

Mission Resource Requirements (MRR)

1. Research and Public Service Definitions

The Commission on Higher Education established a process to verify data that has been submitted to the Commission from South Carolina institutions of higher education. The verification process is performed through data verification visits to the institutions. The Commission's data verification staff is currently working on the second cycle of data verification visits. Each institution is scheduled to be visited once every two years. Items that are reviewed during the visits are determined by each program division at CHE. Currently the areas being reviewed relate to the Mission Resource Requirement, Performance Funding, and CHEMIS documentation. The items that are being reviewed during the second cycle of visits are shown below:

- (Indicator 2B) (Sub-Parts 3, 8a, and 10) Performance Review System for Faculty to Include Student and Peer Evaluations
- (Indicator 7D) Scores of Graduates on Post-Undergraduate Professional, Graduate, or Employment-Related Examinations and Certification Tests
- (Indicator 9A) Financial Support for Reform in Teacher Education
- Sponsored Research and Sponsored Public Service Expenditures reported on the CHE 150 report
- Academic Endowments
- Fee Waivers and Abatements
- Tuition and Fees

The objectives of the data verification process are to:

- a. Enhance reporting accuracy
- b. Ensure consistent reporting across the institutions
- c. Improve processing and reporting mechanisms
- d. Act as a liaison between the institutions and the Commission

During the visits, the staff noted some items in the Research and Public service areas that were subject to misinterpretation by some of the institutions. CHE staff decided that clarification be sought before any action was taken on these areas. Therefore, it was recommended that a subcommittee to re-evaluate and clarify the definitions for sponsored research and sponsored public services expenditures reported on the CHE 150 Report be formed. Their task was to recommend clarifying language to the Funding Advisory Committee. The Subcommittee met and recommendations were presented to and adopted by the Funding Advisory Committee at the August 8 & 9 meeting. Below are the recommendations as adopted by the Finance and Facilities Committee.

Clarification of Research & Public Service Issues (as currently stated in the MRR book)

- a. The existing language states: "No expenditures of State funds are to be included in the Research or Public Service expenditures."

Finance and Facilities Committee Recommendation:

No expenditures from an institution's state appropriation and tuition and fees (General Funds) are to be included in the Research or Public Service expenditures. Competitive¹ State Grants from funded sources other than state general funds can be included.

¹ Competitive State Grants are defined as grants/contracts for which all state public institutions have the opportunity to compete.

- b. The existing language states: "Expenditures from Research and/or Public Service sponsored programs must have a sponsor (i.e. Federal Government, Local Government, private industry, private foundations, voluntary agencies, etc.)"

Finance and Facilities Committee Recommendation:

Expenditures from Research and/or Public Service sponsored programs must have a sponsor (government, private industry, private foundations, and voluntary agencies.) No self-generated dollars shall be included.

- c. The existing language states: "There are two basic types of instruments, grants and contracts, used by sponsors to fund extramurally sponsored programs. The institution must have a grant or contract to support the Research or Public Service program expenditures.

Finance and Facilities Committee Recommendation:

There are two basic types of instruments – grants and contracts. The institution must have a grant or contract to support the Research or Public Service program expenditures.

- d. The existing language states: "Funds received from other State agencies are not includable for matching purposes 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 agency as a subrecipient, 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. Funds paid to subcontractors are not includable as expenditures"

Finance and Facilities Committee Recommendation:

Funds received from other state agencies are not eligible for inclusion. 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. Also, if an institution performs the work it can claim those expenditures regardless of whether that institution is named in the primary grant or contract proposal as a subrecipient, or subcontractor, for a particular portion of the grant or contract proposal. Funds paid to subcontractors are not includable as expenditures. In no instance can the primary recipient and a subrecipient/subcontractor report the same expenditures.

- e. **Finance and Facilities Committee Recommendation (#5 – New Addition):**

Indirect costs should be included and claimed with the qualifying direct expenditures of the original grant.

2. Student/Faculty Ratios

Background

The Mission Resource Requirement (MRR) is the model used at the CHE to determine the fiscal needs of the colleges and universities, and it consists of ten steps. The instruction step of the MRR accounts for approximately 55% of the total MRR. Ratios and faculty salaries are the major components of the instruction step of the MRR. The other component of the instruction step, which is a product of ratios and faculty salaries, is instructional support. Instructional support is the administrative, academic and technological costs that support instruction.

The student/faculty ratio is used to determine the number of faculty required for a number of students. As an example, a 14:1 student/faculty ratio means that for every 14 students, one faculty is required. Currently each of the disciplines has a designated ratio; also each student level (undergraduate, master, doctoral, first professional) has student faculty ratios.

As one can see, the instruction step is the major component of the MRR and very careful consideration must be given when making modifications to the step. It should be reviewed periodically to ensure accuracy and currency. Surveys of peer institutions' salaries are conducted every three years, and South Carolina institutions' salaries are updated to reflect the results of the survey. On the non-survey years, salaries are updated using the average salary increase as approved by the General Assembly. The ratios have remained constant for at least 10 years. Studies have been attempted, without success, to determine appropriate ratios.

In 1999, the Commission and the institutions commissioned a study of the MRR for the purpose of validating the model. The consultants came back with nine recommendations, one of them being that the ratios should be the same for all sectors. The other eight recommendations were implemented last year. This remaining recommendation, which was strongly opposed by the technical colleges, was delayed for one year to give the technical colleges additional time to study and provide additional information regarding the inappropriateness of the recommendation. The consultants did not address the individual ratios themselves. According to the consultants:

"The Instruction step of the MRR needs to have more horizontal equity (equal treatment of equals) in the student/faculty ratio calculation. The MRR has different student/faculty ratios for the remedial level (15:1 in the teaching and two-year sectors and 14:1 in the technical college sector). At the undergraduate level, the student/faculty ratios for each discipline vary by sector.

To provide horizontal equity the ratios for the same academic discipline should be the same across sectors, because the epistemology at these levels usually is the same. In addition, from the perspective of the State, a student enrolled in a lower division English class should have the same student/faculty ratio applied whether that student takes the class at a technical college, a two-year branch of the USC, one the teaching universities, or at a research university."

The issue at hand is whether to implement the consultant's recommendation which states:

“Change the student/faculty ratios at the remedial and undergraduate levels for the two-year, teaching, and research sectors so that the ratios are the same as those at the technical colleges.”

The Funding Advisory Committee, (FAC) which consists of the finance offices at the colleges and universities including four representatives from the technical colleges system has considered the consultants recommendations. The FAC was presented with information from representatives of the technical colleges. After hearing and debating the information presented by them, the Funding Advisory Committee voted:

The vote from the Funding Advisory Committee was **8 in favor** of implementing the consultant’s recommendation, **5 against** and **2 abstaining**. Persons voting against were the four representatives of the technical system and a representative from one Research University. The two abstainers were representatives from the teaching sector.

Finance and Facilities Recommendations:

- 1. The student/faculty ratio, as recommended by the consultants be phased in at 20% per year beginning in FY 2003-04.**

Rational: The phase-in should be gradual enough so as not to cause such a dramatic impact on the MRR in any one year. Fully implementing the recommendation has a \$55 million impact on the MRR. To phase in 20% per year will be \$11 million per year.

- 2. A task force of five members (consisting of one representative from the research universities, two from the teaching universities and two from the technical colleges and chaired by the Director of Finance at CHE) be named by the Chairman of the Commission. The task force is to report back to the Finance and Facilities with a recommendation report by June 2003 prior to implementation of the second phase of the ratios recommendation.**

Rational: The staff believes that regardless of which position the Finance and Facilities Committee approves, the issue will not be resolved. There is still a tremendous need for the staff and the institutions to resolve this issue for the appropriateness of all sectors. Staff strongly believes that an additional serious effort must be made to resolve the issue of appropriate ratios. A established task force should report back to the Finance and Facilities Committee with a unanimous recommendation on appropriate ratios.