

## Allocation Plan for FY 2002

Prior to and since the implementation of performance funding, there has been a wide disparity between the highest and lowest percentages of MRR funded for institutions. In fact, as it currently exists, the lowest percentage of MRR funding is 53.36% and the highest amount funded is 94.53%.

Although this disparity existed prior to the implementation of performance funding, the gap continues to widen. Based on staff analysis, the growing disparity has not been caused by high versus low performance levels, but by other factors such as enrollment shifts, levels of activity changes, and facilities changes. Attached is the listing of MRR percentages for FY 2000-2001. (See Attachment A)

Because of this concern with the growing disparity, institutions as well as some members from the Finance and Facilities Committee have asked staff to examine the allocation methodology with the intent of bringing more equity back to the system. Staff has received various plans and ideas from institutions for consideration.

After a review of the various plans and options, staff has proposed for the Finance and Facilities Committee's consideration the following "Allocation Plan for FY 2002:"

This Allocation Plan is for the fiscal year beginning July 1, 2001. Following are the components of the Plan:

1. The Plan subjects all funds to the performance indicators.
2. The Plan uses the scores and rating system as determined by the Planning and Assessment (Performance Funding) Committee. The Committee's scores will be applied to both the current and previous years' appropriation.
3. This Plan make use of "unearned" funds to address the parity issue. "Unearned funds" are defined as those funds created when an institution's overall rating has a score that is less than "substantially exceed performance."
4. Funding parity is achieved when each institution reaches a minimum of 75% of the Mission Resources Requirement (MRR).
5. When parity is achieved, unearned funds will no longer be applied to parity.
6. Performance Improvement dollars will be 10% or \$500,000, whichever is greater, of unearned money.
7. In the event of a reduction in current year's appropriations, each institution will receive its pro rata share of the reduction, as defined by the legislature. (If the appropriation reduction is 10%, then each institution will be reduced by 10%, unless the General Assembly dictates exemptions or exceptions.)
8. The appropriations will be allocated as follows:

### **Previous Year's Appropriation**

- In order to qualify to receive the previous year's appropriation, institutions must score an achieves or higher on their performance rating.
- An institution scoring less than "achieves" will be subject to the disincentives included in the current allocation plan.
  - Three percentage of its appropriation will be deducted for a "does not achieve" and five percentages for "substantially does not achieve"
  - The disincentive funds will be added to the current year's appropriation for distribution to the institutions that score "achieves" or higher

### **Current Year's Appropriation**

- Current year's appropriation is defined as the "new dollars" appropriated by the legislature;
- Plus the previous year's performance improvement dollars;
- Plus the disincentives from institutions that scored less than "achieves."

### **Funding Advisory Committee (FAC) Action**

This Plan was presented to the FAC on January 18, 2001 for its consideration. After much debate and discussion, a motion was made to adopt the proposed staff plan. The motion was not approved by a vote of: For 4; Against 6; Abstain 2.

The concerns expressed by the FAC for their action centered on the notion that no changes should be made to the allocation plan this year because of the possibility of no new state appropriations. Also, the FAC was concerned with the "unearned" funds from the proposed staff allocation being distributed across sectors to address parity.

It was explained to the FAC that in light of its action, the staff proposal would be presented to the Finance and Facilities Committee at the February 1 meeting without a recommendation from the FAC. After some discussion, the FAC proposed the following motion for the Committee's consideration:

*"The Funding Advisory Committee reaffirms its collective belief that action must be taken to address the funding parity issue between the institutions; however, the Funding Advisory Committee is reluctant to suggest changes to the current allocation methodology under the uncertain budget situation that exists in the State. Therefore, it is the recommendation of the Funding Advisory Committee that the current allocation methodology continue for one more year."* Vote: For 6; Against 3; Abstain 3

### **The FAC Allocation Plan** (See Attachment B for fiscal impact)

The existing allocation plan as adopted by the Committee is as follows:

- Allocate one-half of new funds to each institution, by MRR, and the other half is placed in the Performance Incentive Pool
- Deduct 2% of the current year's allocation from each institution. Included in the 2% is .25% which is set aside for performance improvement
- The remaining 1.75% is placed in the Performance Incentive Pool
- Institutions scoring "achieves" receive back 1% of their current year's appropriation
- Institutions scoring "exceeds" or "substantially exceeds" receive 3% or 5% respectively
- Any remaining money, after funding the "achieves", "exceeds", or "substantially exceeds", will be allocated to each institution by the MRR, weighted by its performance score.

### **Summary**

The staff believes that the staff proposed "Allocation Plan for FY 2002" is the fair and equitable plan for FY 2002 for the following reasons.

1. It subjects all state appropriations to performance.
2. An institution receives 100% of what it qualifies for under the MRR, if the institution scores "substantially exceeds performance" on its performance rating
3. The plan addresses the need for "parity" by recommending a minimum level at which an institution will be funded, (75%), thus starting the process of creating a level playing field for all institutions.
4. Even if no new state funds are appropriated to higher education this year, the principle of "parity" is established.
5. In the event of no new state funds, as long as an institution scores "achieves" or better, it will receive no less than its previous year's allocation (this doesn't consider the projected budget reductions).

6. The staff proposed plan distributes budget reductions pro-rata to the reductions mandated by the General Assembly.

In contrast, under the current allocation plan as adopted by the FAC:

1. All funds to performance are subject to performance
2. In the event of no new state funds, an institution scoring "achieves" or less will receive a reduction from its current year's appropriation. In fact, based on last year's scores, some institutions will receive less funds than the previous year even though they "achieved" standards. Based on the fiscal impact illustration, out of the 33 institutions, 22 will have a decrease in their next year's allocation. Because of scoring "exceeds performance," the other 11 institutions will receive considerable increases in their allocation. (See Attachment B)
3. There are no funds for "parity."
4. Does not address budget reductions.

### **Conclusion**

The staff believes that although the FAC recommended a continuation of the current allocation plan, the Committee did not fully understand the fiscal impact on the institutions. The staff also understands that the FAC's primary concern with the staff recommendation is the allocation of "unearned" parity across sectors. Staff continues to believe, that parity must be addressed and that a 75% level is very modest, and that it is necessary to allocate "unearned" funds across sectors in order to accomplish a level playing field as soon as possible. (See Attachment C for fiscal impact, also e-mailed as an Excel spreadsheet)

### **Recommendation**

Staff recommends the proposed Allocation Plan for FY 2002 be approved for implementation for the year beginning July 1, 2001.

## FY 2000-2001 Appropriation Percent Funding

INSTITUTION	% Funding
	[1]
<b><u>Research Sector</u></b>	
Clemson Univ.	81.05%
U.S.C. - Columbia	81.52%
Medical Univ. of S. C.	78.80%
<b>Subtotal</b>	<b>80.67%</b>
<b><u>Teaching University Sector</u></b>	
The Citadel	94.53%
Coastal Carolina Univ.	71.34%
College of Charleston	73.96%
Francis Marion Univ.	80.55%
Lander Univ.	77.45%
S. C. State Univ.	85.70%
U.S.C. - Aiken	70.67%
U.S.C. - Spartanburg	65.85%
Winthrop Univ.	79.03%
<b>Subtotal</b>	<b>77.57%</b>
<b><u>Regional Campuses Sector</u></b>	
U.S.C. - Beaufort	68.33%
U.S.C. - Lancaster	71.63%
U.S.C. - Salkehatchie	68.25%
U.S.C. - Sumter	87.76%
U.S.C. - Union	80.41%
<b>Subtotal</b>	<b>75.82%</b>
<b><u>Technical Colleges Sector</u></b>	
<b>Subtotal Technical</b>	<b>64.18%</b>
AHEC	53.66%
<b>Total</b>	<b>74.83%</b>

<sup>1</sup> Technical Colleges are shown as a system.

## Funding Advisory Committee Recommendation with \$0 new dollars

Institution	FY 2000-2001 Appropriation Minus FY 2000-2001 Perf. Improv.	ALLOCATION		\$0 million Appropriation FY 2000-2001	\$0 million Appropriation FY 2000-2001 Minus FY 99-2000 Appropriation
		Achieves up to 1%	Exceeds Standards up to 3%		
	(1)	(2)	(3)	(4)	(5)
<b>Research Sector</b>					
Clemson Univ.	\$110,036,052	1,079,540	0	\$109,980,975	(\$55,077)
U.S.C. - Columbia	191,177,855	1,875,592	0	191,071,231	(106,424)
Medical Univ. of S. C.	105,346,058	1,033,560		105,322,576	(23,482)
Subtotal	406,559,965	3,988,692	0	406,374,782	(184,983)
<b>Teaching University Sector</b>					
The Citadel	17,153,904	168,267		17,033,685	(120,219)
Coastal Carolina Univ.	14,620,627	143,461		14,533,336	(87,291)
College of Charleston	33,426,477	327,975		33,221,893	(204,584)
Francis Marion Univ.	16,336,020	160,270		16,230,567	(105,433)
Lander Univ.	11,257,219	110,448	0	11,186,251	(70,968)
S. C. State Univ.	25,311,516	248,311		25,142,452	(169,064)
U.S.C. - Aiken <sup>Excess</sup>	12,205,044		359,281	12,378,917	173,673
U.S.C. - Spartanburg <sup>Excess</sup>	13,734,942		404,354	13,935,462	200,540
Winthrop Univ <sup>Excess</sup>	25,404,503		747,736	25,753,381	348,878
Subtotal	189,460,262	1,158,732	1,511,371	189,415,964	(34,268)
<b>Regional Campuses Sector</b>					
U.S.C. - Beaufort	2,423,371	23,780	0	2,407,161	(16,210)
U.S.C. - Lancaster	3,034,611	29,776		3,013,822	(20,789)
U.S.C. - Salkehatchie	2,554,308	25,065		2,537,233	(17,075)
U.S.C. - Sumter <sup>Excess</sup>	4,849,945		142,733	4,910,419	60,474
U.S.C. - Union	1,177,762	11,555		1,169,263	(8,499)
Subtotal	14,039,987	90,176	142,733	14,037,899	(2,088)
<b>Technical Colleges Sector</b>					
Aiken	6,458,439	58,034		6,395,893	(62,546)
Central Carolina	7,489,949	67,396		7,427,685	(72,264)
Chesterfield-Marlboro	3,408,091	30,619		3,374,464	(33,627)
Denmark <sup>Excess</sup>	4,446,463		119,809	4,481,258	34,795
Florence-Darlington	10,991,518	98,783		10,886,868	(104,650)
Greenville <sup>Excess</sup>	24,792,930		668,422	25,001,200	208,270
Horry-Georgetown <sup>Excess</sup>	10,481,236		262,516	10,567,044	85,806
Midlands <sup>Excess</sup>	24,867,424		670,427	25,076,164	208,740
Orangeburg-Calhoun	6,889,634	61,730		6,803,212	(86,622)
Piedmont <sup>Excess</sup>	10,271,525		276,902	10,357,065	85,540
Spartanburg <sup>Excess</sup>	9,356,212		252,220	9,433,876	77,664
T. C. of the Lowcountry	5,300,107	47,612		5,247,273	(52,834)
Tri-County	10,276,245	92,361		10,179,113	(96,132)
Trident	23,371,192	210,036		23,148,063	(223,130)
Williamsburg	2,310,823	20,759		2,287,851	(23,072)
York <sup>Excess</sup>	10,199,610		274,850	10,284,035	84,425
Subtotal	170,993,790	687,329	2,545,247	170,961,063	47,363
AHEC	18,394,116	180,562		18,476,003	81,887
<b>SubTotals</b>	<b>779,367,630</b>	<b>6,195,794</b>	<b>4,433,767</b>	<b>779,265,719</b>	<b>(92,109)</b>
MUSC - Hospital	21,292,776			21,292,776	0
Improv. in Perf. (Step 2 total)	1,858,594			1,850,993	1,950,693
<b>Grand Totals</b>	<b>802,518,999</b>	<b>6,195,794</b>	<b>4,433,767</b>	<b>802,409,188</b>	<b>1,858,594</b>

INSTITUTION	Allocated by MRR			Performance Funding			Unearned S. Used to Fund Parity				
	FY 2000-2001			FY 2000-2001			Step 5				
	FY 2000-2001 MRR	Institution's Percent of MRR	Appropriation minus FY 2000-2001 Perf. Improv	FY 2000-2001 MRR	Institution's Percent of MRR	Appropriation minus FY 2000-2001 Perf. Improv	AT 75% of	DIFFERENCE BETWEEN Parity Funding and Previous Yr	Parity Funding	100%	Total
Research Sector											
INSTITUTION	Step 1 Calculation	1 A	1 B	Step 2	Step 3	Step 4	Step 5 A	Step 5 B	Step 5 C	Appropriation	Funding %
Chenoweth Univ.	\$135,759,555	13.03%	\$110,006,852	\$3,500,971	\$2,895,747	\$112,731,799	\$0	\$0	\$0	\$112,731,799	83.04%
U.S.C. - Columbia	234,504,795	22.52%	191,177,655	6,047,415	4,656,510	195,834,165	0	0	0	195,834,165	83.51%
Medical Univ. of S. C.	133,693,452	12.84%	105,365,858	3,447,593	2,654,721	108,020,778	0	0	0	108,020,778	80.78%
Subtotal	503,957,807	48.39%	406,549,765	12,996,079	10,006,979	416,556,744	0	0	0	416,556,744	
Teaching University Sector											
The Citadel	18,145,874	1.74%	17,153,904	467,946	360,319	17,514,223	0	0	0	17,514,223	96.52%
Coastal Carolina Univ.	20,456,175	1.97%	14,620,627	528,530	406,968	15,027,595	15,371,361	343,766	48,257	15,075,852	73.66%
College of Charleston	45,195,198	4.34%	33,628,477	1,165,485	897,431	34,523,908	0	0	0	34,523,908	75.85%
Francis Marion Univ.	20,281,264	1.95%	16,526,020	523,014	402,721	16,928,741	0	0	0	16,928,741	82.53%
Lander Univ.	14,534,983	1.40%	11,257,219	374,829	288,619	11,545,837	0	0	0	11,545,837	78.43%
S. C. State Univ.	29,534,334	2.84%	25,311,516	761,632	586,457	25,897,973	0	0	0	25,897,973	87.69%
U.S.C. - Aiken	17,271,621	1.66%	12,205,044	445,401	405,315	12,610,359	12,853,716	343,357	48,197	12,658,566	73.29%
U.S.C. - Spartanburg	20,859,142	2.00%	13,724,942	537,916	489,504	14,224,446	15,644,357	1,419,911	199,312	14,423,758	69.15%
Winthrop Univ.	32,143,878	3.09%	25,484,582	828,327	754,324	26,238,827	0	0	0	26,238,827	81.36%
Subtotal	218,461,478	20.99%	169,989,262	5,633,660	4,591,655	174,041,907	43,969,454	2,107,054	285,766	174,327,673	
Regional Colleges Sector											
U.S.C. - Beaufort	3,546,589	0.34%	2,423,371	91,460	70,424	2,493,795	2,659,942	166,147	23,322	2,517,117	70.67%
U.S.C. - Lancaster	4,236,574	0.41%	3,004,611	109,263	84,125	3,118,736	3,177,431	58,695	8,239	3,128,975	73.81%
U.S.C. - Salkehatchie	3,742,760	0.36%	2,564,308	96,518	74,319	2,638,627	2,807,070	178,443	25,048	2,663,675	70.90%
U.S.C. - Sumter	5,526,197	0.53%	4,484,945	142,510	129,684	4,614,629	0	0	0	4,614,629	80.11%
U.S.C. - Union	1,464,735	0.14%	1,177,762	32,773	29,085	1,206,847	0	0	0	1,206,847	82.39%
Subtotal	18,516,865	1.78%	14,678,987	477,513	387,636	14,427,633	8,644,442	403,265	54,608	14,482,242	
Technical Colleges Sector											
Subtotal	286,296,354	28.57%	179,890,785	6,867,257	5,817,525	176,721,225	106,191,364	25,310,146	3,562,772	180,273,998	67.70%
ALLIC	34,281,347	3.29%	18,394,116	884,048	680,717	19,074,833	25,711,010	6,636,177	831,517	20,006,350	58.36%
Total	\$1,041,513,942	100.00%	\$779,247,430	\$28,858,584	\$21,484,513	\$5,374,071	\$264,516,230	\$34,456,661	\$4,838,664	\$805,669,007	77.36%
Performance Improvement											
					\$537,407					\$537,407	
										\$26,321,177	
										\$1,858,584	
										\$25,000,000	

21,292,776 MUSC - Hospital (No longer part of higher education sector)  
1,858,584 Paved back into Performance Funding for FY 2001-2002 allocation/distribution  
\$802,489,198 Total

Minus FY 99-2000 Perf. Improv  
New Money

\* See Technical Colleges Attachment for Individual Technical Colleges Allocation  
\* For calculation purposes, the scores have been converted to percentages.

# The 2001-2002 Allocation Plan for Technical Colleges - "ATTACHMENT"

Institution	Allocated by MRR				Performance Funding	
	FY 2000-2001 MRR Calculation		FY 2000-2001 Institution's Percent of MRR		E = Exceeds A = Achieves	Scores*
	Step 1	1.A	1.B	Step 2		Step 3
<b>Technical Colleges Sector</b>						
Aiken	9,822,515	0.94%	\$6,458,139	\$253,303	A	77%
Central Carolina	11,823,802	1.14%	7,489,949	304,912	A	77%
Cherokee-Clatsop	4,478,340	0.43%	3,488,081	115,488	A	77%
Durham	4,478,861	0.43%	4,448,463	115,452	E	81%
Florence-Darlington	18,752,789	1.80%	10,891,518	483,587	A	77%
Greenville	40,834,607	3.82%	24,782,830	1,053,044	E	81%
Horry-Georgetown	14,789,009	1.42%	10,461,238	380,884	E	81%
Midlands	40,784,058	3.82%	24,887,424	1,051,740	E	81%
Orangeburg-Calhoun	10,343,875	0.99%	6,888,834	288,748	A	77%
Piedmont	16,088,706	1.54%	10,271,555	414,885	E	81%
Spartanburg	14,373,112	1.38%	8,258,212	370,654	E	81%
T. C. of the Lowcountry	6,355,047	0.61%	5,300,107	163,884	A	77%
Tri-County	16,082,662	1.55%	10,278,245	414,988	A	77%
Trident	38,167,944	3.76%	23,371,182	1,010,084	A	77%
Williamsburg	2,730,837	0.26%	2,310,823	70,423	A	77%
York	15,402,100	1.48%	10,180,810	387,180	E	81%
<b>Subtotal</b>	<b>\$286,296,354</b>	<b>28.67%</b>	<b>\$170,883,704</b>	<b>\$8,867,257</b>		<b>\$5,817,525</b>