



SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

RUTLEDGE BUILDING

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COLUMBIA, S. C. 29201

HOWARD R. BOOZER
EXECUTIVE DIRECTOR

June 28, 1978

TELEPHONE
803/758-2407MEMORANDUM:

TO: Members, Commission on Higher Education

FROM: Howard R. Boozer *HAB*

SUBJECT: Appropriation Formula for 1979-80

Even though the reconstitution of the Commission has not yet been accomplished, the colleges and universities need an Appropriation Formula for 1979-80 in order to commence budgetary planning.

The normal procedure in recent years has included recommendation of a draft formula by the Budget and Finance Committee in May, followed by adoption of a formula by the full Commission in early June, and notification to the colleges and universities immediately thereafter. Since the normal deadlines have already passed, a modified procedure seems necessary.

We recommend that a 1979-80 formula be adopted at the July 6 meeting (subject to ratification by the reconstituted Commission) for prompt transmittal to the college and university presidents. We also recommend that formula changes be limited to normal updating and minor editing. Other proposals contained in the two letters (see Enclosure A) received in response to my January 25 letter requesting suggestions for formula improvement, as well as in the Legislative Audit Council report, should be deferred for further consideration under more normal conditions next year.

Enclosure B, a draft 1979-80 Appropriation Formula, highlights the changes made. All have been reviewed by members of the Executive Committee and the Budget and Finance Committee and have their approval. Significant differences between it and the 1978-79 Formula are summarized below, along with reasons for making the changes:

1. The Formula (and CHE Report) divisor for determining FTE master's level students has been increased from 11 to 12 credit hours, as previously agreed.
2. It is essential to have realistic Formula student/faculty ratios which are reasonably in line with prevailing practice in South Carolina and elsewhere.

Actual fall 1977 ratios of the South Carolina institutions, as reported in their CHE Reports, were compared with the corresponding ratios of the 1978-79 Appropriation Formula. This comparison clearly indicated that the increases and decreases shown in the draft should be made. A comparison of the recommended 1979-80 ratios with actual fall 1977 ratios is made on Enclosure C. As in the past, in order to provide year-to-year stability, student/faculty ratios have been raised or lowered a maximum of two.

3. Projection of teaching faculty salaries from 1977-78 to 1978-79 is at the rate of 11%, which is the percentage increase contained in the 1978-79 General Appropriation Bill. Projection from 1978-79 to 1979-80 provides only for merit increases of 5% because any general increase for that year will be appropriated separately by the General Assembly. These rates have been approved by the State Auditor.

4. The minor addition to Step 4 (c), as requested by the institutions with R.O.T.C. programs, increases slightly the 31% maximum in Step 7a.

5. Since the current and projected rate of inflation, as measured by the GNP deflator, is still about 6%, the allowance for operation and maintenance of plant has been increased again by 6% per year. The State Research and Statistical Services Division agrees with this projection.

6. Discussions with the State Research and Statistical Services Division, South Carolina Electric and Gas Company, and Carolina Pipeline Company indicate general agreement that increases of 10% per year are reasonable expectations for coal, electricity, and oil, whereas a 15% annual increase is expected for gas. These percentages are used for Formula Step 7b.

7. Terminology in Step 8 has been updated in accordance with the Higher Education Finance Manual.

8. Rather than to provide an extra step in the Formula, it is assumed that the amounts calculated by the State Auditor for fringe benefits will be added to the amounts computed by Formula in order to determine the 1979-80 appropriations to be recommended by the Commission. This procedure was followed last year.

We will be pleased to elaborate on these recommendations at the July 6 Commission meeting. Copies of this memorandum and attachments are being furnished in advance of the meeting to you, to the presidents, to Budget and Control Board members, and to appropriate legislative committee chairmen. We will welcome comments from interested parties prior to the meeting; please forward these as soon as possible for staff analysis and compilation.

HRB:as

Enclosures

cc: Presidents, Public Senior Colleges and Universities
The Honorable James B. Edwards
The Honorable Harry A. Chapman
The Honorable Rembert C. Dennis
The Honorable Tom G. Mangum
The Honorable Earle E. Morris, Jr.
The Honorable Grady L. Patterson, Jr.
The Honorable Nick A. Theodore
Mr. William T. Putnam