposes. If an institution is the sub-recipient of funds, then that institution can only claim those expenditures if that institution was specifically named as the end user (i.e. subcontractor) of those funds in the grant proposal. For example: P University obtains a grant and pays Q University to perform a segment of the research, P cannot claim the expenditure, and Q can claim the expenditures only if they were specifically named in P's grant proposal.

Credit Hours for Developmental Courses

1. Credit hours for developmental courses should be reported as one-half of the weekly contact hours

    a. No remediation credit hours will be funded for Group I institutions.
    b. No remediation credit hours above the 1993-94 formula baseline will be funded at Group II institutions.

2. Credit hours for required physical education (specifically required at the Citadel, but not counted toward graduation credit) should be reported as one-half of the weekly contact hours.

3. The projected Spring 2005 credit hours are to be calculated as follows:

    a. Compute the percent change from Fall 2003 to Spring 2004.
    b. Multiply the Fall 2004 credit hours by the result of 3a.
    plus 1 (Fall 04 x (___% +1)) = projected Spring 2005

4. The projected Summer 2005 summer credit hours are to be calculated as follows:

    a. Actual credit hours produced for Summer 2004.

Developmental and Physical Education Credit Hours:

1. Include one half of the weekly contact hours as credit hours for developmental (not credited toward degree) courses. Included one half of the weekly contact hours as credit hours for required physical education (not credited toward degree) courses.
2. No remediation credit hours will be funded for Group I institutions.
3. No remediation credit hours above the 1993-94 formula baseline will be funded at Group II institutions.

TABLE 10
FUNDING MEDICAL AND DENTAL EDUCATION:

Current Fall semester headcount enrollment for medicine and dentistry is funded. This is separated into Clinical Science and Basic Science using 70% of total headcount enrollment as clinical science and 30% as basic science. The 70/30 split is used regardless of whether or not you have actual headcount data for clinical science and basic science. The split is based upon AMA funding standards adopted when the funding formula was first developed.

When computing FTE for the medical institutions, use normal divisors for all credit hours except medicine and dentistry. For these disciplines, replace the credit hour data with HC data based upon the 70/30 split noted above. Do not include residents and interns in the FTE count.

Residents and Interns are funded at .4 of a headcount for regular graduate medical doctors (all of MUSC's and USC's residents are calculated like this) and .6 of a headcount for family practice residents (only AHEC has both regular and family practice residents and interns). The rationale for this methodology estimates that graduate medical doctors spend only .4 of their time receiving instruction (.6 for family practice which is more intensive) and the rest of their time providing service.

Formula salaries for medicine and dentistry are on a 12-month basis. No additional summer funding is provided for these disciplines.

SOUTH CAROLINA'S PERFORMANCE FUNDING SYSTEM

A. Background and Historical Overview

Act 359 of 1996, commonly referred to as "Performance Funding," dramatically changed the responsibilities of the South Carolina Commission on Higher Education (CHE) as related to determining how public institutions of higher education are funded. The legislation required that the CHE allocate state appropriations to South Carolina's public institutions of higher education based on their performance in nine areas or "critical success factors." The General Assembly identified several performance indicators that could be used, if applicable to a particular type of institution, in assessing institutions' successes in achieving performance in each of the areas. In all, 37 performance indicators spread across the nine critical success factors are specified. The CHE was assigned the responsibility of developing and implementing a system for basing funding on institutional performance and for defining how each of the specified indicators would be measured. The General Assembly provided regulations that allowed for a three-year, phase-in period for implementing a system to provide 100% of available state funding on institutional performance.

In compliance with its legislative mandate, the CHE, in cooperation with South Carolina's higher education institutions and other stakeholders in the state's public higher education system, has developed a system for determining institutions' funding based on performance across the nine critical success factors using the 37 performance indicators as applicable. Beginning in 1999-2000, the CHE determined institutions' appropriations based fully on their performance. During the preceding fiscal years, the CHE based only a portion of institutions' appropriations on institutional performance on select indicators – 14 of the 37 indicators were used in determining a portion of institutions' funds for FY 1997-98 and 22 of the 37 were used for FY 1998-99.

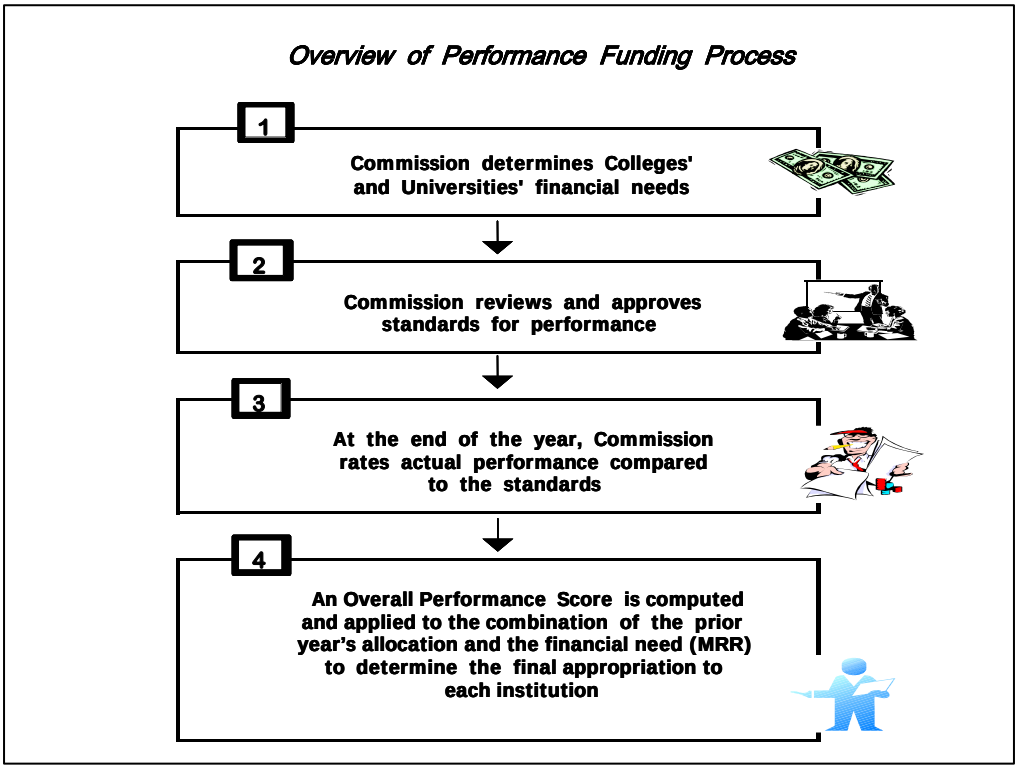
Currently, direct scores are given for no more than 14 indicators for each sector. The remaining indicators have either been accomplished by the institution and are monitored by the Commission or are now considered within the 14 scored indicators. Points are given for improvement and for reaching certain standards of excellence. Standards are based primarily on comparisons with national peer institutions. Performance funding scores most directly affect "new dollars" appropriated by the General Assembly, but the cumulative effect of multiple years of scoring on institutional performance now influences all operating funds at an institution.

The system for determining funding has two major components: 1) a determination of financial needs for the institution and 2) a process for rating the institution based on performance across the indicators.

1. The first component, the determination of need, identifies the total amount of money the institution should receive based on nationally and regionally comparable costs for institutions of similar mission, size and complexity of programs (Mission Resource Requirement) and by the prior year's level of appropriation.

2. The second component, the performance rating, is determined by assessing whether or not the institution meets or exceeds standards for each indicator. Standards are set either for the individual institution or for institutions within the same sector and are approved annually by the CHE. Each year, the institution is rated on its success in meeting the standards on each of the indicators. These ratings are totaled and expressed as an average score for the institution. The institution with the higher score receives a proportionally greater share of available state funding.

Currently, the CHE is in its ninth year of implementation and is continually working to refine and improve the performance measurement of South Carolina's public higher education institutions. As might be expected, in the years since the passage of Act 359 of 1996, the CHE has made revisions and refinements to the overall system as well as to various measures as strengths and weaknesses have been identified.



B. Determining the Allocation of Funds Based on Performance

Funding cuts over the past several years have caused a "parity" issue among institutions. In an effort to address the issue, a methodology has been adopted for those institutions that obtain at least a score of "Achieves" in the Performance Funding evaluation. This methodology provides for an aggressive move forward to alleviate the disparity in the percentage funding that is not due to performance.

The new methodology allocates increases in appropriations to higher education institutions for operating on a disproportionate basis to move institutions closer to parity. The first $18 million of increases will be allocated on a disproportionate basis so that all institutions will be moved toward the next highest percentage above the highest funded

institution. Those institutions currently receiving the lowest levels of funding would receive a disproportionately larger share than those funded at a higher level. All funds above $18 million will be allocated using the same methodology. However the targeted level of funding to be achieved will be changed to 90% rather than the next highest percentage above the highest funded institution.

The CHE publishes a Performance Funding Workbook that outlines, in detail, all of the performance indicators, how they have been defined and to whom they apply. The workbook is provided as a guide to be used by institutions in the benchmarking and rating process and should also be useful to others interested in the performance funding system in South Carolina. The workbook may be accessed on the CHE website at http://www.che.sc.gov/Finance/Perf_Fund/Perform_F.htm.

FY 2005-2006 MISSION RESOURCE REQUIREMENTS (MRR)

	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
Sector / Institution	Instruction	Research	Public Service	Libraries	Student Services	Physical Plant	Administration	Subtotal	Revenue Deduction	**Total (Step 8 minus Step 9)**
Research Universities										
Clemson	$152,747,082	$18,658,889	$3,028,388	$14,441,657	$18,098,630	$27,281,372	$58,564,004	$292,820,022	$125,022,343	$167,797,679
USC - Columbia (Includes Med.	219,594,170	24,107,092	9,416,749	20,191,273	21,306,278	36,845,258	86,336,088	417,796,907	199,832,695	217,964,213
Medical University of SC	121,757,547	41,833,645	4,697,399	5,675,918	3,148,870	19,437,787	49,137,791	245,688,957	54,255,162	191,433,796
Subtotal	**494,098,799**	**84,599,626**	**17,142,535**	**40,308,848**	**42,553,778**	**83,564,418**	**194,037,883**	**956,305,887**	379,110,199	577,195,687
Teaching Universities										
The Citadel	19,217,624	30,471	287,095	1,879,161	4,263,227	7,573,380	8,312,740	41,563,698	24,977,493	16,586,205
Coastal Carolina Univ.	33,941,778	414,695	186,727	3,319,171	7,530,161	6,296,696	12,922,307	64,611,537	37,561,762	27,049,775
College of Charleston	57,547,963	1,025,687	177,046	5,781,640	13,116,731	9,234,511	21,720,894	108,604,472	67,595,724	41,008,748
Francis Marion Univ.	18,037,200	85,234	14,309	1,825,115	4,140,614	4,935,675	7,259,537	36,297,683	17,703,760	18,593,922
Lander Univ.	15,311,138	3,514	34,136	1,494,964	3,391,606	3,577,826	5,953,296	29,766,481	14,697,034	15,069,447
S.C. State Univ.	26,383,795	1,041,193	957,262	2,252,447	5,110,097	8,797,122	11,135,479	55,677,394	28,616,578	27,060,816
U.S.C. - Aiken	17,330,893	209,912	211,870	1,718,701	3,899,195	3,201,031	6,642,901	33,214,504	16,998,297	16,216,207
U.S.C. - Beaufort	4,439,942	2,284	152,070	631,815	1,433,390	1,119,232	1,944,683	9,723,417	5,125,287	4,598,130
U.S.C. - Upstate	22,492,149	66,179	737,233	2,237,509	5,076,207	3,630,160	8,559,859	42,799,295	22,409,393	20,389,902
Winthrop Univ.	32,458,048	65,285	728,473	3,267,544	7,413,034	9,030,130	13,240,628	66,203,142	32,468,957	33,734,185
Subtotal	**247,160,530**	**2,944,452**	**3,486,221**	**24,408,068**	**55,374,263**	**56,276,531**	**97,692,324**	**488,461,622**	**268,154,285**	**220,307,337**
U.S.C. Regional Campuses										
U.S.C. - Lancaster	3,424,491	13,031	152,194	423,756	1,063,963	1,264,402	1,585,459	7,927,297	3,222,742	4,704,555
U.S.C. - Salkehatchie	2,106,026	11,113	111,982	329,396	827,044	1,172,014	1,139,394	5,696,968	2,290,765	3,406,203
U.S.C. - Sumter	3,924,415	9,569	82,046	486,952	1,222,634	1,304,696	1,757,578	8,787,891	3,587,022	5,200,869
U.S.C. - Union	1,071,123	0	102,043	153,805	386,171	338,145	512,822	2,564,110	1,099,248	1,464,862
Subtotal	**10,526,055**	**33,713**	**448,265**	**1,393,908**	**3,499,813**	**4,079,258**	**4,995,253**	**24,976,266**	**10,199,777**	**14,776,489**
Technical Colleges Sector										
SBTCE (Technical Coll. totals)	**325,424,470**	**0**	**0**	**10,727,814**	**48,048,519**	**3,013,514**	**103,233,807**	**490,448,125**	**202,663,186**	**287,784,939**
Aiken	11,131,369	0	0	362,364	1,622,983	0	3,508,159	16,624,876	6,688,862	9,936,013
Central Carolina	12,860,588	0	0	472,193	2,114,892	0	4,119,131	19,566,804	7,885,936	11,680,868
Northeastern Technical College	4,843,033	0	0	157,517	705,500	0	1,565,461	7,271,511	2,916,769	4,354,741
Denmark	6,238,509	0	0	210,825	944,260	1,629,608	2,255,801	11,279,004	4,634,616	6,644,387
Florence-Darlington	20,431,062	0	0	596,226	2,670,419	0	6,369,017	30,066,724	12,158,787	17,907,938
Greenville	54,912,039	0	0	1,806,268	8,090,046	0	17,364,723	82,173,077	33,960,064	48,213,013
Horry-Georgetown	22,490,064	0	0	715,251	3,203,518	0	6,929,776	33,338,609	14,689,041	18,649,568
Midlands	44,007,755	0	0	1,525,700	6,833,417	0	14,159,220	66,526,092	27,454,130	39,071,962
Orangeburg-Calhoun	12,577,472	0	0	353,890	1,585,028	0	3,928,152	18,444,542	7,464,728	10,979,814
Piedmont	21,509,810	0	0	704,225	3,154,133	0	6,637,287	32,005,455	12,985,838	19,019,617
Spartanburg	19,558,826	0	0	586,499	2,626,857	0	5,960,974	28,733,156	11,712,879	17,020,277
Technical Coll. of the Lowcount	7,083,250	0	0	256,965	1,150,915	1,383,907	2,468,759	12,343,795	5,128,147	7,215,649
Tri-County	20,588,095	0	0	648,757	2,905,699	0	6,416,880	30,559,431	12,560,835	17,998,596
Trident	47,914,121	0	0	1,657,555	7,423,981	0	15,289,890	72,285,548	30,566,306	41,719,242
Williamsburg	2,465,386	0	0	83,082	372,115	0	842,586	3,763,169	1,505,268	2,257,901
York	16,813,092	0	0	590,496	2,644,756	0	5,417,991	25,466,334	10,350,981	15,115,353
AHEC	20,660,558	0	0	2,066,056	317,739	2,479,267	11,548,759	37,072,379		37,072,379
TOTALS	1,097,870,413	87,577,791	21,077,020	78,904,694	149,794,112	150,532,220	411,508,028	1,997,264,279	860,127,447	1,137,136,832

Administration Bottom Line Totals includes AHEC Cont. Educ. and Administration - Other