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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

June 15, 2012

The Executive Committee of the University of South Carolina Board of Trustees met on Friday, June 15, 2012, at 3:10 p.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Miles Loadholt, Chairman; Mr. Herbert C. Adams; Dr. C. Edward Floyd; Mr. Toney J. Lister; Mr. John C. von Lehe, Jr.; and Mr. Eugene P. Warr, Jr. Vice Chairman.

Other Trustees present were: Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. W. Lee Bussell, Sr.; Mr. Mark W. Buyck, Jr.; Mr. Thomas C. Cofield; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Dr. C. Dorn Smith III; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; and Mr. Charles H. Williams.

In coming Board of Trustee member Mr. Robert E. Brown was present; as were the faculty representative, Dr. Sandra J. Kelly, and the student representative, Kenny Tracy.

Others present were: President Harris Pastides; Secretary Amy E. Stone; Vice President for Academic Affairs and Provost Michael D. Amiridis; Chief Financial Officer Edward L. Walton; Vice President for Human Resources Chris Byrd; Vice President for Development and Alumni Relations Michelle Dodenhoff; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Communications Luanne Lawrence; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; General Counsel Walter (Terry) H. Parham; Director of Athletics Eric C. Hyman; Deputy Athletics Director Marcy Girton; Chief Financial Officer, Department of Athletics, Jeff Tallant; University Treasurer and Associate Secretary Susan D. Hanna; Chancellor of USC Aiken Thomas Hallman; Chancellor of USC Beaufort Jane Upshaw; Dean of the College of Arts and Sciences Mary Anne Fitzpatrick; Dean of the South Carolina College of Pharmacy, USC Campus, Randall C. Rowen; Vice Chancellor for Business and Finance, USC Aiken, Joe Sobieralski; Associate Vice President for Finance and Budget Director, Division of Finance and Planning, Leslie Brunelli; Senior Vice Provost and Director of Strategic Planning Christine W. Curtis; Associate Vice President for Administration, Division of Student Affairs and Academic Support, Stacey Bradley; Associate Vice President for Facilities, Division of Finance and Planning, Tom Quasney; Director of State Relations Trey Walker; Director of the Department of Internal Audit Phil Iapalucci; Associate Budget Director, Division of Finance and Planning, Harry Bell; Director of Capital Budgets and Financing, Division of Finance and Planning, Charlie Fitzsimons; Director of Financial Reporting, Controller's Office, Mary Peak; Special Assistant to the President J. Cantey Heath, Jr.; Director of News and Internal Communications Wes Hickman; University Technology Services Production Manager Justin Johnson; and Board staff members Debra Allen, Terri Saxon, and Vera Stone.

Chairman Loadholt called the meeting to order and welcomed everyone. Mr. Hickman introduced members of the media who included Andy Shane, The State Newspaper; and Kathryn Kranjc, The Daily Gamecock.

Chairman Loadholt stated that notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated; and a quorum was present to conduct business.

Chairman Loadholt stated that there were contractual matters appropriate for discussion in Executive Session. Mr. Warr moved to enter Executive Session. Dr. Floyd seconded the motion. The vote was taken, and the motion carried.

Chairman Loadholt invited the following persons to remain: Dr. Pastides, Secretary Stone, Dr. Amiridis, Mr. Walton, Mr. Parham, Mr. Byrd, Ms. Dodenhoff, Ms. Lawrence, Mr. Hyman, Ms. Girton, and Mr. Heath.

Return to Open Session

I. Contracts Valued in Excess of \$250,000:

A. Indefinite Delivery Contracts:

Chairman Loadholt recognized Mr. Parham who presented the following eight indefinite delivery contracts:

1. Johnson Controls
2. State Mechanical
3. Aircorp Corporation
4. WO Blackstone
5. Walker White
6. McCarter Mechanical
7. Cayce Company
8. Trane

Mr. Parham said the Facilities Department seeks Board approval of the indefinite delivery contracts for construction services (mechanical). The University uses Indefinite Delivery contracts as a way to have companies available to respond in a timely manner to campus construction projects and needs.

These companies were selected through a competitive solicitation process approved by the State Engineer. The University advertises its need for construction services vendors, and a selection team reviews the submissions. The University estimates how many contractors it may need during the next two-year period and then selects the appropriate number of responding vendors based on low bid.

The terms of the contract for each of the eight companies are identical and are established by the State. The contract term is two years. During this time period, the maximum amount of work that can be performed by any one company cannot exceed \$1,000,000, and the maximum amount of work that any one company can perform on any one project cannot exceed \$250,000.

Chairman Loadholt called for a motion for approval of the eight indefinite delivery contracts as described in the meeting materials and presented by Mr. Parham. Mr. Warr so moved. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

B. Elsevier Amendment-University Libraries:

Chairman Loadholt recognized Mr. Parham who noted that on February 10, 2012, the Board approved a contract between the University and Elsevier – a company that owns and operates an online periodical service called ScienceDirect that provides subscribers with electronic access to various journals. A list of the several hundreds of journals and periodicals covered by that contract was included in the

committee's agenda packet at that time. Under that contract, the University will pay Elsevier the total sum of \$8,070,707.34 over a five-year period (January 1, 2012 – December 31, 2016).

After the Board approved that contract, faculty requested that the Library acquire from Elsevier two eEncyclopedias: The International Encyclopedia of Education and the Treatise on Estuarine and Coastal Science. The cost of these encyclopedias is a one-time payment of \$13,394 for perpetual access.

Since the Board approved the underlying contract with Elsevier for a specific sum – that is, \$8,070,707.34 – and since the library now wants to amend that contract to increase to the total value of the contract by the sum of \$13,394 in order to acquire the two eEncyclopedias mentioned, Mr. Parham said that it was appropriate to bring the matter to the Board for approval.

On behalf of the USC Library, Board approval was requested to amend the University's contract with Elsevier to increase the total sum to be paid by \$13,394.

Chairman Loadholt called for a motion for approval to amend the University's contract with Elsevier to increase the total sum to be paid by \$13,394 as described in the meeting materials and presented by Mr. Parham. Mr. Warr so moved. Dr. Floyd seconded the motion. The vote was taken, and the motion carried.

C. Delta Airlines-Athletics:

Chairman Loadholt recognized Mr. Parham who said that the Athletics Department seeks Board approval to enter into a Charter Flight Agreement with Delta Air Lines, Inc. under which the Gamecock football team will be transported to four away games during 2012: Vanderbilt (August 30), Kentucky (September 29), LSU (October 13), Florida (October 27).

This is the standard Delta charter flight agreement that Athletics has entered into and the Board has approved on numerous occasions in the past. The total cost of the contract is \$420,210, which compares to last year's contract of \$272,000 for three flights.

Before selecting Delta Air Lines to provide this service, the Athletics Department obtained quotes from other airlines offering charter services. Delta was selected because of the quality of its service to the football team in the past, the price it quoted, the fact that it has backup planes located in all cities where the team is traveling in the event of plane troubles, and the availability on the dates and times the football team required.

Chairman Loadholt called for a motion for approval the Charter Flight Agreement with Delta Air Lines, Inc. as described in the meeting materials and presented by Mr. Parham. Mr. Warr so moved. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

D. Washington Intern Student Housing-Semester in Washington Program:

Chairman Loadholt recognized Mr. Parham who said that the USC Honors College seeks Board approval to enter into renewal of a three-year housing agreement with Washington Intern Student Housing, LLC. (or "WISH").

WISH owns a house located on Capitol Hill at 237 Massachusetts Avenue NE in Washington DC. For several years (since 2004), the Honors College has contracted with WISH to

use this housing for USC's Washington Semester Internship Program students.

Honors College students who are selected for this program live in Washington DC during the fall or spring semester and work for a congressman or other federal official while also taking academic courses.

Under the terms of the agreement, the University guarantees WISH that 14 students will be placed in the house during the fall and spring semesters for the next three academic years. Under the rental amount negotiated with WISH, the University therefore guarantees that WISH will receive the following amounts through student rent payments:

- \$116,688 for 2012-13 [\$4167 per student]
- \$120,188.64 for 2013-14 [\$4292 per student]
- \$123,794.30 for 2014-15 [\$4421 per student]

Each of the 14 students signs a housing agreement with WISH and pays WISH rent directly. The University only pays WISH in the event that 14 students are not placed in the house.

From a historical perspective, the University has never had to pay WISH. On only one occasion in the past three years have less than 14 students participated in the Program – that was in the spring semester of 2011 when only 12 students participated. However, even in that case, the University did not have to pay WISH for the two vacant rooms. Short-term housing for students in Washington is so scarce that WISH was able to rent the rooms to two college interns from another school who were participating in a similar program.

Chairman Loadholt called for a motion for approval of a three-year housing agreement with the Washington Intern Student Housing, LLC. as described in the meeting materials and presented by Mr. Parham. Mr. Warr so moved. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

E. Palmetto Health Richland-Pharmacy Clinical:

Chairman Loadholt recognized Mr. Parham who said that the University seeks approval of a Pharmacy Faculty Agreement between the College of Pharmacy and Palmetto Health Richland. This is a renewal of an existing agreement with Palmetto Health. The term of the new agreement is four years, extending through December 31, 2015.

Under this agreement, the College of Pharmacy will make available to Palmetto Health six pharmacy faculty members on a part-time basis who will provide pharmacy consultation services to physicians and other health care professionals in the hospital. These pharmacists will be on-site part-time and will provide such services as drug therapy monitoring, providing drug information, pharmacokinetic consults, dosing recommendations, providing lectures and conferences, preparing medication use evaluations, and attending patient care rounds when requested and as appropriate. Our faculty will not be dispensing medications.

USC faculty also will meet with Palmetto Health's Director of Pharmaceutical Services on a routine basis and attend monthly Medication Use Subcommittee meetings and the Residency Preceptors meetings.

In exchange for receiving these part-time pharmacy consultation services, Palmetto Health will pay the College of Pharmacy \$27,000 annually per faculty member – which is \$162,000 annually. This amount will be paid quarterly.

Additionally, the agreement provides that Palmetto Health will continue to allow USC pharmacy students to receive education training and clinical opportunities at Palmetto Health. In that regard, Palmetto Health agrees to provide the College of Pharmacy, its faculty and students, with clinical facilities, office space, classroom space, access to library facilities, and other suitable space for teaching students in the clinical areas.

In response to a question from Mr. Mobley, Dean Rowan indicated that the College of Pharmacy will investigate cooperative relationships with other University schools and colleges to leverage market value reimbursements.

Chairman Loadholt called for a motion for approval of the four-year Pharmacy Faculty Agreement with Palmetto Health Richland as described in the meeting materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. Von Lehe seconded the motion. The vote was taken, and the motion carried.

F. BlackBoard Licensing Renewal:

Chairman Loadholt recognized Mr. Parham who said that University Technology Services seeks approval of a renewal agreement with BlackBoard, Inc. Mr. Parham explained that BlackBoard software provides an online course management system available to the entire USC community. This web-based course-management system is designed to allow students and faculty to participate in classes delivered online or to use online materials and activities to complement face-to-face teaching. BlackBoard enables instructors to provide students with syllabi, handouts and other course materials, discussion Boards, virtual chat, online quizzes, and an academic resource center online.

BlackBoard courses are secure, requiring a unique login and password, so that only students registered for the course can access the content. Instructors can communicate with students individually or as a group and track which students are accessing particular course materials, while students can access their grades and securely submit assignments.

UTS first purchased BlackBoard software in 2005 (\$112,985) and has used it consistently since that time. In 2011, UTS entered into a one-year contract with BlackBoard to allow BlackBoard – rather than the University – to host and manage the software system and applications. What this means is that the software actually runs on BlackBoard servers rather than on USC servers. That one-year trial has been successful.

As a result, UTS now seeks Board approval to enter into a three-year renewal agreement to allow BlackBoard to continue to host and manage the system. By doing so, UTS avoids having to make infrastructure improvements to efficiently run the software, it acquires 24/7 maintenance and support services, it obtains all software upgrades seamlessly, it minimizes the risk of unplanned and disruptive outages, and it allows UTS to reassign employees to other projects that otherwise would have had to work on BlackBoard.

The term of the renewal agreement begins September 2012 and continues through March 2015. During this time period, UTS will pay BlackBoard \$695,214.

In response to Board questions, Dr. Hogue confirmed that the agreement could accommodate students registering for Palmetto College.

Chairman Loadholt called for a motion for approval of the renewal agreement with BlackBoard Inc. as described in the meeting materials and presented by Mr. Parham. Mr. Warr so moved. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

G. Lexington County School District Two-College of Education MOU:

Chairman Loadholt recognized Mr. Parham who said that the College of Education seeks Board approval for a Memorandum of Understanding with Lexington County School District Two.

The MOU is designed to help address the critical shortage of principals and administrators in K-12 schools in South Carolina by making a M.Ed. in Educational Administration degree more readily available to South Carolina public school teachers. The Board has approved several similar agreements between the College of Education and other school districts in the past.

Under this MOU, the College of Education commits to offering the 12-course, 36-credit-hour M.Ed. in Educational Administration degree program to qualified teachers in Lexington County School District Two. The courses will be offered through a blended learning program that will involve mostly online instruction with some face-to-face instruction. The courses being taught will be the same as those taught on USC's campus.

Lexington County school teachers interested in participating in the program must apply to the USC Graduate School and be admitted based on the same admissions criteria applicable to other applicants. They are also subject to all USC and Graduate School rules and regulations.

In exchange for the College of Education making this degree program available to Lexington County School District Two, the School District agrees to pay the College of Education a sum of \$255,740 for a cohort of up to 19 participants in the program. The cohort will begin classes in the 2012 Fall semester and must complete the program within two years. The \$255,740 is based on the South Carolina Certified Teacher (Tuition) Rate of \$410 per semester hour (\$280,440) approved by the Board in the past, less \$24,700 that represents the cost savings to the College of Education as a result of the School District providing the off-campus classrooms, proctors, guest lecture fees, IT support, instructional supplies and copies, on-site administration. An itemization of the savings is attached to the contract and included in Board members' agenda package.

The \$255,740 will be paid by the School District in four increments of \$63,935 on September 1, 2012, February 1, 2013, September 1, 2013, and February 1, 2014. USC will receive the \$255,740 regardless of how many of the 19 enrollees complete the program in the two-year time period. The \$255,740 does not include the initial application fee for each participant, matriculation fees, change of status fees, late

registration fees, and out-of-state resident tuition differential fees (of \$85 per credit hour) – all of which must be paid separately by each student.

Chairman Loadholt called for a motion for approval of the College of Education’s Memorandum of Understanding with Lexington County School District Two as described in the meeting materials and presented by Mr. Parham. Mr. Lister so moved. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

H. Employment Contracts – Item was not brought forward for action.

II. Carolina Alumni Association Update:

Chairman Loadholt called on Mr. Bussell for a report of the Carolina Alumni Association. Mr. Bussell said that he would make a more detailed report at the full Board meeting on June 29, but that in the meantime there were a couple of items to which he wanted to draw attention. On June 14, 2012, on behalf of the Alumni Association, Mr. Bussell and Ms. Stone, acting as interim executive director, signed the last papers allowing the Association to take possession on Monday, June 18, of the Damon site for future construction of an alumni center. Also, Mr. Bussell announced that the Association will host a reception on Tuesday, June 19, for Marsha Cole who will be retiring from the University. Board members have been invited and the Association would love to have you come, he said. In conjunction with the reception, the Association will put up its sign on the site announcing the future location of the alumni center. Lastly, Mr. Bussell announced that the Association’s new executive director, Jack Claypoole, would be arriving July 18 and would relieve Ms. Stone of her duties as acting interim executive director.

III. University’s FY 2012-2013 Annual Operating Budget:

Chairman Loadholt called on President Pastides who made the following remarks:

I am pleased to announce in advance of the presentation that the operating budget of the University system remains in balance and we are in a sound financial position.

I remind us all that our auxiliary enterprises like housing and athletics and many others all operate without State funding.

We are grateful to the General Assembly for considering \$5 million for our Palmetto College Initiative, up to \$8.5 million for facilities maintenance, and \$10 million to help construct our revered Law School.

That funding is essential, but support for the University is not rebounding and it does not address the greatest annual needs that we have, which is for educating our students.

Unfortunately, the increases that we will be getting from the State this year are not going to even keep pace with the inflationary costs of providing education.

For example, the mandated increase in employee health insurance and retirement, when added to the proposed 3 percent cost of living adjustment for our employees next year, will cost us \$16.4 million while the General Assembly will only be able to appropriate \$5.7 million or 34 percent of that extra burden. So the remaining \$10.7 million is a cost that has to be borne by other sources; and unfortunately that is primarily tuition.

Until the state budgeting process for our public universities is resolved, it is most unfortunate that we need to keep pace with inflation by increasing tuition modestly. We don’t want to balance our budget on tuition increases, but it is our reality at the present time.

For that reason, we are proposing to you that the South Carolina resident tuition increase will stay at the cost of inflation, 3.15 percent, that will be \$160 per semester for students on our Columbia campus. We’re recommending that for out-of-state residents that the tuition increase be 4.9 percent.

So, a South Carolina resident at our Columbia campus next year would pay \$5,244 per semester in required tuition and fees under our proposed budget. Thanks of course to

the South Carolina Education Lottery, the average South Carolina resident here in Columbia will have about one-half of that amount covered, so the net average tuition per semester paid by a South Carolinian in Columbia will remain under \$3,000.

As you know, the higher education market place is under great stress. Systems that were built at this University by the taxpayers are now highly stressed as a result of the great recession and shifts in the way that higher education is funded. I also want to remind us that public funds flow to private universities in our state, leaving South Carolina residents who attend public universities to pay more than they otherwise would.

Of course all of this is not a situation that serves the interests of our state's taxpayers, and certainly not our students and their families. In search of a long-term solution, and we are in search of one, USC has lead the way in support of S 1397 – a Joint Resolution that supports reforming higher education funding through accountability and performance measurement that is called ABF. Although it was introduced late in the session, the University's advocacy efforts resulted in its passage by the Senate in just 24 legislative days.

ABF I hope will be a big part of the solution for USC's finances and frankly for funding higher education throughout the state. It will increase transparency and accountability. It will use competitive annual benchmarks and goals measured in the areas of in-state enrollment, freshman retention, graduation rates, and others.

So this budget that we're recommending to you today is a good one that I believe is fair to our students and their families. It is fair to all parties and it allows us to continue on our path toward greatness for the University; and I'll ask in a few moments for your endorsement of it.

Noting that Board members were briefed as part of the budget process, Dr. Pastides asked Mr. Walton and Ms. Brunelli to provide committee members an overview of the budget.

Mr. Walton noted that it is important for everyone to know that budgeting is a year round process. The budget is initiated and monitored throughout the year after input is obtained from those on the Columbia campus and all campuses outside of Columbia. The process begins each fall and by spring the University's vice presidents and deans express their interests and priorities to the President prior to the budget being compiled for discussion with members of the Board. Thus, parallel with development of the State budget, the University budget is finalized for initial approval by the Board's Executive Committee before full Board approval is sought. Given the amount of time devoted to development of the budget and the numerous budget briefings prior to the June 15 meeting, Mr. Walton asked if committee members would like a quick presentation, leaving the more comprehensive presentation until the full Board meeting on June 29.

Chairman Loadholt requested that a quick overview be provided and Ms. Brunelli proceeded to summarize the proposed operating budget for fiscal year 2013.

Using a PowerPoint presentation identified as a companion piece to the budget notebooks provided Board members during budget briefings; Ms. Brunelli noted that the total current funds budget is \$1.26 billion. The bulk of those funds are in the education and general operation of the University; \$162 million are auxiliaries of which \$80 million comes from the Athletics Department; the restricted funds are primarily contracts and grants and student financial aid. Forty-five percent of the budget is made up of student tuition and fees and 10 percent is made up of state appropriations. More explicitly breaking down the budget by the types of funds and where those revenues come from and where they go, 53 percent is the operating budget. These are "A" funds. This is primarily where the institution is operated for the benefit of students – all the instruction costs for faculty, cleaning the classrooms, maintaining the classrooms, the cost of the

administration is borne by the “A” funds. Restricted funds are the next portion, \$328 million – primarily grants, contracts and restricted gifts and the student financial aid and those dollars fund research, public service and scholarships. Auxiliary Enterprises is the next portion of the budget. Nearly 13 percent, \$162 million, of which one half is Columbia’s athletics operation followed by Housing, the Student Health Center, Parking, and then there are smaller auxiliaries including the dining and bookstore commissions, the Koger Center, the Carolina Card and a few other small ones. Those are required by law to operate in the black; the University doesn’t support those enterprises. Next is Student Activities and Departmental Accounts. Those are the University’s “D” and “E” funds, the majority of those dollars are received from the indirect cost recoveries from the University’s grant operation and there is a portion that comes from student tuition and fees that is the University’s technology fee. Then there is the Designated Funds & Unrestricted Scholarships. Most of the operation of those designated funds, the budget that you approved earlier today at Audit and Compliance, comes from auxiliary enterprises. The only revenue actually generated is interest income.

Briefly, right now we do not have a State budget. There is a House version, a Senate version and a House Amended version. Primarily the differences are the pay package and the amount of funding we would receive for deferred maintenance. The good news for Columbia is a recurring budget adjustment for the first time since 2007. The University will receive \$2.885 million for Palmetto College, and then in non-recurring there is another \$2.115 million that totals \$5 million for Palmetto College. Of the \$12 million appropriated for Columbia, \$10 million is for the Law School and then each of the campuses received a deferred maintenance allocation from the Capital Reserve.

In the Senate budget, the recurring numbers stay the same, but there is more funding for non-recurring. There was an additional allocation of \$20 million from the Lottery made available for deferred maintenance for all higher education institutions in South Carolina. Important to note: on the House side of the budget there was no deferred maintenance allocation for Columbia; on the Senate side there is a deferred maintenance allocation for Columbia. Then finally, the House Amended version reduced the extra \$20 million to \$13 million. To summarize the proposed deferred maintenance allocations, the University system was at a low of \$2.2 million in the House version, increasing to \$8.5 million in the Senate version, dropping to \$5.9 million in the House Amended version. Unfortunately, Ms. Brunelli said, there is no way to know where the deferred maintenance allocation will end up at this point since it remains a major point of contention for the conference committee.

The undergraduate tuition for a resident student in Columbia is currently \$5,084 per semester. The requested increase is \$160 per semester; that is 3.15 percent. The non-resident tuition, which is 2.6 times the resident rate, is currently at \$13,176 per semester. The requested increase is \$646, which is a 4.9 percent increase. “In my 15 years at the University, we have not had a split tuition increase like that – this is the first time that I can recall that we have done that,” Ms. Brunelli said. “We are asking our non-residents to pay a greater percentage increase.”

The proposed graduate tuition rate increases are 3.15 percent; the Law School is 3.15 percent; and

the Palmetto College rate, Back to Carolina rate, is requested to be set at the Aiken tuition rate of \$4,487 per semester. Tuition for the medical schools will be the same for both the Columbia and Greenville campuses, which represents a 6.25 percent increase for the Columbia campus students, the same increase as last year.

At the University's system campuses, the increase for Aiken, Upstate and the regionals is also 3.15 percent. Beaufort, however, is different. An increase of 4.93 percent is requested for Beaufort; which is 3.15 percent plus \$145 per year. Beaufort has a very low State appropriation and on a per student basis that is extremely low. Tuition is also very low and Beaufort is finding it can't generate the operating dollars needed to sustain the campus. Beaufort hopes to get its tuition rate up to the Aiken rate, but it will take two or three years.

Housing and Meal Plans: increases for the different types of student housing on the Columbia campus is 4.5 percent. Housing funds its own deferred maintenance and debt service, and must cover 100 percent of increases associated with personnel needs such as this year's state pay package and the increase in retirement and health insurance costs. The 10-meal plan, one of many options that students have and the minimum requirement for a freshman will increase \$39 per semester. The increase is tied to the CPI by contract with Sodexo, which is a 3.31 percent increase. Aiken's housing rate is a 1.8 percent increase and its 10-meal plan is also up 3 percent. Upstate's housing and meal plan rates increase by 3 percent.

Ms. Brunelli summarized the use of the new tuition dollars, citing required costs increases of \$8 million for the state pay package, scholarship increase and the tort-property-casualty insurance increase. The strategic priorities to be covered by the new tuition dollars includes \$2.8 million for University infrastructure items, including \$1.5 million in capital renewal, \$1 million for debt service, and additional operating funds for the shuttle system; \$2.2 million for Student Affairs and Academic Support initiatives, including initiatives in Admissions and the Career Center; \$1.3 million for phase three of the faculty replenishment plan; as well as funding for University Libraries for an electronic subscription increase; funding for Student Government to establish an Office of Legal Services; and funding to cover costs associated with the increased number of Board meetings. The total of the required costs and strategic priority increases is \$15 million. There is \$4.4 million available from the current year to bring forward. That means USC's tuition increase of 3.15 and 4.9 percent for the non-resident will yield \$10.7million.

The planned enrollment increase will generate \$6 million. The freshman class is expected to be the exact same size as it was last year, but because the freshman class two years ago was big and is working its way through the system, there will be an enrollment increase this year and next year. Also, the University will have an increase in the number of transfer students attending the Columbia campus, including next year's return of the Gamecock Guarantee students who are at Midlands Tech.

Ms. Brunelli explained that the funding from enrollment increases would go toward academic initiatives that include funding for the faculty replenishment initiative, dean recruitment, and the Honors College; University infrastructure needs that include additional police officers, operating requests for the Horizon facility, as well as a custodial contract; Student Affairs and Academic Support initiatives that include

the Student Success Center, the supplemental instruction that students receive in the DWF courses, and hiring additional non-resident recruiters; and institutional support initiatives that include funding for development staff for the Carolina's Promise Capital Campaign and for support of the Department of Justice Training Initiative under USC's Equal Opportunity Programs.

Ms. Brunelli offered to answer any questions about the budgets of the system campuses and the medical schools. There being none, she noted that the operating budget for the USC System, all "A" funds summed together, was \$671 million, which is 53 percent of the total \$1.26 billion budget.

Dr. Floyd recognized the staff time spent to brief the Board members on the budget and recommended streamlining the process in some way.

Chairman Loadholt called for a motion to adopt the operating budget for FY 2013, as presented in the materials distributed to the Board, including tuition and fee schedules, the housing budget and associated fee schedules, the athletics budget, and the designated funds budget. The University budget is contingent on final approval of the budget for the State of South Carolina and stated items may be adjusted as needed. Mr. Adams so moved. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

IV. Review of the Capital Budget:

Matter was deferred until the June 29, 2012, meeting of the Board of Trustees.

V. University Debt Update:

Matter was deferred until the June 29, 2012, meeting of the Board of Trustees.

VI. OneCarolina Update:

Chairman Loadholt called on Dr. Hogue who described OneCarolina as the single most important business transformation project in the history of the University of South Carolina. He noted that in about four weeks, the project's first module – the Admissions Module – would go live. Go live is the week of July 16, 2012. He cautioned that the project dashboard shows red because there is no slack time toward reaching that deadline. He indicated that there are no critical items that will prevent the deadline and go live date from being reached. All teams are working weekends and evenings to ensure that the go live date is successful, he said, noting that all stress testing on the software has been successful. The best news for this business process transformation is the intense engagement in analyzing and modifying the University's business processes and bringing them up to the standards expected in 2012 of a corporation of this size. The investment and the work that has been done are beginning to yield the positive results that were anticipated. Dr. Hogue indicated that he would present a more detailed report in August that would review the financials to date, performance to date, the successful go live of the Admissions Module, as well as to provide details of OneCarolina goals for 2012 and 2013.

VII. Other Matters:

Ms. Stone reminded committee members that the June 29 meetings would be held at Thomas Cooper Library and that the Board of Visitors would join Board members for lunch. She also informed committee members that the June 2012 issue of US Airways' onboard magazine includes as an extensive article on Columbia that contains a lot of verbiage about the University of South Carolina, creating very positive exposure for the University.

There being no other matters to come before the Committee, Chairman Loadholt declared the meeting adjourned at 4:50 p.m.

Respectfully submitted,

Amy E. Stone
Secretary