

ATT XIX

Higher Education Operating Fund Budget Report for Fiscal Year 2004

Each year, the S. C. Commission on Higher Education presents a budget request to the Governor and the General Assembly on behalf of the state's 33 public institutions of higher education. This budget request is a request for the operating funds of the institutions. Requests for specific items (commonly referred to as below-the-line items) and capital items are not included in this plan but are submitted separately.

The estimated MRR for 2004 is \$1.5 billion. The FY 2003 appropriation is \$730 million; student fees are \$400 million, leaving an unmet need of approximately \$370 million. Since 1997, the Commission has used a Mission Resource Requirement (MRR) to determine those needs.

Considering the financial straits our state is currently facing, staff believes that a request of \$370 million is unrealistic. This past year, the colleges and universities had to absorb a \$70 million budget reduction.

During the recently held budget presentations that were done by each of the institutions, the question was raised as to the appropriate amount to request from the General Assembly for FY 2004. The responses were mixed, ranging from no new dollars to an amount equivalent to last year's request of \$90 million for operating. After considering the various comments and reviewing the needs the staff is recommending two options for meeting the needs.

- **Option 1** is to recommend 10% of the unmet need which amounts to \$37 million.

Rationale: This amount will restore approximately half of the budget reductions sustained by the institutions last year and the other half the next year. This is a more modest request that will get us back to level funding over a two-year period.

- **Option 2** is to recommend 20% of the unmet need which amounts \$74 million.

Rationale: This will restore the last year's budget reduction and put us back to level funding over a one-year period.

Attached are the documents with the two options outlined. Please note, the Committee on Finance and Facilities is scheduled to meet prior to the Commission meeting on September 5 and has not yet acted on these items. However, a staff recommendation is included for your information.

Staff Recommendation:

Staff recommends that one of the two options be adopted as the higher education request for FY 2004.

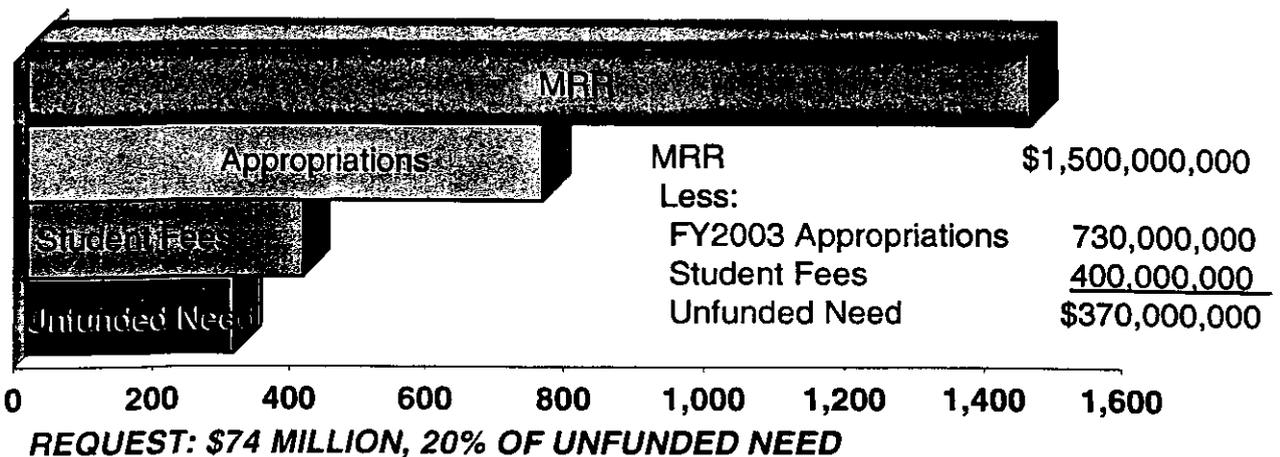
Option 2
**HIGHER EDUCATION OPERATING FUND BUDGET REPORT FOR
 FISCAL YEAR 2004**

(S. C. Commission on Higher Education
 Operating Fund Budgetary Needs of Higher Education)

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The FY 2004 request on behalf of the institutions is \$74 million.

Illustrated graphically are the total needs of the colleges and universities, the amount funded, the unfunded amount, and the calculated fiscal year 2004 request. Since 1997, the Commission has used a Mission Resource Requirement (MRR) to determine those needs.



Plan 2004 is on behalf of the entire public higher education community and constitutes its approved funding request to be presented to the General Assembly in January 2003. The \$74 million request is over and above the current FY 2003 state appropriations, after application of last year's budget reductions of \$70 million. The establishment and the maintenance of world-class status institutions in South Carolina will continue to enhance new and existing economic development and exemplary research efforts as well as nurture and promote South Carolina's most essential resource, an educated and well-informed citizenry.

Also, Plan 2004 will continue the effort established in 1996 under Act 329 and 37 performance indicators. With six years of performance funding implementation and experience, South Carolina continues to set the standard for performance funding in this country. These funds are absolutely essential to reward high-achieving institutions and to sustain improvements achieved by other institutions.

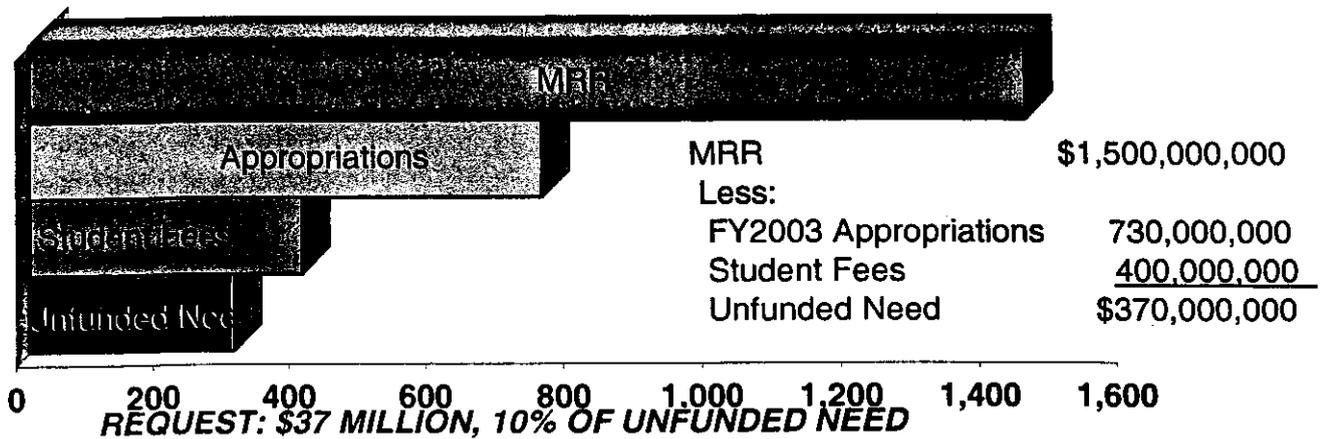
Option 1
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(S. C. Commission on Higher Education
 Operating Fund Budgetary Needs of Higher Education)

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