

MINUTES

COMMITTEE ON FINANCE AND FACILITIES

JUNE 1, 2017

9:30 A.M.

1ST FLOOR CONFERENCE ROOM, WADE HAMPTON BUILDING

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

COLUMBIA, SC 29201

Committee Members Present

Commissioner Dianne Kuhl, Chair

Commissioner Paul Batson

Commissioner Ken Kirkland

Commissioner Kim Phillips

Commissioner Louis Lynn

Ms. Jennifer LoPresti

Mr. Graham Neff

Mr. Chad Teague

Mr. Greg Weigle

Mr. Avery Wilks

Ms. Helen Zeigler

Guests Present

Chairman Tim Hofferth

Commissioner Terrye Seckinger

Commissioner Devron Edwards

Ms. Beth Bell

Dr. L. Rayburn Brooks

Ms. Leslie Brunelli

Ms. Page Childs

Mr. Derek Gruner

Ms. Katherine Haltiwanger

Mr. Michael Hughes

Mr. Rick Kelly

Staff Present

Mr. Jeff Schilz

Mr. Edward Patrick

Ms. Carrie Eberly

Ms. Yolanda Myers

Mr. Morgan O'Donnell

For the record, notification of the meeting was made to the public as required by the Freedom of Information Act.

1. Call to Order

Commissioner Kuhl called the meeting to order at 9:35 a.m. Ms. Myers introduced guests in attendance.

The following matters were considered:

2. Approval of Minutes of May 11, 2017

Commissioner Kuhl presented the minutes and asked if there were any questions or corrections.

With no questions or corrections, a motion was made (Kirkland), seconded (Batson), and carried to approve the minutes of the May 11, 2017 meeting.

3. Chair's Report

Commissioner Kuhl expressed concerns about the rising cost of education in our state and the burden that it places on families trying to educate their children. She stated that we need to look to see if we are fulfilling the mission. She further stated that South Carolina is currently ranked the 7th least affordable state in the nation in higher education. When projects come before the

committee, we should think about how the project will affect the families and students and whether it will contribute to access, affordability and excellence.

4. Interim Capital Projects

Commissioner Kuhl asked that agenda item 4.D be considered first due to scheduling.

D. University of South Carolina – Columbia

1. SCANA Property Acquisition
-Increase Budget

Mr. Patrick presented the project stating that the University of South Carolina is requesting approval to purchase 14.63 acres of land currently owned by SCANA. He shared that Phase I work was complete and the University is requesting to begin Phase II. The total cost of the project for the University is \$9.375M and the source of funds will be from their Institutional Capital Project Fund. He shared that from a maintenance and financial perspective, the overall risk is low.

Commissioner Kirkland expressed concerns regarding tuition abatements and the trend report for the last ten years and felt that it must be addressed. He shared that on May 6th, The State newspaper published an article regarding the abatements given to out-of-state students and quoted that the University of South Carolina had a total excess of \$84M not including any scholarship aid that may go to those students. Commissioner Kirkland stated that ten years ago, the number was less than \$25M. The enrollment data showed that 43% of USC's student body are out-of-state students and that 60% of those students received some type of tuition discount or abatement. He also shared that several senators have expressed concerns and called for hearings regarding the abatement issue. Other states are becoming more aggressive in keeping their students in-state and he asked what could be done to continue to attract students to South Carolina. Commissioner Kirkland stated that he would like to have more information on how the University could specifically address abatements moving forward and how they will implement sound financial models to possibly reverse the abatement issue. Commissioner Kirkland emphasized the need to make sure that focus remains on access, excellence and affordability, that educating South Carolina students is the continued focus at our flagship universities, and that the abatement issue is a larger piece than just looking at one project.

Commissioner Kuhl asked Mr. Jeff Schilz, Interim President and Executive Director of the Commission on Higher Education, to give additional information on abatements. He explained that an abatement is the balance between in-state tuition and out-of-state tuition, and what an institution will charge an out-of-state student. Mr. Schilz further explained that waivers are discounted amounts given off tuition to in-state students and abatements are amounts given to out-of-state students. He then shared that the Commission received a number of concerns from across the political ideological spectrum about these issues. He referenced a request received from the Chairman of the House Ways and Means committee to ask the institutions for updated abatements for this year.

Mr. Rick Kelly from the University of South Carolina stated that the acquisition of the SCANA property is not directly related to abatements and that one purpose of the project is to provide more student parking. He shared that if the \$84M puts them out of play for additional students, then they would change their model. Mr. Kelly explained that the University has to compete with other universities for the best students. He further explained that they are not paying out \$84M but that abatements reduced potential income that they could receive. Mr. Kelly expressed that without abatements, the chances are that there would be thousands of less

students attending the University. He shared that the University probably receives \$100M from out-of-state students. He also shared that there are not enough students in South Carolina to replace those students. If other South Carolina students want to attend, the University has systems in place to help them get in. Mr. Kelly shared that the abatement issue is separate from the project and that the University has been trying to get this property for over fifteen years. He shared that the University wants to relocate their facilities department and that 700-800 students can use the parking.

Commissioner Hofferth acknowledged information on trends in other states and how they are coming up with ideas to keep their students within their states. He then asked how the potential loss of revenue could affect the University's overall budget. Mr. Kelly responded by stating that abatements allow them to attract students from other states and financially support the University.

Commissioner Kuhl asked what effect it would have on the university's budget if the legislature determined that the current level of abatement was unacceptable, if the board changed its mind, or if USC were to lose 50% of current out-of-state students.

Ms. Leslie Brunelli from the University of South Carolina stated that abatements are not an issue unless it was made one. She further stated that the University of South Carolina system's tuition discount is 33.5% and that the University is below Florida State, Chapel Hill, Florida, Louisville, and Kentucky. Ms. Brunelli shared that this is their marketplace and the reality of doing business. She further shared that if the state does not support 100% of higher education, then you have to raise the tuition to do that and the reality in South Carolina is that the non-resident student subsidizes the resident students.

Mr. Schilz stated that he feels he needs to come to the General Assembly's defense because he thinks that everyone in the room would like to see from the legislature more money flow to the colleges. The frustration he has heard from some of the legislative members over the last few weeks is that the colleges are handing out \$500-600M from our state to out-of-state students over a ten-year period, and at the same time saying that they are not being funded. Mr. Schilz then asked how can that be addressed because you cannot always rip the legislature, who are the policymakers at the state level, when the colleges are putting out a half billion dollars in over ten years.

Ms. Brunelli stated that the easiest way to reduce the abatement is to reduce the amount of non-resident tuition, and right now at the University, the tuition is 2.64 times the resident rate. Commissioner Kuhl asked if the University were to lose a significant percentage of their out-of-state students would it negatively affect their budget. Ms. Brunelli stated that it would negatively affect their budget because out-of-state students are paying more than in-state resident students and the University would have to retool their entire process.

Commissioner Phillips shared that he received questions about in-state students who meet the enrollment credentials that are not being able to attend the University and out-of-state students are receiving over \$100M to come the University. Mr. Kelly stated that if in-state students meet enrollment requirements, then they would have first choice in being accepted and if they are right at the border, then there are other processes in place to help those students. Ms. Brunelli stated that 49% of students are from out-of-state in the freshman class. Commissioner Phillips asked that Ms. Brunelli provide the number of out-of-state students that remain in South Carolina after graduation. Mr. Brunelli stated that they would have to get that number and report back.

After the discussion, members of the committee were in support of the project but concerns remained. A motion was made by Commissioner Kirkland to table the land acquisition to allow the University time to bring additional information to the Committee on the issue of tuition abatements. Mr. Kirkland continued to state his motion that the agenda item be tabled to also allow the Committee time to discuss abatements and other tuition discounts in general. Commissioner Phillips seconded the motion and the Committee commenced discussion on the motion. Commissioner Batson expressed disagreement with the motion to table, stating that the project approval should not be tied to concerns about abatements or other tuition discounts. He agreed with Commissioner Kirkland's suggestion for the Committee to discuss the issue of abatements in further detail, but that concerns about abatements should not prevent the Committee from considering the project. Commissioner Lynn expressed concern about delaying the consideration because the University might forfeit the opportunity to acquire the additional land at the current price point.

Chair Kuhl called for the vote to table the University of South Carolina project as proposed. With a vote of three to two (Kuhl, Kirkland, and Phillips voting for and Batson and Lynn voting against), the motion to table passed.

Commissioner Kuhl asked Commissioner Kirkland if he would serve as the liaison between the Committee and the University on this project. Commissioner Kirkland stated that he would be happy to serve.

A. Medical University of South Carolina

1. Clinical Sciences Building Cooling Towers Replacement -Establish Project

Ms. Eberly presented the project stating that the Medical University of South Carolina requested approval to establish the project to proceed with Phase I design in the amount of \$27,000. The total of cost of the project is \$1.8M. The funding source is the Investment Fund-Deferred Maintenance. The purpose of this project is to replace the structural steel support system and three cooling towers that supports the HVAC system. Currently, wood has been installed as a safety measure until the support can be replaced.

With no further discussion, it was moved (Kirkland), seconded (Phillips), and voted to approve the Medical University of South Carolina project as proposed.

2. Clinical Sciences Building 8th Floor Northwest Side Renovation -Establish Project

Ms. Eberly presented the project stating that the Medical University of South Carolina requested approval to establish a project to proceed with Phase I design in the amount of \$21,000 to renovate 7,000-square-feet of existing lab and office space. The total cost of the project would be \$1.4M. The funding source is Clinical Revenues from the College of Medicine. The purpose of this project is to increase the efficiency and collaboration with the Department of Medicine.

With no further discussion, it was moved (Kirkland), seconded (Edwards), and voted to approve the Medical University of South Carolina project as proposed.

3. Basic Sciences Building 7th Floor Biorepository & Histology Lab Renovations
-Establish Project

Ms. Eberly presented the project stating that the Medical University of South Carolina requested approval to establish a project in the amount of \$22,500 to renovate approximately 4,000-square-feet of vacant, partially demolished lab space to enable co-location of the Histology and Immunohistochemistry Lab, Hollings Cancer Center Biorepository and Tissue Analysis Lab, Brain Bank Lab, and the Electron Microscopy and Histology Labs. The current space is about 47-years-old. The total cost of the project is \$1.5M. The funding source for this project is Clinical Revenues from the College of Medicine.

With no further discussion, it was moved (Lynn), seconded (Phillips), and voted to approve the Medical University of South Carolina project as proposed.

4. Thurmond Gazes Building 6th Floor Alcohol Research Center Renovations
-Establish Project

Ms. Eberly presented the project stating that the Medical University of South Carolina is requesting approval to establish the project to proceed with Phase I in the amount of \$34,500 to renovate approximately 8,500-square-feet that would provide space for animal housing, support cell culture and behavioral research. An additional emergency response HVAC system will be installed to meet AAALAC requirements and will not affect current operating expenses. The total cost of the project is \$2.3M. The funding source is Clinical Revenues from the College of Medicine.

With no further discussion, it was moved (Lynn), seconded (Kirkland), and voted to approve the Medical University of South Carolina project as proposed.

B. Florence Darlington Technical College

1. Master Plan - Academic and Workforce Development Building Construction
-Increase Construction Budget

Commissioner Kuhl shared that the College requested that this project be pulled from this agenda and be presented at the next Committee meeting.

C. Piedmont Technical College

1. Upstate Center for Manufacturing Excellence
-Increase Construction Budget

Ms. Eberly presented the project stating that Piedmont Technical College requested approval to establish the construction budget and to increase the previously approved budget by \$10.8M for the Upstate Center of Manufacturing Excellence. She stated that the College received \$3,750,000 in appropriated funds and \$231,305 in local funds from the College to help them get started. The College has also received support from the City of Greenwood from the penny sales tax. Dr. Brooks, President of Piedmont Technical College, gave an update on how the project got started with help from the Department of Commerce and the community in 2008-09. The new facility will support the production of carbon fiber for automotive parts and will house the expanded industrial programs and a section for training. The current space will be for office space and/or equipment space.

With no further questions, a motion was made (Lynn) and carried (Batson), to approve the land acquisition associated with the construction of the Upstate Center for Manufacturing Excellence contingent on all the due diligence being acceptable on the purchase of the property.

With no further discussion, it was moved (Batson), seconded (Batson), and voted to approve the Piedmont Technical College project increase of the construction budget as proposed, contingent upon the acquisition of the property.

5. Lease Approval

A. Medical University of South Carolina

1. 176 Croghan Spur Road

Ms. Eberly presented the lease stating that the University requested approval to extend their current lease for five additional years for a total cost of \$1,058,002.56. The location provides about 7,300-square-feet for the Psychiatry Family Research Department and the current lease will expire on August 27, 2017.

With no further questions, it was moved (Batson), seconded (Phillips), and voted to approve the Medical University of South Carolina lease as proposed, and that if there are any substantial changes to the lease before it is executed, then the lease would be brought back to this Committee.

6. Other Business (For Information, No Action Required)

A. List of Capital Projects & Leases Processed by Staff for May 2017

Ms. Eberly presented the list of Capital Projects and Leases processed for the month of May 2017 and shared that many of the closeout projects came in under budget.

B. Other Business

There being no further business, Commissioner Kuhl adjourned the meeting at 11:17 a.m.

Respectfully submitted,

Yolanda L. Myers
Recorder

**Attachments are not included in this mailing but will be filed with the permanent record of these minutes and are available for review upon request.*