



SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

RUTLEDGE BUILDING

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MEMORANDUM

TO: Members, Commission on Higher Education

FROM: Howard R. Boozer *HJB*

SUBJECT: Uniform Fee Structure for Step 10 of the Appropriation Formula

A matter for decision on September 10 is whether to substitute for the present (i.e., 1976-77) wording of Step 10 of the 1977-78 Appropriation Formula the following wording recommended by the Commission's Budget and Finance Committee:

"Compute the required student fee income deduction for Educational and General purposes at \$300 for each FTE university or regional campus student and \$200 for each FTE college student, the amount per FTE to be doubled for the predicted percentage of out-of-state students. To this add the estimated revenue from sales and services (including application, laboratory, auto registration, and other service fees not required of all students) and anticipated income from federal or local governments to be received in support of 1977-78 Educational and General operations."

At the July 8 meeting of the Commission I was instructed to consult further with the institutions concerning Step 10 and report back to the Commission at the next meeting. A comprehensive memorandum on this subject was mailed to the presidents of the public senior colleges and universities on July 27, a copy of which was also sent to each member of the Commission.

Responses have been received from each of the presidents and are enclosed (along with further related correspondence) for your review. Their responses are briefly summarized as follows:

U.S.C. (including main campus, U.S.C.-Aiken, U.S.C.-Coastal Carolina, U.S.C.-Spartanburg, and 6 two-year branch campuses): "We endorse most strongly the recommendation of the Commission's Budget and Finance Committee."

PURPOSE AND INTENT OF FORMULA STEP 10

The purpose of Formula Steps 1 through 11 is to calculate an adequate and equitable lump-sum State appropriation in support of the basic Educational and General operations of a college or university. Steps 1 through 9 determine the institution's entitlement to support from all sources. The purpose of Step 10 is to estimate the amount of basic Educational and General support the institution will receive from all sources other than gifts, endowment income, and State appropriations. Only by deducting Step 10 from Step 9 can the institution's need for State support be determined.

Step 10 should include:

Required student fees (such as college or university fees) used for Educational and General purposes

Student service fees (laboratory fees, auto registration fees, late registration fees, graduation fees, etc.)

Summer school revenue in excess of incremental summer school expenditures

Reimbursement for indirect costs of Sponsored Research and Programs in excess of actual expenditures

Revenue from educational and other sales and services (film rentals, testing services, computer services, etc.) in excess of incremental expenditures

Unrestricted revenues from governmental agencies

Step 10 should not include:

Gifts and endowment income

Tuition fees deposited with State Treasurer for debt service

Required student fees legally restricted to debt service

Required student fees accounted for as Plant Funds and used for plant improvement (renovation, extension, etc.)

[Required student fees accounted for as Auxiliary Enterprises revenue or as Agency Funds revenue for intercollegiate athletics, health services, student clubs, etc.]

NOTE:

Revenue included in Step 10 should not be deducted again in Step 12 (for example, fees collected from Felton Laboratory School students).

5. For the two universities add 40%, for the colleges and four-year regional campuses add 35% (40% for graduate instruction), and for two-year regional campuses add 30% of total teaching salary requirements to provide for instructional costs other than teaching salaries (i.e., "teaching faculty support") such as non-teaching portions of deans' and department heads' salaries, secretaries and clerks, non-teaching graduate assistants, supplies, equipment, travel, telephone, etc. Teaching faculty salaries plus teaching faculty support equal total instructional costs.
6. Add 10% of total Instructional costs (as determined in Step 5) to cover Libraries, including acquisitions and operations.
7. (a) Add the average of three years' (1973-74, 1974-75, and 1975-76) actual expenditures for Operation and Maintenance of Plant (other than utilities) plus 8% for 1975-76, 6% for 1976-77, and 6% for 1977-78. If during 1976-77 or 1977-78 the gross square footage of educational and general buildings increases at a faster rate than FTE student enrollments, add such incremental percentage to that year's allowance for general cost increases. Total allowable expenditures for Operation and Maintenance of Plant (other than utilities) may not exceed 31% of total Instructional costs.
- (b) Add the actual 1975-76 expenditures for utilities (fuel oil, electricity, coal and gas for heating, cooling and lighting) plus 8% per year. If during 1976-77 or 1977-78 the gross square footage of educational and general buildings increases at a faster rate than FTE student enrollments, add such incremental percentage to that year's 8% allowance for general cost increases.
8. Add 26% of total Instructional costs to cover General Administration, Student Services, General Institutional Expense, Organized Activities Related to Educational Departments, and Extension and Public Service.
9. Add the amounts calculated in Steps 4, 5, 6, 7 and 8 to determine the costs of basic Educational and General operations of each university main campus, each college or four-year regional campus, and the two-year regional campus system.
10. Estimate the amount of student fee income (other than for debt service and student activities), any excess of summer school revenue over incremental summer school expenditures, miscellaneous revenue from sales and services, and income from federal or local governments to be received in support of 1977-78 Educational and General operations.**
11. Subtract the amount computed under Step 10 from the corresponding amount computed under Step 9. This determines the lump-sum state appropriation requested for basic Educational and General operations, subject to adjustment for actual fall 1977 enrollments.
12. Special funding over and above that provided under Step 11 may be requested for continuing or one-time non-capital expenditures such as:
- (a) Continuing: Justifiable incremental costs of continuing special situations in which the institution is not free to discontinue or curtail costly services or those required by the State (e.g., The Citadel's necessary extra costs resulting from being a military college; S.C. State's necessary costs in excess of student fees and other income for operating the Felton Laboratory School; and S.C. State's necessary costs of special remedial counseling and guidance).

HIGHER EDUCATION FINANCE MANUAL

Academic support—All funds expended for activities carried out primarily to provide support services that are an integral part of the operations of one of the institution's three primary programs—instruction, research, and public service. It includes the retention, preservation, and display of materials and the provision of services that directly assist the academic functions of the institution. This category includes media and technology (e.g., computing support) employed by the three primary programs as well as administrative support operations that function within the various academic units (including the development of future instructional activities).

This category is broken down into the following subcategories:

- **Libraries**—Expenditures for all activities that directly support the operation of a catalogued or otherwise classified collection of published material.
- **Museums and galleries**—Expenditures for all activities established to provide services related to the collection, preservation, and exhibition of historical materials, art objects, scientific displays, etc. Libraries are excluded.
- **Audio/visual services**—Expenditures for all activities providing audio and/or visual materials or media services to support the three primary programs.
- **Computing support**—Expenditures for activities established to provide computing support to the three primary programs. Excluded from this category is administrative data processing, which is included as part of the institutional support category.
- **Ancillary support**—Expenditures for activities providing support services to the three primary programs but not appropriately classified within the previous subcategories. An example of ancillary support is a demonstration school associated with the school of education. The expenditures of teaching hospitals are excluded.
- **Academic administration and personnel development**—Expenditures that provide administrative support and management direction for the three primary programs. This subcategory is intended to separately identify the expenditures for the management function in the primary programs. It includes the expenditures of academic deans but not those of the departmental chairmen, which would be included in the appropriate primary function categories.
- **Course and curriculum development**—Only those expenditures that are separately budgeted for activities that may result in instructional offerings at some point in the future. Thus subcategory also includes separately identifiable expenditures for any activities intended to improve the content or presentation of current course offerings.

Student services—All funds expended for admissions, registrar activities, and activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instructional program.

This category includes the following subcategories:

- **Social and cultural development**—Expenditures for those activities that have been established to provide for the students' social and cultural development outside the degree curriculum. Activities included in this category are cultural events, student newspapers, intramural athletics, student organizations, etc. Expenditures for the intercollegiate athletics program would be included in this category if it is not operated as an essentially self-supporting operation, in which case it would be reported in the category auxiliary enterprises.
- **Counseling and career guidance**—Expenditures for testing centers, placement offices, etc. Excluded is informal academic counseling provided by the faculty in relation to course assignments.
- **Financial aid administration**—Expenditures for activities established to provide financial aid services and assistance to students. This subcategory does not include expenditures for outright grants to students, which would be included in scholarships and fellowships.
- **Student admissions and records**—Expenditures for activities of the student admissions office and the registrar's office.
- **Student health services**—Expenditures for student health services that are operated as a service to the student body rather than as an essentially self-supporting auxiliary enterprise.

Institutional support—All funds expended for activities whose primary purpose is to provide operational support for the day-to-day functioning of the institution, excluding expenditures for physical plant operations. Appropriate

STUDENT FEES

① "TUITION FEE"
(REQUIRED OF ALL
FULL-TIME STUDENTS)

USED FOR
SERVICING INSTITUTION
BONDS

② "COLLEGE FEE"
(REQUIRED OF ALL
FULL-TIME STUDENTS)

STUDENT HEALTH (INFIRM-
AR)
* STUDENT ACTIVITIES
INTERCOLLEGIATE ATHLET-
IC
SERVICING REVENUE BONDS
"PLANT IMPROVEMENT"
(CONSTRUCTION)

** EDUCATIONAL + GENERAL
CURRENT EXPENSES

③ "SERVICE FEES"
(REQUIRED OF THOSE
RECEIVING SERVICES)

APPLICATION FEES
LABORATORY FEES
LATE REGISTRATION FEE
AUTO REGISTRATION FEE

④ "ROOM AND BOARD"
(REQUIRED OF THOSE
RECEIVING SERVICES)

DORMITORY RENTAL
CAFETERIA CHARGES

* EXCLUDING "STUDENT SERVICES" (SEE
PAGE 43, HIGHER EDUCATION
FINANCE MANUAL)

** INCLUDING "STUDENT SERVICES"

Clemson: "...an approach designed to bring about some degree of uniformity...in Step 10 is essential...[the Committee's recommendation] is a move in the right direction." Would exclude service fees and miscellaneous revenue from Step 10.

Winthrop: "...approves and encourages [the concept of a uniform fee structure in Step 10]...does subscribe to the proposed \$200 figure..."

The Citadel: Opposed to the "doubling of the standard amount per FTE for out-of-state students..."; suggested "that a standard amount per FTE identical to that recommended by the finance officers of the institutions be included in Step 10..."

College of Charleston: Alleges that facts were misstated in my July 27 memorandum. In March 4 letter endorsed concept of deducting a fixed amount in Step 10.

Francis Marion: Opposes the recommendation of the Commission's Budget and Finance Committee.

Lander: "...a uniform deduction would be to our advantage during the next few years..." but not in the long run. "...no change should be made in the present wording of Step 10."

S.C. State: Views recommendation as setting tuition and fees and questions CHE authority to do so.

To assist you in your further consideration of how best to handle student fees for Formula purposes, the following four sheets are appended to this memorandum:

- (1) A list of the various kinds of student fees and their purposes.
- (2) Page 43 of the Higher Education Finance Manual of the U.S. Department of Health, Education and Welfare. Its definition of "Student Services" is considered to be authoritative by colleges, universities, public accountants, and governmental agencies nationwide.
- (3) Page 2 of the 1977-78 Appropriation Formula. You will note that Step 8 covers "Student Services", which are a part of "Educational and General operations". Step 10 includes all student fee income of an "Educational and General" nature. Step 10 excludes "debt service" fees and "student activities" fees which are not "Educational and General", such as fees for intercollegiate athletics, health services, and student clubs.
- (4) A statement of the "purpose and intent of Formula Step 10". This includes detailed information and specific examples for accurate computation of Step 10. Please note that the uniform fee structure, if adopted, would replace only "Required Student fees (such as college or university fees) used for Educational and General purposes".

/rm

Attachments

cc: Presidents, Public Senior Colleges and Universities