



**Finance and Budget Overview
Spring 2016 Provost's Retreat
January 8, 2016**



**UNIVERSITY OF
SOUTH CAROLINA**

University of South Carolina

- I. Financial Reporting & Analysis
 - Fiscal Year 2015
- II. Budget Execution – Fiscal Year 2016
- III. Budget Development – Fiscal Year 2017

USC System Overview

Flagship Institution - USC Columbia

Comprehensive Campuses

USC Aiken

USC Beaufort

USC Upstate

Palmetto College

USC Lancaster

USC Salkehatchie

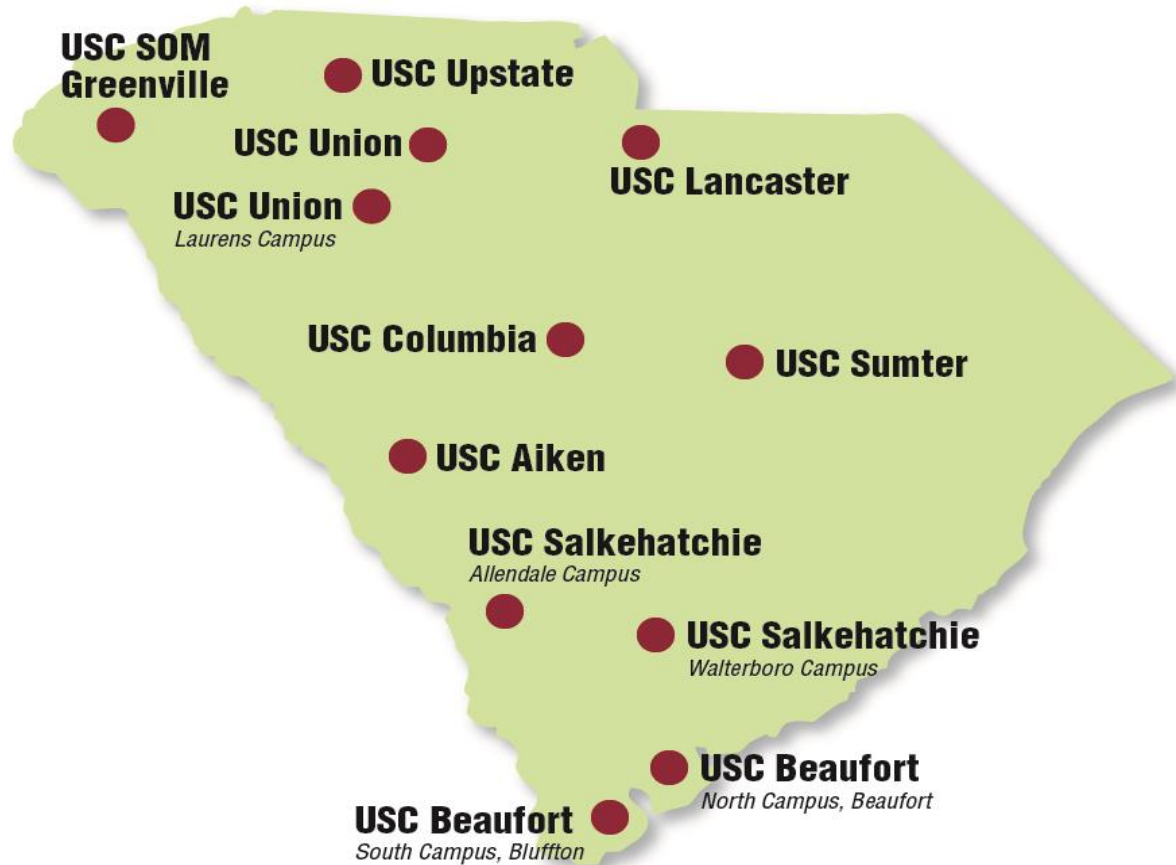
USC Sumter

USC Union

School of Medicine

Columbia

Greenville



USC Finance Information

Budget Document

http://finplan.admin.sc.edu/budget/doc_16/FY16_FINAL_BOT_BudgetHORIZONTAL.pdf

Capital Budget Document

http://finplan.admin.sc.edu/budget/doc_16/FY16_Capital_Budget_Document_FINAL_all_horizontal.pdf

Comprehensive Annual Financial Report

<http://web.admin.sc.edu/fr/files/USCComprehensiveAnnualFinancialReport-FY1415.pdf>

Transparency Initiative

<http://spend.admin.sc.edu/>

South Carolina State Budget

<http://www.scstatehouse.gov/budget.php>

USC Finance Information

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University of South Carolina

I. Financial Reporting & Analysis – Fiscal Year 2015

Statement of Net Position

	In Millions				
	<u>FY2011</u>	<u>FY2012</u>	Reclassified* <u>FY2013</u>	<u>FY2014</u>	Restated** <u>FY2015</u>
Assets					
Current Assets	\$ 573.6	\$ 642.1	\$ 615.1	\$ 595.1	\$ 696.4
Capital Assets, net	1,075.1	1,120.7	1,176.9	1,261.2	1,320.5
Other Assets	116.2	125.0	125.1	117.0	115.7
Total Assets	1,764.9	1,887.8	1,917.1	1,973.3	2,132.6
Liabilities					
Current Liabilities	106.6	118.6	117.1	140.5	142.0
Noncurrent Liabilities	496.6	566.0	586.0	582.9	1,373.6
Total Liabilities	603.2	684.6	703.1	723.4	1,515.6
Net Position					
Net investment in capital assets	592.9	569.7	663.7	701.3	747.3
Restricted - nonexpendable	66.5	72.1	73.8	79.3	82.1
Restricted - expendable	140.7	200.3	125.0	137.6	129.8
Unrestricted	361.6	361.1	351.5	336.4	(333.5)
Total Net Position	\$ 1,161.7	\$ 1,203.2	\$ 1,214.0	\$ 1,254.6	\$ 625.7

*Reclassified to conform to changes in accounting standards affecting net position classifications

** Unrestricted Net Position was restated to reflect GASB 68 (Pension Liability)

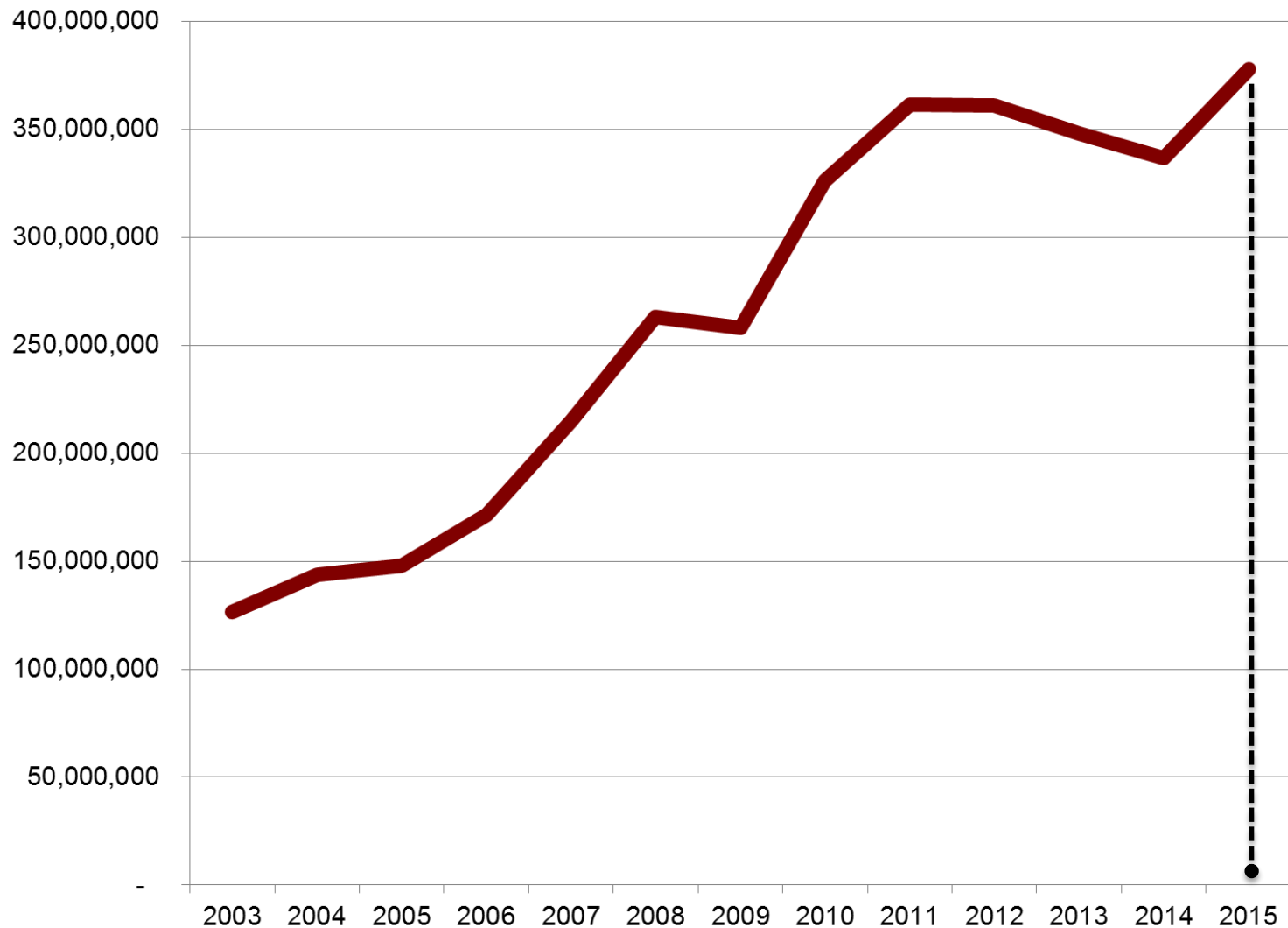
Financial Performance Highlights

GASB 68 – Pension Liability

USC Columbia	564,064,830
USC Aiken	33,484,838
USC Beaufort	17,527,436
USC Upstate	60,252,285
USC Lancaster	14,909,140
USC Salkehatchie	9,030,591
USC Sumter	7,717,015
USC Union	4,391,072
<hr/>	
<u>USC System Total</u>	<u>711,377,207</u>

Financial Performance Highlights

Total
Unrestricted
Net Position



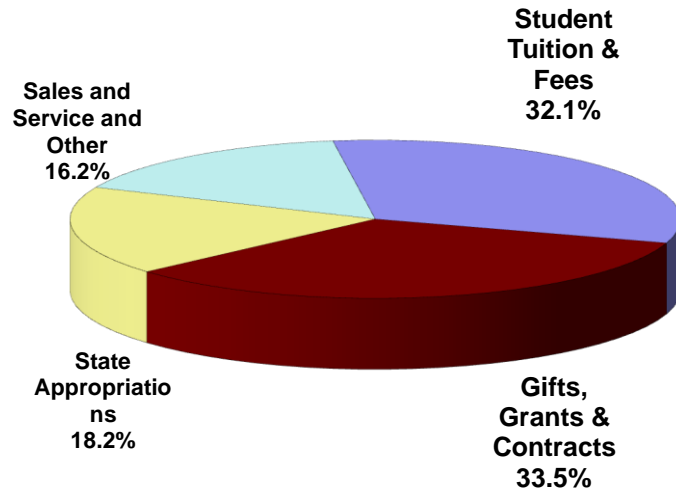
Operating Performance

In Millions					
	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
Total Operating Revenues	\$ 742.5	\$ 779.3	\$ 801.2	\$ 839.3	\$ 904.2
Total Operating Expenses	915.0	960.6	1,017.2	1,072.1	1,125.6
Operating Loss	(172.5)	(181.3)	(216.0)	(232.8)	(221.4)
Nonoperating Revenues (Expenses)					
State Appropriations	124.6	118.3	136.4	144.3	147.5
Federal Grants	94.1	53.3	52.6	52.1	52.5
Gifts	38.0	38.4	43.9	46.4	45.5
Investment, Endowment & Other	10.0	14.0	5.9	20.1	35.1
Interest on Capital Asset Related Debt	(19.6)	(19.0)	(33.1)	(18.6)	(22.2)
Nonoperating Revenues (Expenses)	247.1	205.0	205.7	244.3	258.4
Income before other revenues, expenses & transfers	74.6	23.7	(10.3)	11.5	37.0
Other revenues, expenses and transfers	23.7	17.8	21.1	29.1	37.8
Increase in net assets	98.3	41.5	10.8	40.6	74.8
Net position, beginning of year *	1,063.4	1,161.7	1,203.2	1,214.0	550.9
Net position, end of year	\$ 1,161.7	\$ 1,203.2	\$ 1,214.0	\$ 1,254.6	\$ 625.7

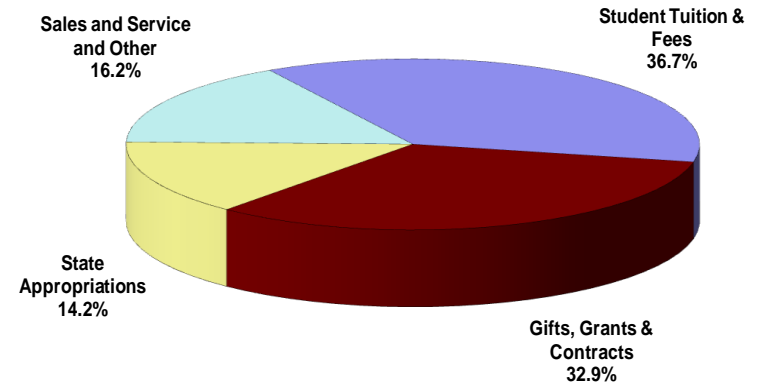
*The FY2015 beginning Net Position was restated to reflect GASB 68 (Pension Liability)

Revenue Comparison

Fiscal Year 2011



Fiscal Year 2015



In Millions

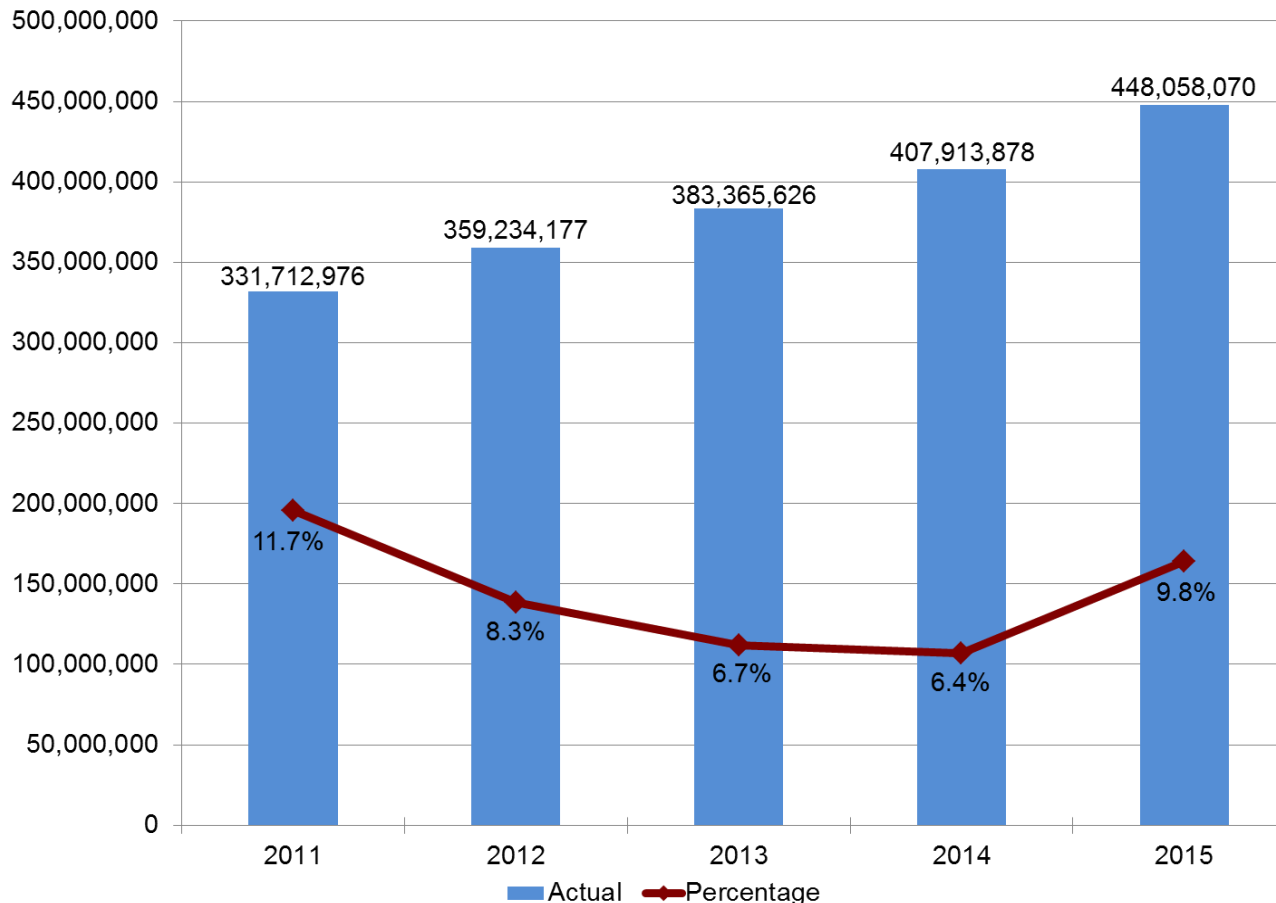
	<u>FY2011</u>
Student Tuition & Fees, net	\$ 331.7
Gifts, Grants & Contracts	390.6
State Appropriations	126.7
Sales and Service and Other	185.6
Total Revenues	\$1,034.6

In Millions

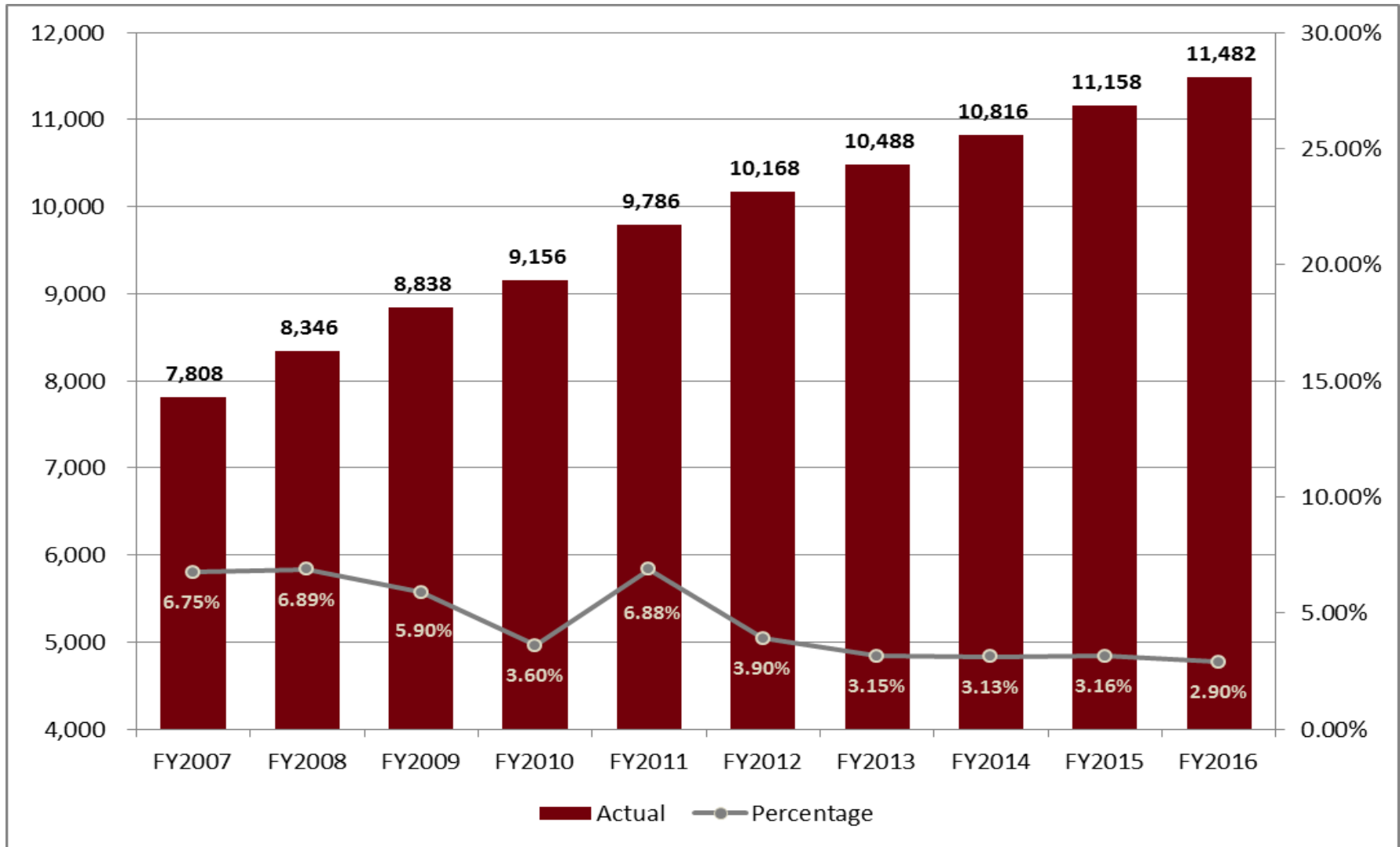
	<u>FY2015</u>
Student Tuition & Fees, net	\$ 448.0
Gifts, Grants & Contracts	389.1
State Appropriations	155.7
Sales and Service and Other	232.0
Total Revenues	\$ 1,224.8

Financial Performance Highlights

Net tuition and fee revenues have increased by approximately 35% since 2011 due to enrollment growth, an increase in non-resident enrollments, adjustments to abatements, as well as annual tuition increases.



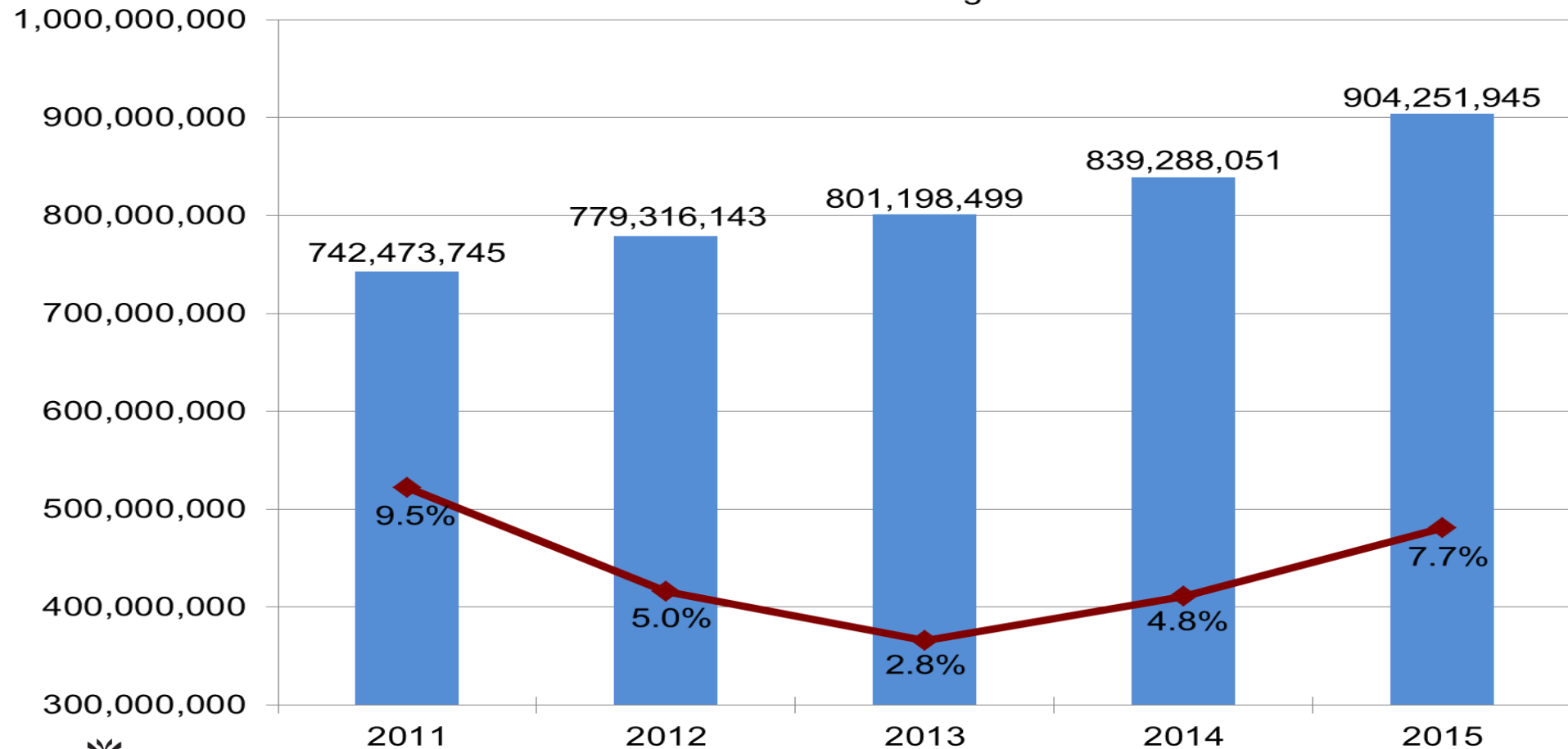
USC Columbia In-State Undergraduate Tuition & Required Fees



Financial Performance Highlights

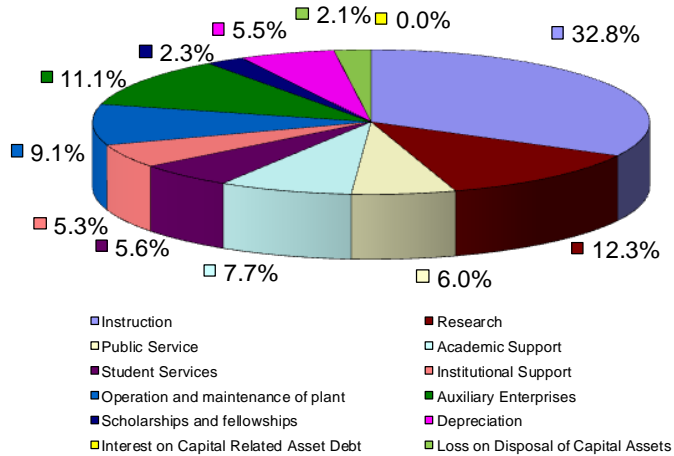
Total Operating Revenues

Actual Percentage

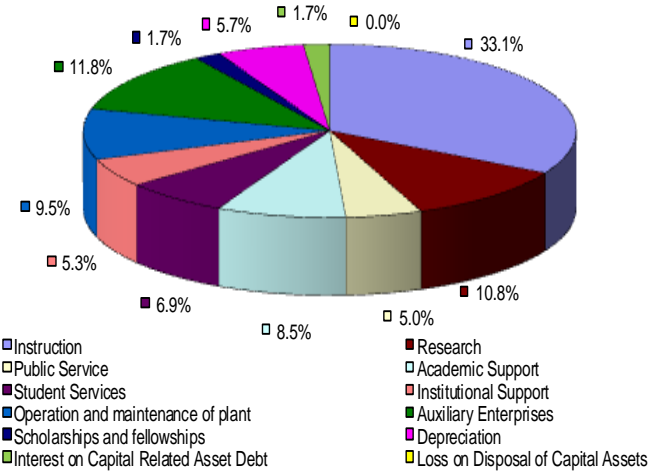


Expense Comparison

Fiscal Year 2011



Fiscal Year 2015



In Millions

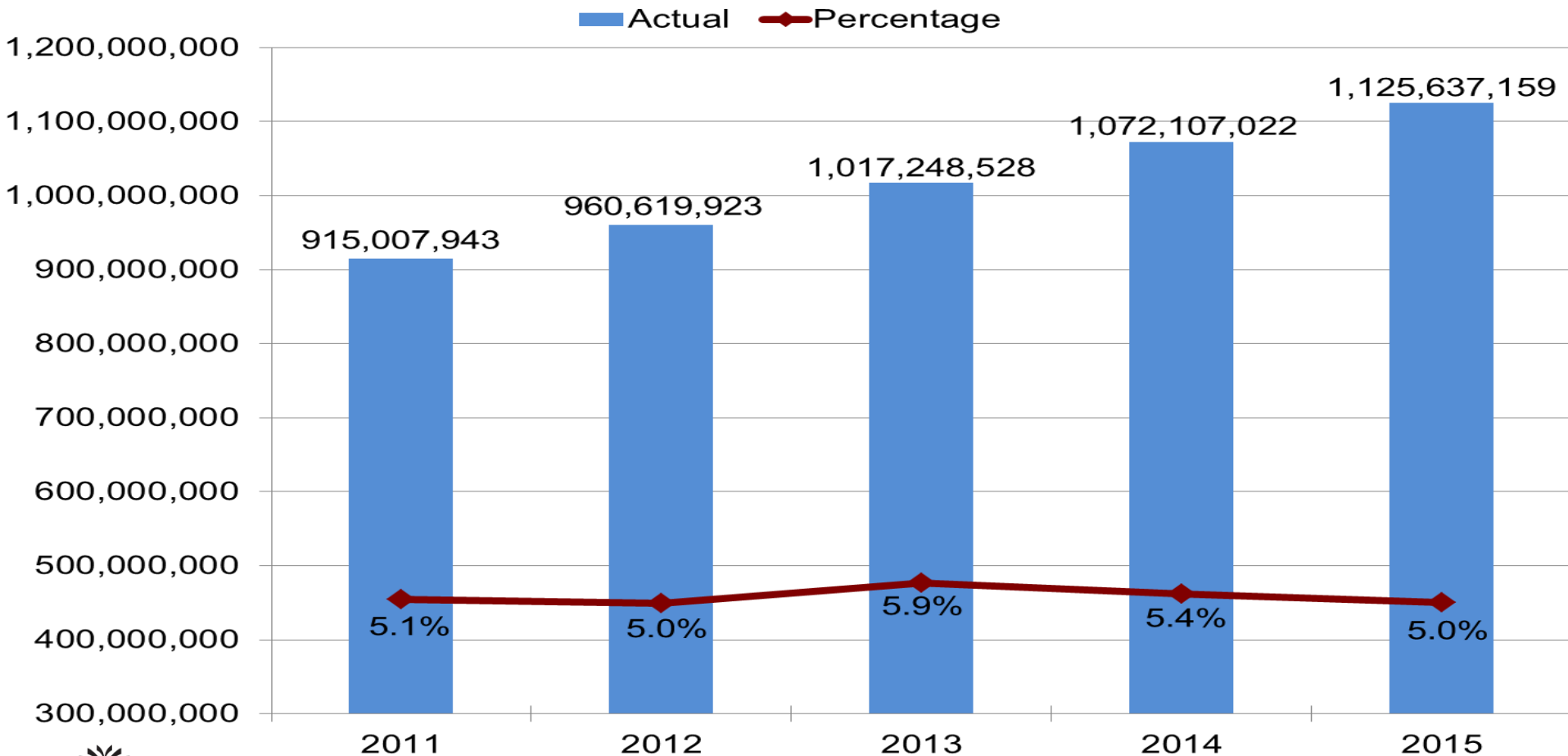
	FY2011
Instruction	\$ 296.8
Research	113.6
Public service	55.9
Academic support	71.7
Student services	52.2
Institutional support	54.8
Operation and maintenance of plant	93.3
Auxiliary enterprises	105.4
Scholarships and fellowships	20.4
Depreciation	50.8
Interest on capital related asset debt	19.6
Loss on disposal of capital assets	1.8
Total Expenses	\$ 936.3

In Millions

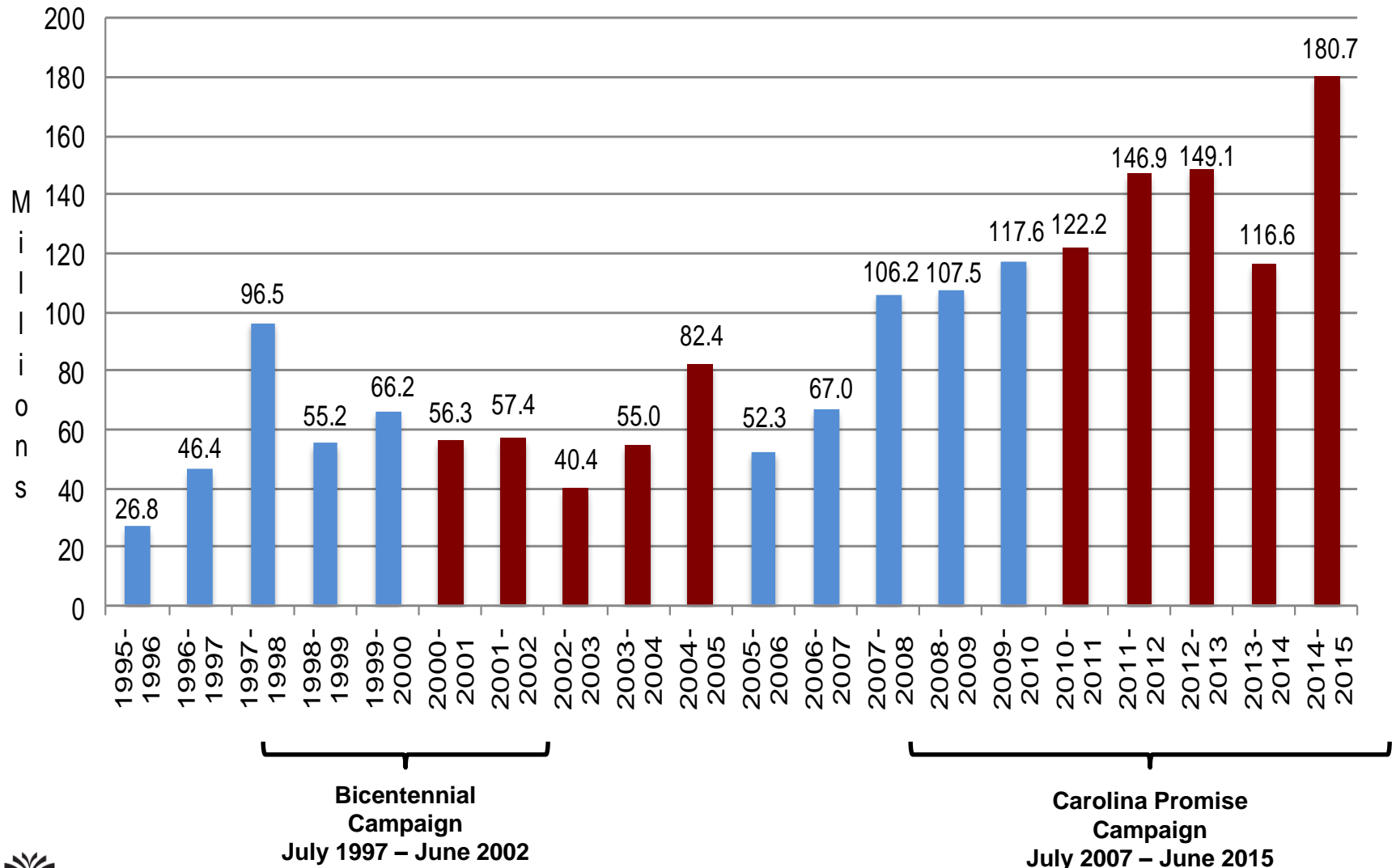
	FY2015
Instruction	\$ 372.0
Research	121.9
Public service	64.5
Academic support	96.0
Student services	72.6
Institutional support	71.0
Operation and maintenance of plant	104.4
Auxiliary enterprises	138.6
Scholarships and fellowships	18.2
Depreciation	66.4
Interest on capital related asset debt	22.2
Loss on disposal of capital assets	2.2
Total Expenses	\$ 1,150.0

Financial Performance Highlights

Total Operating Expenditures



USC System Fundraising



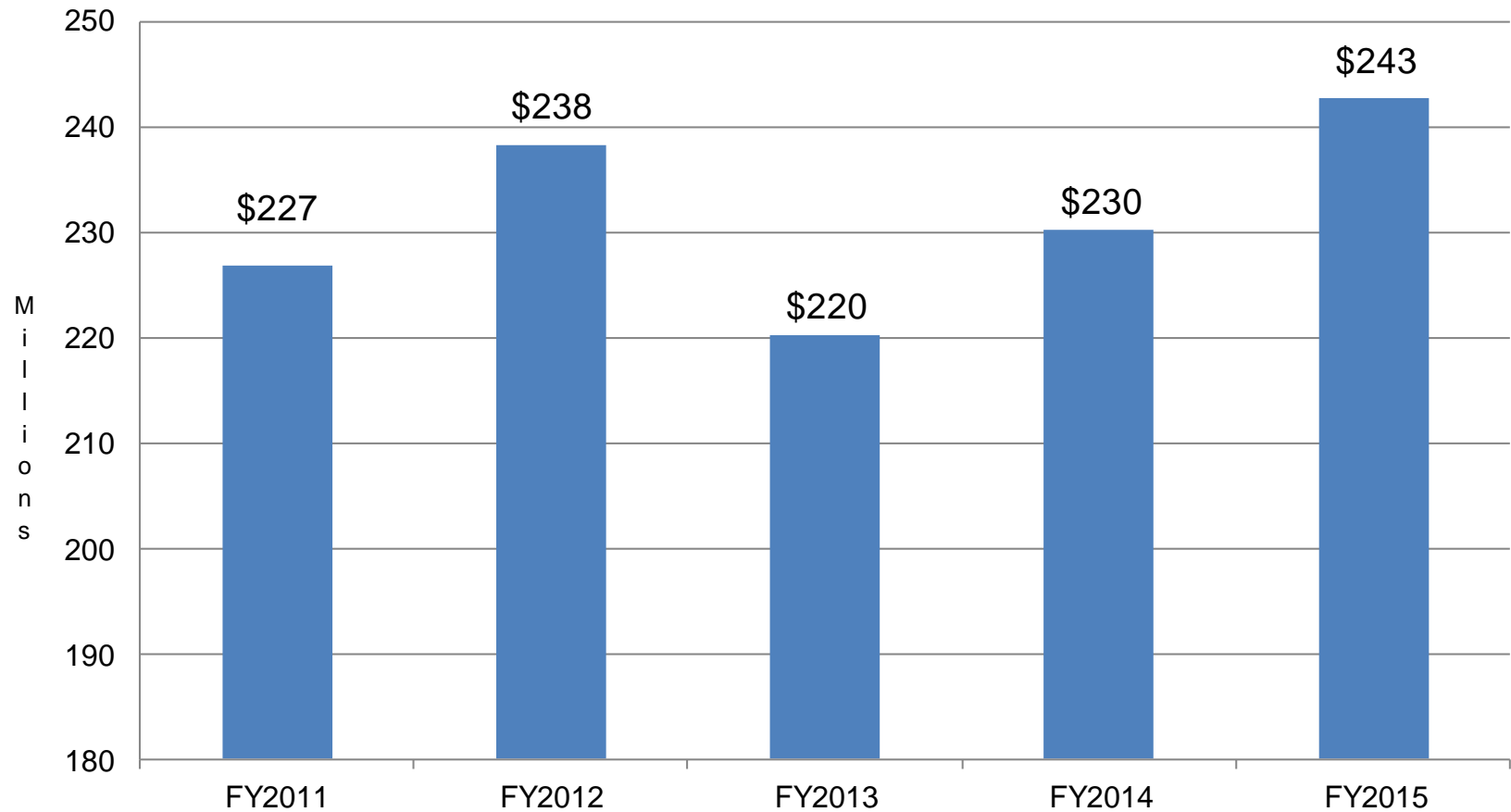
Bicentennial Campaign
July 1997 – June 2002

Carolina Promise Campaign
July 2007 – June 2015

Exceeded \$1 Billion Goal

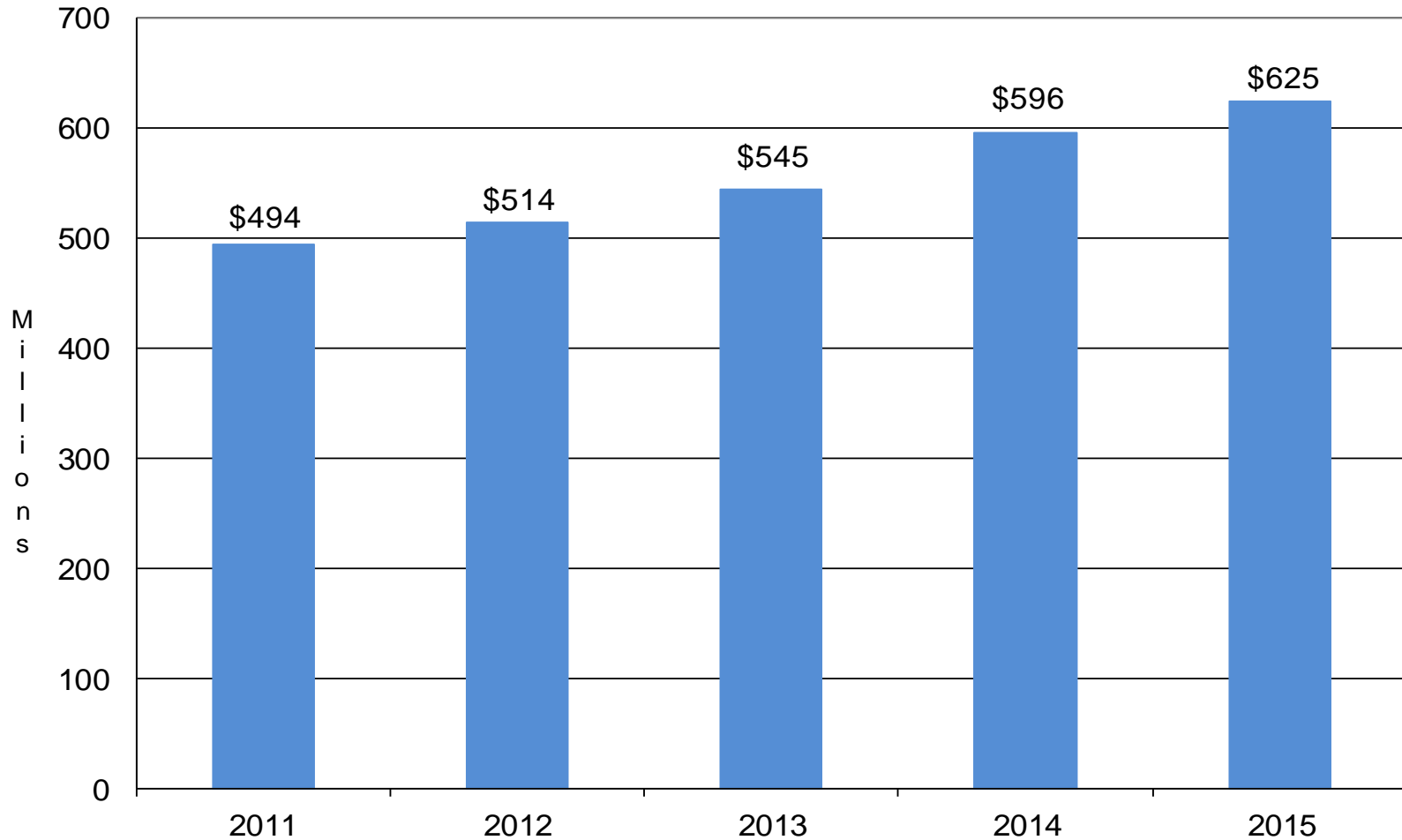


USC System - Grant Awards



7.0% Five Year Increase

USC System - Endowment Assets



University Component Units

Governmental Discretely Presented Component Units	End of Year Net Position
South Carolina Research Foundation	\$ 788,458
School of Medicine Educational Trust	42,778,513
Beaufort-Jasper Higher Education Commission	12,463,632
Total	\$ 56,030,603

Non-Governmental Discretely Presented Component Units	End of Year Net Assets
University of South Carolina Development Foundation	\$ 37,386,459
University of South Carolina Educational Foundation	432,534,450
University of South Carolina Business Partnership Foundation	65,341,293
Greater University of South Carolina Alumni Association	13,170,722
USC Upstate Foundation	10,033,756
USC Upstate Capital Development Foundation	6,704,957
Educational Foundation of the University of South Carolina Lancaster	13,301,254
Total	\$ 578,472,891

Net Position/Assets as of June 30, 2015

Financial Performance Highlights

Key financial actions in 2015:

- ❑ Implemented GASB 68
- ❑ Resolved GASB 61 – Component Units – System Campus Commissions
- ❑ Implemented the Affordable Care Act
- ❑ Completed Lease Termination Agreement for the Department of Justice

Bond Indebtedness by Campus

Campus of Indebtedness	Amount Outstanding	
<u>Columbia</u>		
State Institution Bonds - Columbia	\$	131,150,000
State Institution Bonds - School of Medicine		3,650,000
Athletic Facilities Revenue Bonds		154,750,000
Revenue Bonds - Housing		145,000,000
Revenue Bonds - Parking		12,180,000
Revenue Bonds - Academic		61,945,000
	Subtotal	508,675,000
<u>Aiken Campus</u>		
State Institution Bonds	\$	7,975,000
Revenue Bonds - Housing		24,610,000
	Subtotal	32,585,000
<u>Upstate Campus</u>		
State Institution Bonds	\$	14,705,000
Revenue Bonds - Housing		31,925,609
Revenue Bonds - Bookstore		4,404,391
	Subtotal	51,035,000
<u>Beaufort Campus</u>		
State Institution Bonds	\$	2,304,000
<u>Sumter Campus</u>		
State Institution Bonds	\$	46,000
Total outstanding as of June 30, 2015	\$	594,645,000

Historical Indebtedness by Campus

Campus	Amount Outstanding as of June 30		
	2006	2010	2015
Columbia	\$ 184,785,000	\$ 307,315,000	\$ 508,675,000
Aiken	20,980,000	41,180,000	32,585,000
Beaufort	110,000	75,000	2,304,000
Upstate	4,285,000	46,390,000	51,035,000
Sumter	400,000	265,000	46,000
Totals	\$210,560,000	\$395,225,000	\$ 594,645,000

	2005-2006	2009-2010	2014-2015
Total Fall Headcount Enrollment	39,329	43,100	48,167
Total FTE Enrollment	33,253	37,965	43,167
Total Current Funds Budget	\$ 826,903,082	\$1,063,815,892	\$1,338,209,368
Total Unrestricted Net Position	\$ 180,353,688	\$ 326,205,120	\$ 377,930,371

Scheduled Debt Service Payments

Fiscal Year 2016

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
State Institution Bonds (SIB)			
Columbia	9,730,000.00	5,410,126.65	15,140,126.65
School of Medicine	325,000.00	160,750.00	485,750.00
Aiken	675,000.00	354,300.43	1,029,300.43
Upstate	945,000.00	633,781.26	1,578,781.26
Beaufort	119,000.00	104,731.26	223,731.26
Sumter	46,000.00	2,300.00	48,300.00
Subtotal	<u>11,840,000.00</u>	<u>6,665,989.60</u>	<u>18,505,989.60</u>
Revenue Bonds			
Columbia-Housing	4,550,000.00	6,825,431.26	11,375,431.26
Columbia-Parking	580,000.00	529,968.76	1,109,968.76
Columbia-Academic	1,945,000.00	3,017,550.00	4,962,550.00
Aiken-Housing	1,300,000.00	1,143,781.26	2,443,781.26
Upstate-Housing	1,220,214.38	1,467,638.54	2,687,852.92
Upstate-Bookstore	109,785.62	204,311.46	314,097.08
Subtotal	<u>9,705,000.00</u>	<u>13,188,681.28</u>	<u>22,893,681.28</u>
Athletics Revenue Bonds			
Columbia	3,480,000.00	6,949,306.78	10,429,306.78
TOTAL	<u>25,025,000.00</u>	<u>26,803,977.66</u>	<u>51,828,977.66</u>

Financing Needs

State Institution Bonds	Amount	Planned Issuance
Columbia - Old Law School Replacement	<u>45,000,000</u>	FY 2018
subtotal	45,000,000	

Revenue Bonds	Amount	Planned Issuance
Columbia - Parking Master Plan	20,000,000	FY 2017
Columbia - Housing Master Plan	20,500,000	FY 2018
Columbia - Athletics Master Plan	<u>52,405,000</u>	FY 2018
subtotal	<u>92,905,000</u>	

Total Estimated Additional Debt	<u>\$ 137,905,000</u>	
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University of South Carolina

II. Budget Execution – Fiscal Year 2016

USC System Total Current Funds

USC System Budget FY 2015-2016 Revenues

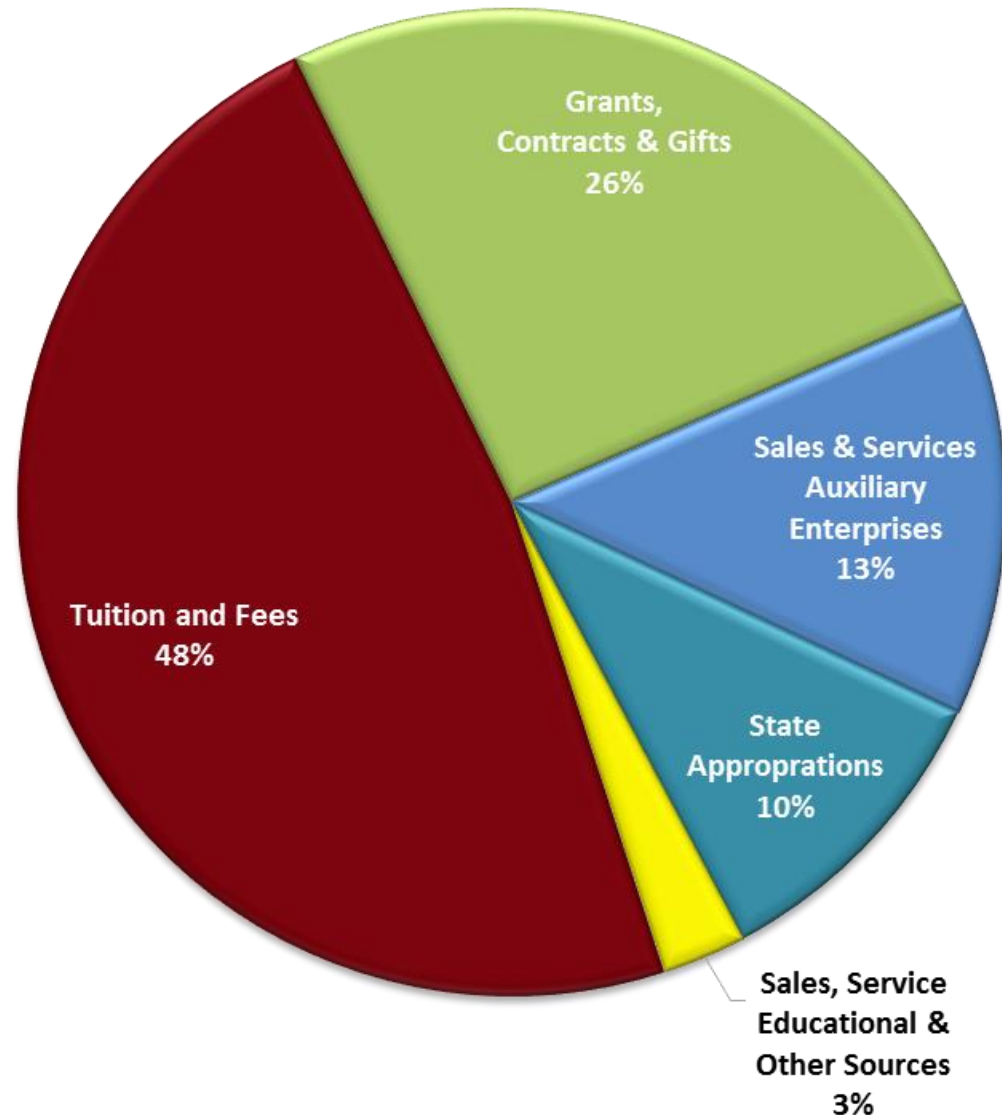
Unrestricted Funds

Education & General	\$	913,391,503
Auxiliaries	\$	195,568,646
Unrestricted Total	\$	1,108,960,149

Restricted Funds

Education & General	\$	333,880,603
Auxiliaries	\$	0
Restricted Total	\$	333,880,603

Total Sources	\$	1,442,840,752
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Where the revenue comes from and what it covers

2015-16 Total Current Funds Revenue Budget – USC System - \$1.4 Billion

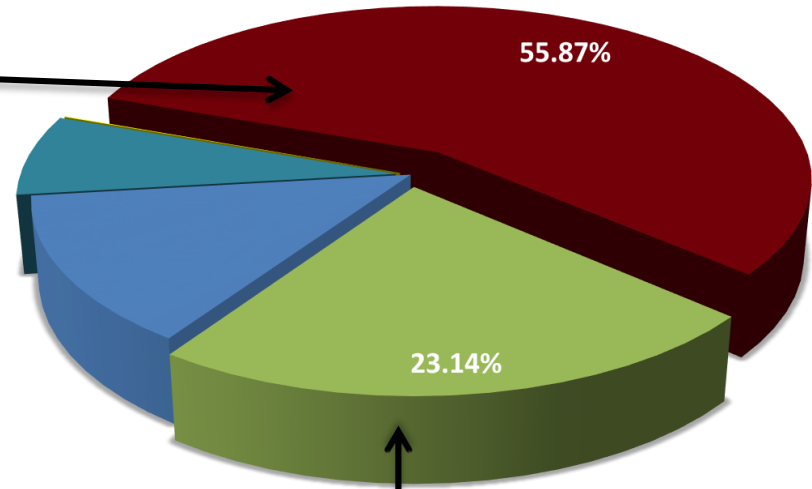
Operating Budget - “A” Funds (\$806,115,489)

Revenue comes from:

- State appropriations
- Tuition and Fees (education & general portion)
- Unrestricted Grants, Contracts & Gifts
- Sales & Services and Other Sources

Pays for:

- Instruction
- Academic Support
- Student Services
- Physical Plant
- Administrative Support
- Scholarships



Restricted Funds (\$333,880,603)

Revenue comes from:

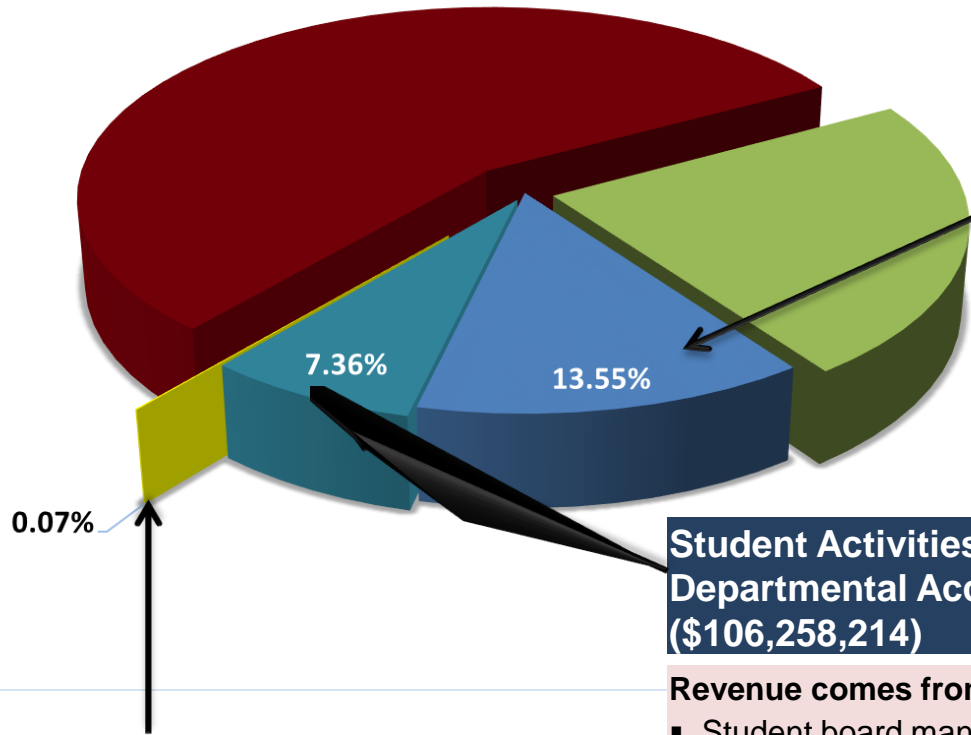
- Research Grants and Contracts
- Gifts
- Federal and State Student Financial Aid

Pays for:

- Research
- Public Service
- Scholarships

Where the revenue comes from and what it covers

2015-16 Total Current Funds Revenue Budget – USC System - \$1.4 Billion



Auxiliaries (\$195,568,646)

Revenue comes from:

- Athletics
- Housing
- Student Health Center
- Parking
- Dining & Bookstore commissions

Pays for:

- Self-supporting units that pay all their expenses and receive no taxpayer support
- Scholarships
- Designated Fund activities

Student Activities & Departmental Accounts (\$106,258,214)

Revenue comes from:

- Student board mandated fees
- Student technology fees
- Indirect cost recoveries from grant activity
- Service charges

Pays for:

- Student Activities
- Technology support
- Research & Public Service
- Sponsored Award Management
- Contract & Grant Accounting

Designated Funds & Unrestricted Scholarships (\$1,017,800)

Revenue comes from:

- Vending commissions and similar
- Unrestricted gifts
- Portion of football ticket sales

Pays for:

- Scholarships
- Designated Fund activities

FY16 Conference Budget

	RECURRING FY2015 BASE	FY2016 APPROPRIATIONS INCREASE	FINAL BUDGET - FY2016 BASE	NON- RECURRING OPERATING	ESTIMATED STATE APPROPRIATED PAY PACKAGE	FINAL ADJUSTED FY2016
USC Columbia	99,070,671	2,000,000	101,070,671	930,000	0	102,000,671
USC SOM	13,793,878	208,409	14,002,287	0	0	14,002,287
TOTAL	112,864,549	2,208,409	115,072,958	930,000	0	116,002,958
USC Aiken	6,876,100	399,840	7,275,940	0	0	7,275,940
USC Beaufort	2,851,368	166,407	3,017,775	0	0	3,017,775
USC Upstate	9,560,247	560,743	10,120,990	0	0	10,120,990
USC Lancaster	1,654,369	254,525	1,908,894	0	0	1,908,894
USC Salkehatchie	1,392,257	93,915	1,486,172	0	0	1,486,172
USC Sumter	2,708,684	77,580	2,786,264	0	0	2,786,264
USC Union	658,186	46,990	705,176	0	0	705,176
USC SYSTEM TOTAL	\$138,565,760	\$3,808,409	\$142,374,169	\$930,000	\$0	\$143,304,169

State budget requires an \$800 per employee one-time bonus for employees earning less than \$100,000. USC Columbia allocated non-recurring funds from the Capital Reserve Fund of \$930,000 for the Honors College for equipment. Capital Project funding totals \$11,497,162 for the USC System. Higher Education Efficiency, Effectiveness and Accountability non-recurring funds for FY14 were moved to deferred maintenance as \$1,136,760 of these funds. Many of the House adopted regulatory provisos were deleted.

What about the Lottery?

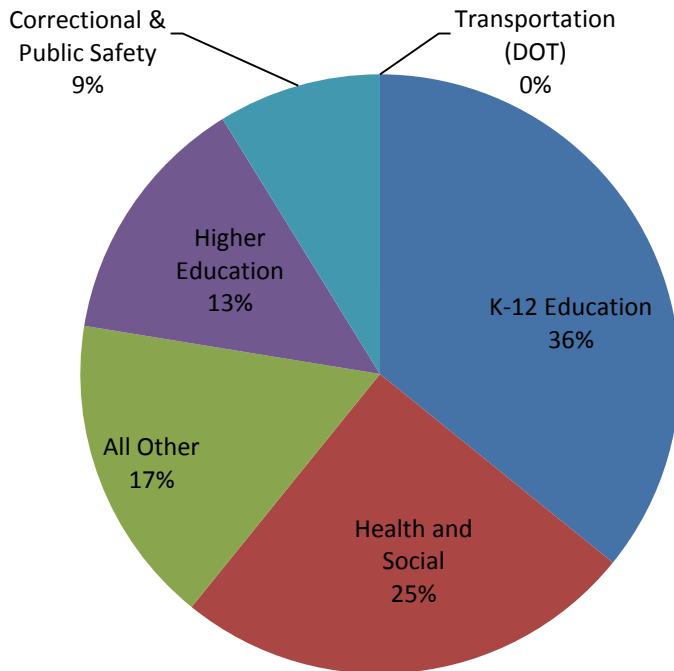
The South Carolina Education Lottery provides funds to South Carolina students based on merit for use at public and private institutions in the state.



Where is the Money Spent? Pre and Post Great Recession

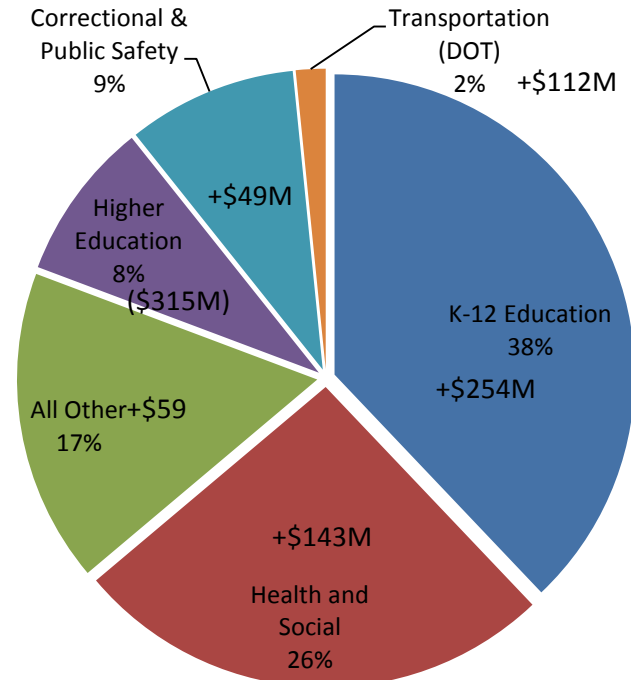
South Carolina - General Funds

FY 2007-2008



Total: \$6.743 Billion

FY 2015-2016



Total: \$7.045 Billion

Source: Executive Budget Office and Senate Finance

University of South Carolina

III. Budget Development – Fiscal Year 2017

FY2017 Budget Development

- July 2015: USC Year End closeout process
- August: Preliminary University revenue & expenditure estimates for FY2015
Certification of state non-recurring funds and lottery funding available for FY2016
- August: FY2016
- August/Sept: Development of Legislative agenda
- September 10: President's State of the University
- September: Agency Accountability Report due to State
- September: Distribution of University Carryforward, pay package/fringe and BOT initiatives
- October 1: University financial statement draft due to State Comptroller General
- October TBD: FY2017 Governor's Budget request and state line-item due
Board of Trustees - receipt of FY2015 financial statements and presentation of year-end budget variance and financial performance
- October 16: year-end budget variance and financial performance
- November: Legislative pre-filing period begins

Financial Reporting Dates

- BOT Quarterly Reports – 7/1-9/30; 1/31-3/31
- Mid Year Review – All University Funds – 12/31/2015
- Year End Review – All University Funds - 6/30/2016
- Fall Review – Columbia “A” Funds – 10/31/2015
- Spring Review – Columbia “A” Funds – 2/28/2016

FY2017 Budget Development

- January 2016: Call for Academic Unit Blueprint development
- January 4: Preliminary revenue & expenditure estimates and full mid-year review for BOT
- January 12: General Assembly convenes
- January 20: President presents budget request to House Ways & Means
- February: House Ways & Means budget development
- March: House budget final
- March: President presents budget request to Senate Finance
- March: Call for Service Unit Blueprint development
- April: Provost meets with all academic units
- April: President meets with all direct reports
- April-May: Senate Finance Budget development
- May: USC internal budget development
- May: Senate budget final
- Late May: Committee/Consensus Budget approved by the General Assembly
- May/June: General Assembly addresses vetoes
- June 2: Sine Die
- Early June: BOT reviews budget proposal
- June 24: Executive Committee and Full Board considers recommended University budget
- July 1: FY2017 Budget becomes effective

Internal Budget Process



External Budget Development & Execution

Budget Development

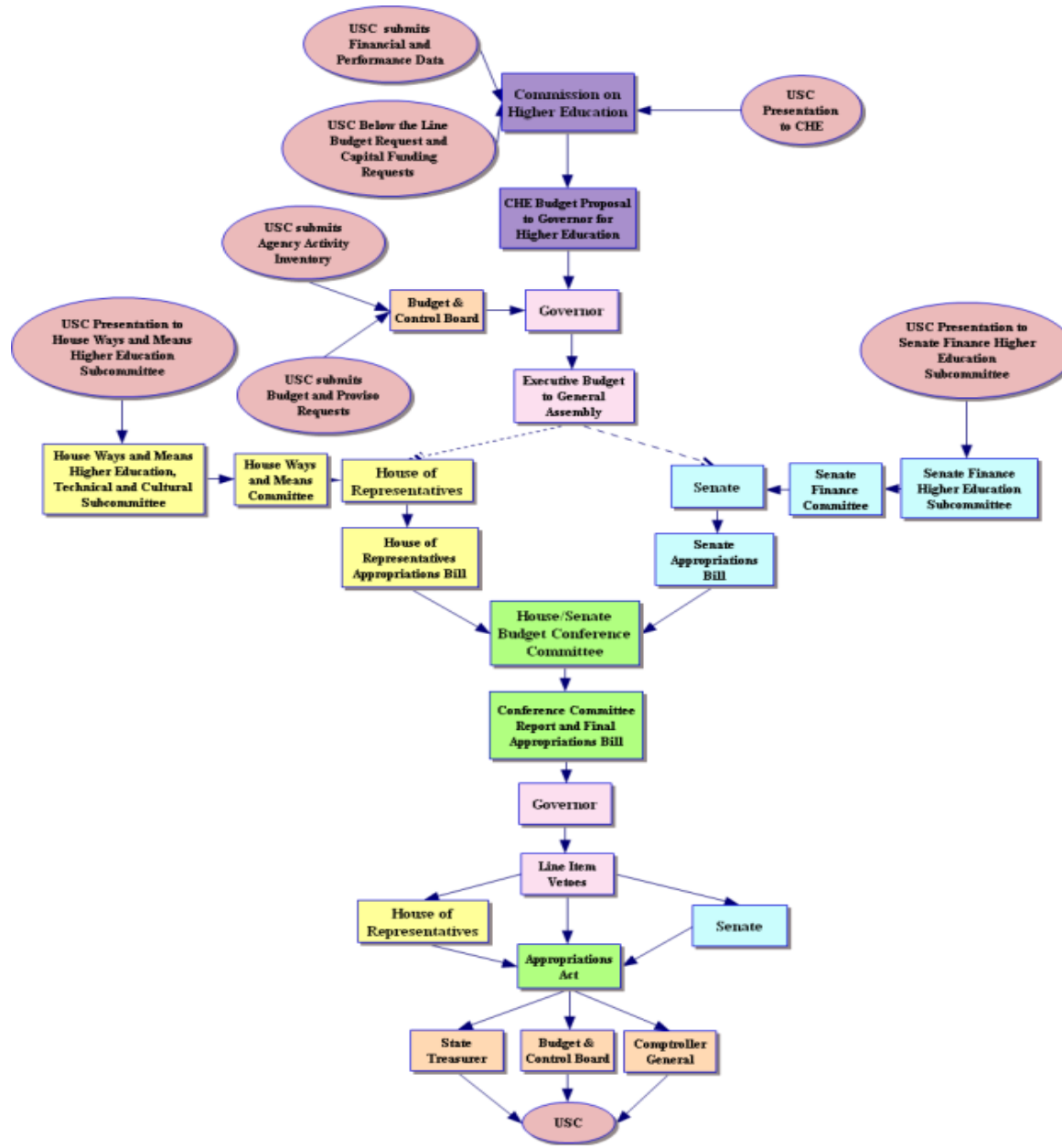
- Commission on Higher Education
- Governor
- General Assembly

Budget Execution

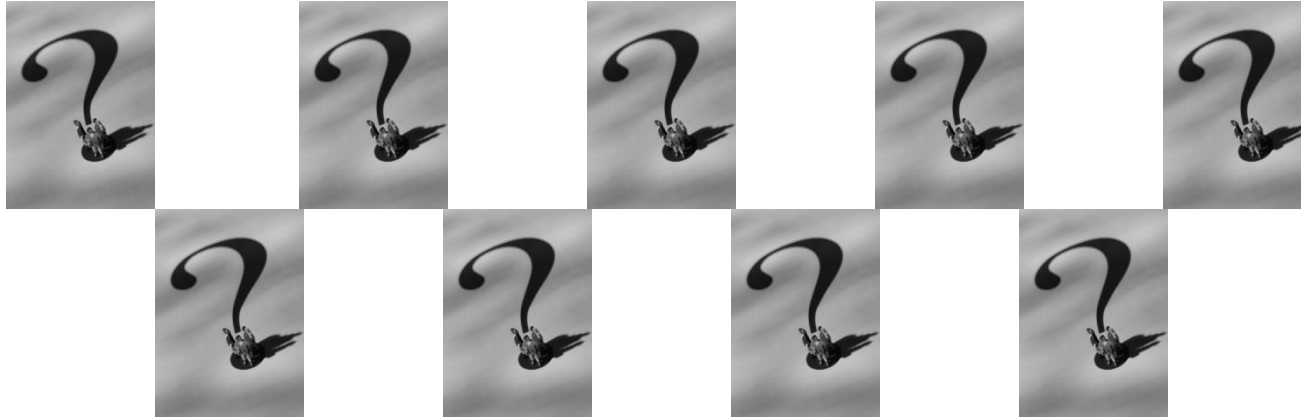
- Budget & Control Board
- State Treasurer
- Comptroller General



External Budget Process



External Budget Process



Governor's Executive Budget
House Ways & Means Budget
House Budget
Senate Finance Budget
Senate Budget
Conference Committee Budget

State Budget Outlook

	Recurring Funds	Non-Recurring Funds
FY 2015-16		
Capital Reserve Fund		131,047,797
Contingency Reserve Fund		86,750,797
BEA Revenue Estimate Adjustment		239,798,000
Total Projected Non-Recurring Funds		457,596,594
FY 2016-17		
General Fund Revenue Available for Appropriation* (Incremental Increase Over Appropriation Base)	766,547,158	
Projected New EIA Revenue	54,986,750	
Projected New Lottery Funds (Total Available FY2016-17 Lottery Funds - \$341,300,000)	20,375,000	
Total Projected Recurring Funds	841,908,908	
Total Unobligated Funds Available in FY 2016-17 (Includes recurring and non-recurring funding sources)	\$1,299,505,502	

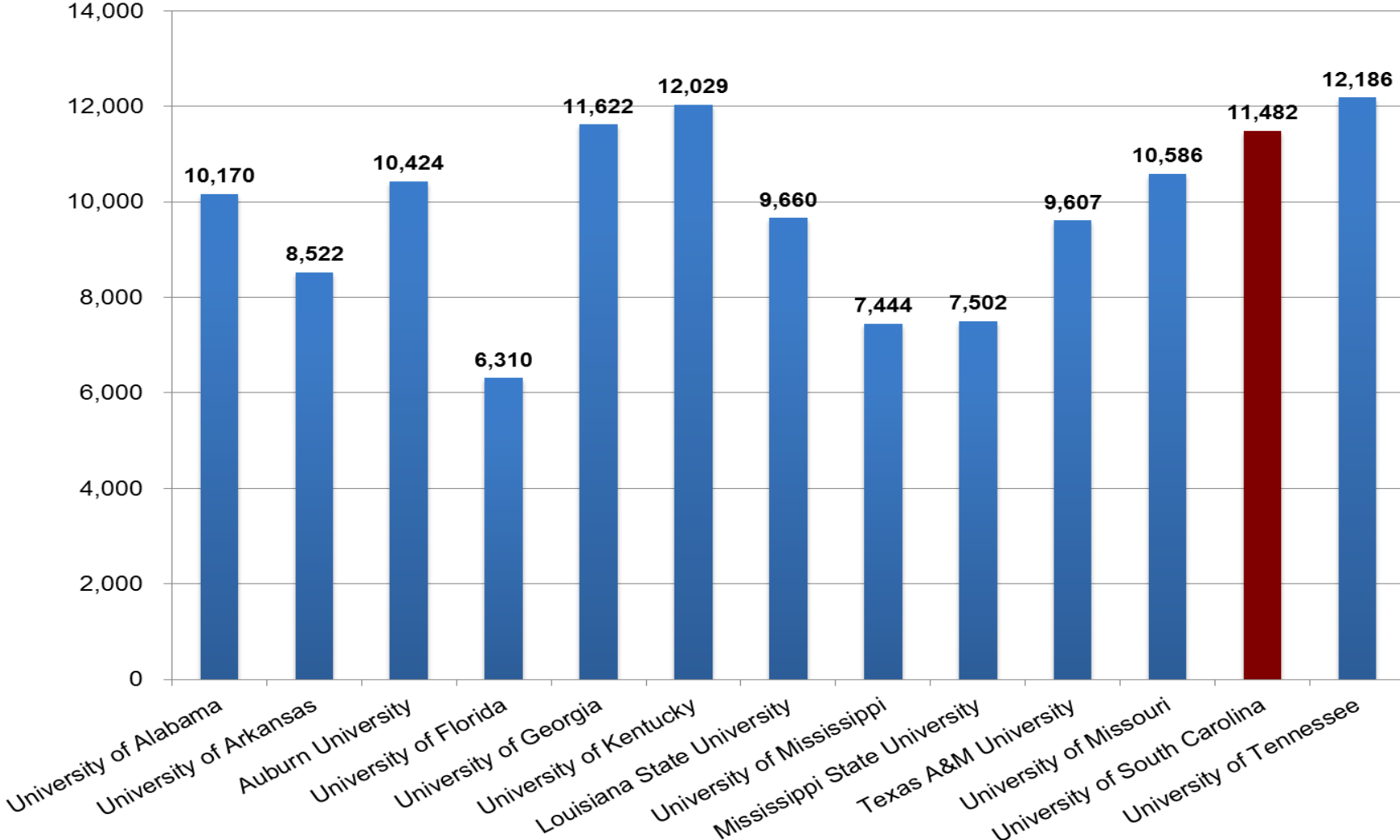
Challenges for 2016 and beyond:

- Stabilizing OneCarolina and
Implementing the remaining modules
- Balancing Enrollment and Net Tuition
Revenue
- Controlling Costs
- Identifying Alternative Revenues
- Managing System Campus Enrollment
- Evaluating ongoing and new Operating
and Capital Needs



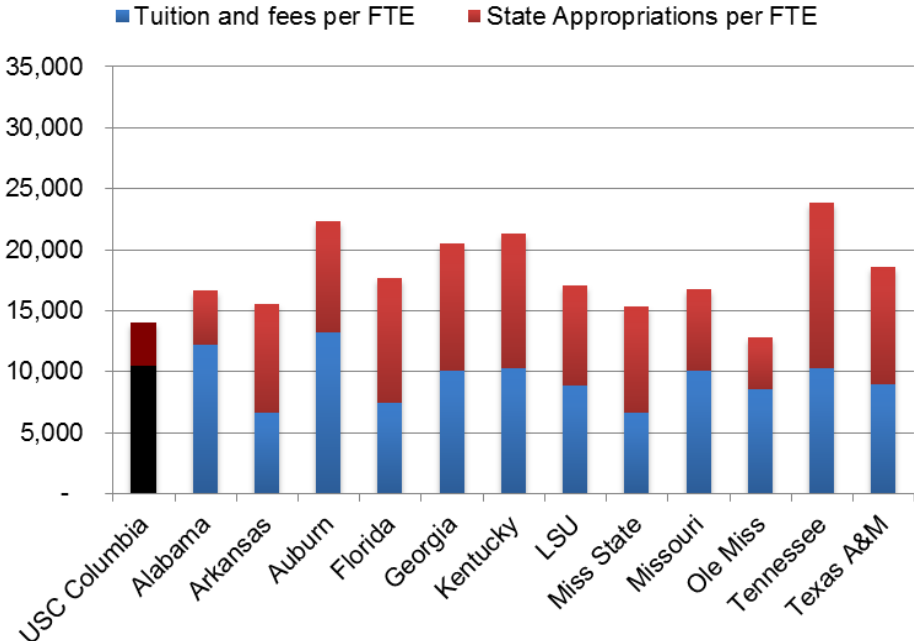
UNIVERSITY OF
SOUTH CAROLINA

FY2016 Tuition and Required Fee Comparison Public SEC Schools

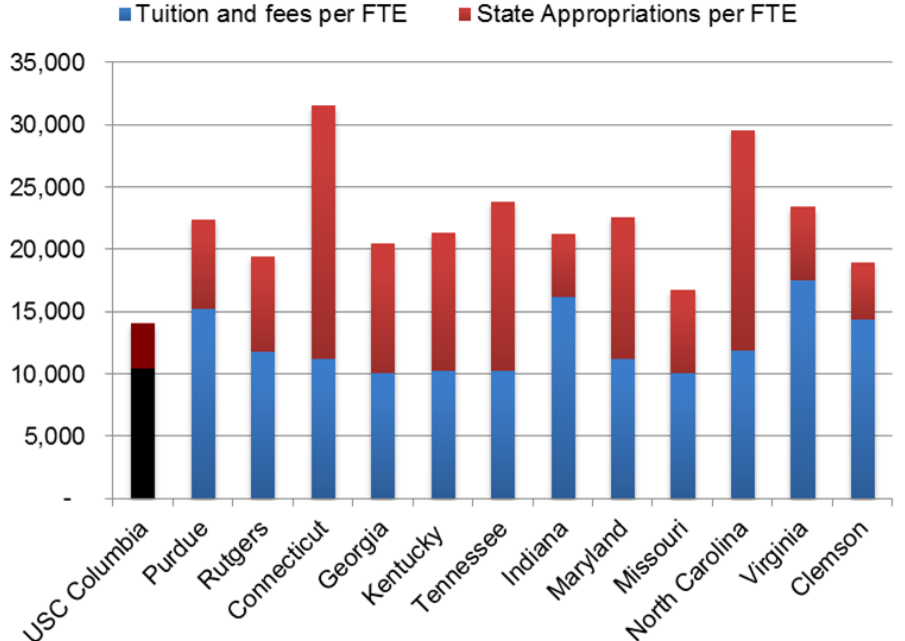


Tuition and State Appropriation per Student

SEC Comparison



Peer & Peer Aspirant Comparison



Source: Integrated Postsecondary Education Data System – IPEDS Finance Reports FY2013