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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

June 11, 2009

The Executive Committee of the University of South Carolina Board of Trustees met on Thursday, June 11, 2009, at 1:30 p.m.

Members present were: Mr. Miles Loadholt, Chairman; Mr. Herbert C. Adams; and Mr. Samuel R. Foster II. Members absent were: Mr. James Bradley; Dr. C. Edward Floyd; and Mr. Michael J. Mungo.

Other Trustees present were: Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck, Jr.; Mr. William W. Jones, Jr.; Mr. Toney J. Lister; Ms. Darla D. Moore; and Mr. Eugene P. Warr, Jr.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Executive Vice President for Academic Affairs and Provost [Interim] and Vice President for Planning William T. Moore; Vice President for Student Affairs and Vice Provost for Academic Support Dennis Pruitt; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Human Resources Jane M. Jameson; Vice Provost and Executive Dean for System Affairs and Extended University Chris P. Plyler; Chancellor of USC Aiken Thomas L. Hallman; Chancellor of USC Beaufort Jane T. Upshaw; General Counsel Walter (Terry) H. Parham; Interim Vice President for University Advancement Michelle D. Dodenhoff; Treasurer Susan D. Hanna; Special Assistant to the President J. Cantey Heath; Associate Vice President for Finance and Budget Director, Division of Business and Finance, Leslie Brunelli; Special Assistant to the President and Athletics Director John D. Gregory; Associate Vice Provost for Academic Resources, Edward L. Walton; Vice Provost for Faculty Development Christine W. Curtis; Chair-Elect of the Faculty Senate Patrick D. Nolan; Vice Chancellor for Business and Finance, USC Aiken, Virginia S. Hudock; Director of the Office of Internal Audit Alton McCoy; Director of Facilities, Division of Business and Finance, Tom Quasney; Director of Facilities Resources Charles E. Shaw; Director of Facility Services James D. Demarest; Dean of the College of Arts and Sciences Mary Ann Fitzpatrick; USC Campus Dean, South Carolina College of Pharmacy, Randall C. Rowen; Director of Publications, Division of University Advancement, Chris Horn; Executive Assistant to the President for Equal Opportunity Programs Bobby Gist; Director of Governmental and Community Relations and Legislative Liaison Shirley D. Mills; Associate Director of Governmental Affairs and Legislative Liaison Casey Martin; Student Government Association President Meredith Ross; Interim Director of University Communications, Division of University Advancement, Margaret Lamb;

Public Information Officer, Office of Media Relations, Karen Petit; University Technology Services Production Manager Justin Johnson; Board staff members Terri Saxon, Vera Stone, and Karen Tweedy; and members of the media.

Chairman Loadholt called the meeting to order and asked Ms. Lamb to introduce members of the media who were in attendance. Chairman Loadholt 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.

Chairman Loadholt stated it was necessary to receive and discuss legal advice on a proposed contractual matter and an academic alliance which were appropriate for discussion in Executive Session. Mr. Adams so moved to enter Executive Session and Mr. Foster seconded the motion. The vote was taken, and the motion carried.

Chairman Loadholt invited the following persons to remain: President Pastides, Secretary Stepp, Dr. Moore, Mrs. Jameson, Mr. Parham, Mr. Heath, and Mrs. Saxon.

Return to Open Session

I. University of South Carolina Mission Statement: Chairman Loadholt called on Dr. Moore who emphasized that the University of South Carolina mission statement was not merely a part of Focus Carolina, it was, indeed, the heart of it.

Launched on August 1st, the day Dr. Pastides assumed the presidency at Carolina, Focus Carolina was a system wide strategic planning effort to reinvigorate the culture of planning, budgeting and assessment throughout the system.

In addition, President Pastides created a new Executive Council with system wide representation to be the natural steering committee for Focus Carolina. The Board of Trustees also formed a new strategic planning committee to provide oversight.

Dr. Moore stressed that the Executive Council worked for many hours to produce this mission statement which was crafted by the drive to advance the USC System in all dimensions.

The last sentence, he believed, was the heart of the University: "The University of South Carolina provides all students with the highest quality education including the knowledge, skills and values necessary for success in responsible citizenship in a complex and changing world through engagement in nationally and internationally ranked research, scholarship, service and artistic creation." This statement was based upon the University's ability to position itself among the top institutions in the nation in research and in service as indicated by Carnegie Foundation objective data.

Mr. Adams moved approval of the University of South Carolina mission statement as presented. Mr. Foster seconded the motion. The vote was taken, and the motion carried.

II. FY 2009-2010 University Budget: Chairman Adams called on President Pastides who made the following remarks:

Thank you, Mr. Chairman.

Ladies and Gentlemen, let me start by thanking this Board for your counsel and your support during this year. This has been a year unlike any other, yet I truly believe that we are a strong and stronger university today than any time in our history. I say that because our core is stronger.

I am presenting to you today a budget that is conservative, but strong; a budget that uses our declining recurring funds including what will be the lowest tuition increase since 2001 to provide the highest quality education that Carolina has provided that is highly accessible and relatively affordable. And, we are very grateful to the General Assembly for providing two years of non-recurring stimulus funding which will advance Focus Carolina.

Focus Carolina will be the investment in our strongest programs which will increase and extend the impact, the visibility of the University of South Carolina around the world.

President Pastides asked Dr. Moore to present the details of the budget.

Dr. Moore initially acknowledged the assistance of an "extraordinary group of individuals" including Rick Kelly, who was retiring as Chief Financial Officer of the University of South Carolina; Associate Vice President for Finance Leslie Brunelli; and Associate Provost Ed Walton.

Dr. Moore directed the attention of Board members to a screen displaying information about the FY 2009-2010 University revenue budget. He noted that the total of

\$1,080,680,663 reflected the fact that the University, for the second year in a row, continued to be a \$1 billion enterprise even after losing \$55 million of recurring state appropriation funding this past fiscal year.

Dr. Moore pointed out that the USC Columbia tuition and fees budget of \$331,019,759 was over 40 percent of the total budget. That figure was approximately \$33 million more than the budgeted amount for FY 2008-2009 because the largest class in University history was admitted last year, and this year the largest class in history had been accepted. In addition, this number reflected a 3.6 percent increase in tuition and fees which was the percentage increase in the inflation rate applied to institutions of higher learning (HEPI or Higher Education Price Index). Had the tuition been increased by less than 3.6 percent, the University would have actually sustained another budget cut. Essentially, therefore, 3.6 percent was the "break even increase" in tuition revenue.

State appropriations for USC Columbia was \$123,233,053 representing 15.1 percent of the budget. Within the parameters of the entire system, that figure represented the third highest source of funding.

The Federal Grants and Contracts amount of \$129,182,082 was substantial and had grown by design because the University was hiring more capable research faculty. That figure was 40 percent higher than 5 years ago. In addition, Sales & Service Auxiliary Enterprises - i.e., bookstore and student housing - generated a substantial amount of funding (16.1 percent of total revenue).

Dr. Moore displayed a graphic which showed expenditures budgeted for FY 2009-2010 by campus and by category. Adding the Instruction amount as well as Student Services, Academic Support and Fellowships & Scholarships, that total was approximately 56 percent of the University's budget. Of significance was the fact that these expenses directly related to the University's primary mission of teaching and helping students.

In FY 2003, Dr. Moore emphasized, the University experienced a crossover point at which juncture tuition and fees became a greater source of revenue than state appropriations; the gap had increased over time.

Dr. Moore also reviewed state appropriations for the past several years. He particularly noted that in 1973 in "real terms" or inflation adjusted terms, the state appropriation was approximately equal to the amount for FY 2010. "In 2009 we began with \$223 million from the state and with all of the budget cuts during the past several months, our base budget for FY 2010 is \$169,763,896. That figure represents 16.3 percent of the total system revenue."

Dr. Moore discussed various components of the proposed operating budget for FY 2010. Listed under the heading of Academic Programs and Services for a total of \$3,065,000 in recurring funds was the Faculty Excellence Initiative previously supported at \$2 million a year; in view of the budget pressure, the amount was reduced to \$1.25 million a year. That figure was sufficient to hire perhaps 12-15 new "star" faculty.

University Libraries had an increase of \$340,000 which solely represented the increased cost of periodicals and scientific journals.

Also added was \$110,000 a year to Undergraduate Research for the Magellan Scholars Program.

In the area of Academic Support and Student Affairs Programs, \$1,172,414 was requested. That figure included funding for supporting the Federal Direct Lending Program which, as mentioned earlier, will most likely continue as an unfunded mandate in the very near future.

In addition, the number of students who studied abroad and participated in international exchange had tripled over the last five years; therefore, there was a greater need for international student compliance (i.e., passports, visas, etc.).

Also budgeted was \$1.17 million for the Career Center to better assist graduating students find jobs.

The amount of \$3.34 million had been budgeted for General Institutional Costs and Central Operations. The largest number was a utilities increase of \$1,779,788 which represented nearly a quarter of the tuition increase.

Of utmost importance to the President were health and safety concerns; various enhancements in law enforcement and safety as well as emergency responses and emergency communications had been added.

The University was also improving pandemic flu preparation as a result of the recent experience with the swine flu.

An amount of \$562,200 had been budgeted for facilities enhancements. President Pastides clearly understood the importance of deferred maintenance. "We must maintain the University in a safe and appealing way."

For the Legal Office the President had approved a proposed increase to its operating budget of \$150,000.

Dr. Moore advised that Stimulus Funding had been allocated to each of the eight campuses in the USC System. "This is one-time money although the expectation is that we will receive the same amount next year." That figure totaled \$29 million; of that total, nearly \$24 million had been allocated to the combined Columbia and Medical School campuses.

At this time, President Pastides made the following comments:

I would like the Board to know that these stimulus funds make the difference between Carolina over the next couple of years keeping pace or struggling to keep pace and advancing.

These are the funds that will be used to advance Carolina. Each and every campus will be stronger two years from now as a result of these funds. These will transform the University. We know how to do it because we have our draft of what we'll call Focus Carolina which has been a broad comprehensive view at how Carolina can improve. And, it really is a culture change and frankly without the stimulus funds, there would have been no way even with a hefty tuition increase to have even begun to fund the transformational changes that we seek.

The funds will be distributed strategically. Each and every chancellor, every dean on every campus will not be spending these funds

in an 'across the board' way. They will be distributed following a competitive process where the best ideas emerge understanding that every dollar that is spent is meant to be nonrecurring and not to increase the debt of the University. Every dollar will be spent on one time purposes.

We need to spend them relatively quickly. We need a streamlined process. That is what the federal government had in mind - keep people at work or put other people to work. These are not monies that will be or can be or should be hoarded. These are monies that will be expended.

Sometimes when you need to make decisions quickly, you can make mistakes. But we have Focus Carolina; we have that plan that will be shared with the Board of Trustees first with the Strategic Planning Committee and eventually with the full Board so we know what we are going to do with these monies.

We will be careful with them; we will monitor them; we are compelled to be transparent so every dollar that is distributed will be available not only for the University community, but for the broader public. And, while again the modest 3.6 percent tuition increase was targeted at the quality of our core, our accessibility, our affordability and the quality of the Carolina education - that was non-negotiable. The stimulus funds will also be used to advance the University, not on the backs of the students or their families, but with the help of government.

Dr. Moore addressed in greater detail tuition and fees for FY 2010.

For USC Columbia undergraduate costs per semester, the proposed increase in resident and non-resident as well as the non-resident general University scholarship fee was 3.6 percent. Therefore, the resident rate of \$4,419 per semester will increase to \$4,578 per semester; a \$159 increase. The non-resident rate increase will be \$412; the non-resident general University scholarship rate will increase \$159. Moreover, the non-resident departmental scholarship rate will increase \$233, also a 3.6 percent increase.

The non-resident athletic scholarship rate will decrease \$295 in response to a plan which began 4 years ago to bring it into line with the nonresident departmental scholarship rate.

The proposed graduate rates for residents will increase \$176 from \$4,918 to \$5,094; for nonresidents that amount will be \$372.

For the Law School, the resident rate will go up \$593 for a 6.6 percent increase. The nonresident and nonresident scholarship rates were proposed to increase \$1,197 and \$657 respectively, a 6.7 percent increase.

The Medical School resident rate was proposed to increase 9.9 percent which was in line with the previous fiscal year. And, the nonresident rate was proposed to increase \$302 or 1 percent from last year. The nonresident scholarship rate was proposed to increase \$1,533 for a 9.9 percent increase.

For USC Aiken, the resident rate was proposed to increase \$184 from \$3,766 to \$3,950, a 4.9 percent increase. And the same percentage increase was applied to the nonresident rate, which amounted to \$368.

For USC Beaufort and USC Upstate, the proposed increase for residents and nonresidents was 3.6 percent.

For those students at the regional campuses who had accumulated fewer than 75 credit hours, proposed were resident and nonresident rate increases of 5 percent and 4.9 percent respectively.

And, finally, for regional campuses' students who had accumulated 75 or more credit hours, the resident rate will increase \$220; the nonresident rate will increase \$404.

Dr. Moore noted that the proposed increase of 3.6 percent for tuition and fees for FY 2009-2010 had not been this low since 2001.

President Pastides closed with these remarks:

I am very pleased to have presented this budget to you. Let me thank Ted, Leslie, Ed and Rick Kelly for helping me present a conservative and strong budget.

I want to be clear especially with the students in the room that this budget preserves our core mission of educating Carolina students. It also maintains the environment for the wonderful faculty we have hired over the last few years to continue engaging in research and scholarship at all of our campuses. It allows us and compels us not to unplug from our service mission, our flagship mission to the state of South Carolina.

It would have been tempting to withdraw from our many public outreach programs. This core budget allows us to remain engaged at a very high level in our flagship mission. We would never compromise health and safety. Of all the units in the University, those that took the lowest cut are public safety and student health.

We have to look at our deferred maintenance and our physical infrastructure needs. We are adding approximately \$500,000 this year to the budget that will allow us to continue to improve our physical facilities. Nobody wants to inherit a campus two, three, four or five years from now in which the morass of deferred maintenance is such that you can't climb out of it.

We also held our general tuition increase as low as possible - 3.6 percent in order to cover the inflationary costs and still honor our core values.

Having said that, I don't mean to minimize the pain that our Carolina family has experienced this year. We received one of the largest cuts to a public university in the United States of America - the largest cut to a South Carolina public university; \$55 million, 24.85 percent of our state appropriation was washed away in a little over one half year.

We will have over 500 fewer class sections this coming fall than we did last fall. We have cut back on faculty and staff replacement. We continue to have a soft hiring freeze and that means only 'mission critical' positions are allowed to be refilled.

We have delayed, as you heard earlier today in a committee meeting, our much needed overhaul of what we call OneCarolina, our data management system.

Adjunct faculty will not be rehired next year and that means that our core faculty are doing more.

We have eliminated several nonessential positions and we have had several reductions in force. These are painful especially to those who lose their work, but also to the entire University family.

We will be prepared for midyear cuts again next year. We can't be sure about them but we must prepare for them. And the guidance for managing those cuts will be the same as I provided to my budget team this year, which is the information and the guidelines that are reflected in our values: once again, to preserve and protect our core mission of education, research and service; the public safety, health and well-being of our students, faculty and staff. Yet, with the stimulus funding there will also be money to improve our world class programs and to make gains over the next two years.

In response to a question from Mr. Allen about stimulus funding, President Pastides indicated that in order to have made up for state appropriations cuts this year, the tuition increase would most likely have been greater than 16 percent. In the recent past, double digit tuition increases had occurred but the economy was robust, students were able to find part-time jobs and parents were not unemployed. But for the stimulus funds President Pastides did not believe that he could have presented the currently proposed FY 2010 budget or the moderate tuition increase.

Chairman Loadholt called for a motion to adopt the operating budget for FY 2010, as presented in the materials distributed to the Board, including tuition and fee schedules, the housing budget and associated fee schedules, the athletics budget, and the designated funds budget. Mr. Foster moved approval of the FY 2010 budget as presented and Mr. Adams seconded the motion. Mr. Adams verified that the total in-state tuition cost for one year would be approximately \$16,000; for out-of-state tuition that figure would total approximately \$29,000. The vote was taken, and the motion carried.

Since there were no other matters to come before the Executive Committee, Chairman Loadholt declared the meeting adjourned at 2:45 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary