

## Memorandum

To: P. George Benson  
College of Charleston Board of Trustees  
College of Charleston Faculty and Staff

From: Shirley Hinson, Director of Government Relations  
Re: Legislative Summary  
Date: October 12, 2012

Below is a summary of actions taken by the SC General Assembly during the 2012 legislative session that affects the College of Charleston. General Fund revenue projections (recurring) available to the General Assembly to write the FY2012-13 Appropriations Bill (H.4813) were approximately \$6.7 billion compared to FY2011-12 of \$6 billion. It was an exceptional year for appropriations partly due to low revenue forecasts rather than an extraordinary General Fund growth rate. The growth rate estimated by the Board of Economic Advisors for May 2012 of 5.7% was later revised to 5.2%. The latest official growth rate for FY2012-13 is 3.8%.

The 2012-13 state budget addresses the needs of K-12 education, healthcare and other essential functions of government without raising taxes. It provides small business tax relief that will reduce the tax rate from 5% to 3% over the course of three years, sets aside \$300 million to cover the full cost of deepening the Charleston Harbor to enable the state to remain competitive, includes a 3% state employee pay raise, and provides sufficient funding to cover increases in health insurance coverage.\* The budget adds \$152 million for K-12 education which increases the Base Student Cost to \$2,012 per student and appropriates \$48 million for the EIA providing for a 2% salary increase for teachers. The state's LIFE, HOPE, and Palmetto Fellows Scholarships are fully funded and \$19 million is provided to work force training programs through Ready SC at the state's technical colleges. The Department of Commerce receives \$25 million for the recruitment of new businesses and economic development. In addition, full funding is provided for financial reserve accounts that are used by the state when budget shortfalls occur. The budget funds nine additional judges and provides \$549 million for residential property tax relief which benefits each homeowner. Higher Education funding is increased by approximately \$96 million (22%) over the previous year for projects and deferred maintenance.

The College of Charleston's beginning base funding for 2012-13 is \$18,111,904 and the Lowcountry Graduate Center's base funding is \$785,099. The College receives \$2,804,246 in non-recurring funds for the Science Center upgrade and deferred maintenance. An additional non-recurring 1 to 1 non-state match of \$2 million is provided in the budget (Surplus Funds) for an Interactive Digital Technology pilot project. Actual state revenues fell short of projections resulting in the deletion of the several appropriations including the IDT pilot project. It is important to note that since the IDT project received approval by the General Assembly, it should be funded in FY2013-14 if revenue is available.

An in-depth review of the state's pension plans resulted in major revisions necessary for long term financial health and stability for state employees. The bill closes the TERI Program in 5 years, employees will pay an additional 1% phased in over the next 3 years, and new hires can retire after they achieve the "Rule of 90", meaning their age and service reach a collective total of 90 years. Summary information of H.4967 can be found at the end of this report.

The General Assembly did not restrict tuition costs for students.

\*Please note the Budget and Control Board met in August and decided that employers and employees will split health insurance increases effective January 2013.

## FY2012-2013– Appropriation Issues

### 1. Recurring Funding

The College of Charleston received \$18,111,904 in recurring funding for FY2012-13. The following list outlines specific funding allocations for programs at the College beyond base funding. In comparison, the College received \$33,252,307 in recurring funding for FY2008-09.

	General Fund
College of Charleston Agency Base	\$18,111,904
Lowcountry Graduate Center Agency Base	785,099
3% Salary Increase	540,323
Health Insurance	193,716
Employer Increase – Retirement Rate .92%	176,716
Agency Adjustment – Proviso 90.13 Lobbyists	(34,000)

The College of Charleston will receive an appropriation of \$1,150,000 from the State Technology Infrastructure Fund. This funding is appropriated from lottery proceeds for all of the state's four year teaching universities and two year colleges and technical colleges. The College is the largest beneficiary of this fund.

Technology Infrastructure Fund	\$ 1,150,000 (Estimate)
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### 2. New Non-recurring Funding

The state appropriated \$2,804,246 in non-recurring funding for FY2012-13 for the College. Funding will come from the Capital Reserve Fund (H.4814) and the state lottery.

Capital Reserve Fund –Science Center Upgrade	\$ 1,924,246
Deferred Maintenance – State Lottery	<u>\$ 880,000</u> (Estimate)
	\$ 2,804,246

### 3. Miscellaneous Statewide Appropriations

The College participates in the following programs that received funding for FY 2012-13 and will receive a portion of each fund. PASCAL will receive an additional \$1.5 million from excess certified funds if revenues become available through the State Lottery Unclaimed Prizes. Last year, \$1.2 million was realized from excess unclaimed prize funds. The amounts below represent total dollars received from the state.

Electronic Library (PASCAL)	\$ 164,289
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GEAR-UP	\$ 177,201
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This is a federal grant program that includes a state matching component. CHE has authorization of Federal GEAR-UP funds of \$3,488,134.

EPSCoR	\$ 1,279,329
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SC Experimental Program to Stimulate Competitive Research is a federal-state university partnership that includes a state matching component.

EEDA	\$ 1,180,576
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Projects supported by EEDA are the SC Transfer and Articulation Center, SCTRAC.org, and the SC Course Alignment Project

Charleston Transition College Connection REACH (non-degree seeking students)	\$ 179,178
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#### 4. State Scholarships

College of Charleston students received a total of \$ 18,397,762 in state scholarships during FY 2011-2012. Palmetto Fellows, LIFE, and SC HOPE merit based scholarships were fully funded. Palmetto Fellows received \$49.4 million, LIFE received \$171.9 million, HOPE received \$8.3 million, and Need-Based received \$23.6 million. Lottery Tuition Assistance received \$47 million and Tuition Grants received \$22 million. A freshman recipient is awarded \$5,000 for the LIFE Scholarship, \$2,800 for HOPE, \$6,700 for Palmetto Fellows and a maximum award of \$2,500 for a Need-based scholarship.

Need-Based Grants	\$ 968,947
HOPE	\$ 386,400
Palmetto Fellows Scholarship	\$ 3,601,701
Palmetto Fellows Enhancement-Science & Math	\$ 352,313
LIFE Scholarship	\$11,311,446
LIFE Scholarship Enhancement- Science & Math	\$ 797,547
SC Teaching Fellows	\$ 353,564
SC Teacher Loan	\$ 469,844
Subtotal	\$18,241,762
Call Me Mister	<u>\$ 156,000</u>
Total	\$18,397,762

## **Higher Education Legislation (FY2012-FY2013)**

### *Temporary Part 1B Budget Provisos included in the Appropriations Act:*

**6.17. (CHE: Tuition Age)** Amended. This proviso enables an appeal of the age limitation for children of certain war veterans who are eligible for free tuition. It was amended to update the effective year to continue the proviso in the current year.

**6.20. (CHE: SmartState)** New. Proviso included for the first time in FY 2012-13 to prohibit CHE from expending any source of funds on the marketing of the SmartState Program.

**80A.25. (BCB: Employee Compensation)** Amended. Proviso concerns state employee compensation and was amended to authorize and direct the application of a 3% pay increase for state employees.

**80B.2. (BCB/AUD: Annual Audit of Federal Programs)** New. Provision added to require state agencies which receive federal funds subject to audit requirements of the Single Audit Act Amendments of 1966 and OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations to reimburse the State Auditor for their share of the audit costs and to provide other procedures relating to the State Auditor's authority for this process.

**89.16. (GP: Allowance for Residences & Compensation Restrictions)** Amended. A provision was added to enable any state institution of higher learning to provide complimentary membership privileges to employees who work at their wellness centers.

**89.21. (GP: Travel - Subsistence Expenses & Mileage)** Amended. An amendment to this proviso was included to index the allowable standard business mileage rate for reimbursement to the current IRS rate rather than the rate set previously which was the lesser of 50.5 cents per mile or the current IRS per mile rate.

**89.66. (GP: Year-End Financial Statements - Penalties)** Amended. Proviso amended to change the required reporting date for audits not contracted by the State Auditor's Office from October 15 to October 10.

**90.13. (SR: Prohibits Public Funded Lobbyists)** Amended. Proviso, which prohibited General Fund expenditures from being spent by state agencies and institutions on lobbying expenses and that required selected agencies to transfer funds to the general fund, was continued. The effective date was updated to the current year.

**90.20. (SR: Non-recurring Revenue)** New. Proviso directs the appropriations from just over \$555 million in supplemental (non-recurring) revenue from sources from prior years that had become available for expenditure in FY 2012-13.

Note: CofC received 1 to 1 Match \$2,000,000 for the Interactive Digital Technology Pilot Project.  
Due to a shortfall in collections, this project was not funded.

## **Bills Enacted by the General Assembly**

*The 2012 session marks the end of the 119<sup>th</sup> session of the General Assembly. Therefore, any legislation that was not passed must be introduced next year for consideration.*

### **Appropriations Bill (H. 4813)**

### **Capital Reserve Fund Bill (H.4814)**

**Act 164 (R.188, H.3241) Charter Schools.** This legislation amends provisions of Chapter 40, Title 59 of the SC Code of Laws pertaining to public charter schools. Among other changes enacted with the passage of this legislation, a provision is included that enables SC public and independent institutions of higher education to be eligible as sponsors of a charter school. Prior to this change only a public school district and the SC Public Charter School District were eligible sponsors.

**Act 165 (R.189, H.3558) Military service, duty, training or disaster relief.** An act to amend the Code of Laws of South Carolina, 1976, to require all state institutions of higher education to allow students to complete assignments or take make-up examinations when an absence is caused by attending or participating in military service, duty, training, or disaster relief efforts.

**Act 188 (R.234, H.4092) Smoking.** An act to amend section 44-95-20, Code of Laws of South Carolina, 1976, relating to places where smoking is prohibited, so as to provide that smoking is not allowed in buildings, portions of buildings, and areas contiguous to these buildings owned, leased, or operated by public institutions of higher learning that the governing body of the institution has designated as nonsmoking.

**Act 262 (R.307, H.4786) Unemployment Benefits.** An act to amend section 41-35-20, Code of Laws of South Carolina, 1976, relating to the payment of unemployment benefits based on certain services in schools or institutions of higher education, so as to include services provided by substitute teachers under certain circumstances.

**Act 213 (R.243, H.5051) Higher Education mission and goals.** An act to amend section 59-103-15, Code of Laws of South Carolina, 1976, relating to higher education mission and goals for all public higher education institutions in this state, so as to allow a four year college or university, with approval of the Commission on Higher Education, to offer a doctoral degree in Marine Science.

**Act 133 (R.149, S.833) Tuition rates for military personnel and dependents.** An act to amend section 59-112-50, as amended, Code of Laws of South Carolina, 1976, relating to tuition rates for military personnel and their dependents, so as to provide that active duty military personnel may be charged less than the undergraduate tuition rate for South Carolina residents for certain courses.

**Act 176 (R.203, S.1307) Statutes creating certain educational boards and commissions.** This legislation amends legislation for state boards for educational and other entities for the purpose of adding where there is representation by Congressional Districts the appropriate reference for appointments of the State's new 7<sup>th</sup> Congressional District. For higher education, affected boards include: Commission on Higher Education (59-53-10), State Board for Technical and Comprehensive Education (59-103-10), the Medical University of South Carolina (59-123-40 and 59-123-50), Winthrop University (59-125-20 and 59-123-30), SC State University (59-127-20A), College of Charleston (59-130-10), Francis Marion University (59-133-10), Lander University (59-135-10), and Coastal Carolina University (59-136-110).

**Act 278 (R.323, H.4967) SC Retirement System.** This legislation, which was signed into law by the Governor on June 26, amends SC Code of Laws to reform South Carolina's state retirement system. The SC Retirement System has provided on its website guides that summarize the changes made by the new law and the detailing the effective dates of the changed provisions. This summary information is accessible from the homepage of SC Retirement Systems at <http://www.retirement.sc.gov>.

**Act 105 (R.112, S.258) Office of Inspector General.** Legislation enacted to codify the establishment of the Office of the State Inspector General which the Governor had previously established during the 2011 Session through an Executive Order 2011-10 on March 11, 2011. The State Inspector General is appointed by the Governor with the advice and consent of the Senate for a term of four years.

**Act 284 (R.326, H.3508) Government owned communications service providers.** Legislation signed into law on June 29 that amends and updates existing statutes addressing government-owned telecommunications service providers. Sections are included that address provisions concerning broadband service and un-served areas; the definition of broadband service; the purpose and scope of Article 23, Chapter 9, Title 58; definitions in Section 58-9-2610; matching funds, investigation and enforcement, conforming amendments; exemptions of certain provisions; report of the State Regulation of Public Utilities Review Committee; and SC LightRail Consortium.

**Act 143 (R.161, H.4639) International Energy Conservation Code of 2009.** An act to amend section 6-10-30, as amended, Code of Laws of South Carolina, 1976, relating to the 2006 edition of the International Energy Conservation Code, so as to adopt the 2009 edition of the International Energy Conservation Code as the energy standard of this state. –ratified title

**Act 216 (R.220, S.1143) Civil War Heritage Trails.** A joint resolution to establish South Carolina Civil War Heritage Trails as the official Civil War era historic driving trails of South Carolina; to permit South Carolina Civil War Heritage Trails to consult with the South Carolina Civil War Sesquicentennial Advisory Board and the Department of the Archives and History concerning the planning, development, establishment, maintenance, and marketing of the trails; to encourage the Department of Transportation to work with South Carolina Civil War Heritage Trails concerning the placement of signs adjacent to the state highway system; and to encourage the appropriate government agencies to cooperate with South Carolina Civil War Heritage Trails concerning educational and marketing materials. –ratified title

**Act 131 (R.138, S.1196) African American History Month.** An act to amend the code of laws of South Carolina, 1976, by adding section 1-1-616 so as to provide that the month of February of every year is designated African American History Month in South Carolina. –ratified title

## H.4967 Changes by Effective Date

Effective Date	H.4967 Changes
July 1, 2012	SCRS and PORS retirement allowances annually increased by 1 percent, capped at \$500; effective for <b>July 1, 2012</b>
July 1, 2012	<p><b>SCRS Current Members (Class Two Members) and New Hires (Class Three Members)</b></p> <ul style="list-style-type: none"> <li>• SCRS employee contribution rate increased from 6.5 percent to 8.0 percent in 0.5 percent increments annually from <b>July 1, 2012</b> to <b>July 1, 2014</b></li> <li>• SCRS employer contribution rate will be 10.6 percent beginning <b>July 1, 2012</b>, and for <b>July 1, 2013</b>, and will increase to 10.9 percent beginning <b>July 1, 2014</b></li> </ul> <p><b>PORS Current Members (Class Two Members) and New Hires (Class Three Members)</b></p> <ul style="list-style-type: none"> <li>• PORS employee contribution rate increased from 6.5 percent to 8.0 percent in 0.5 percent increments annually from <b>July 1, 2012</b> to <b>July 1, 2014</b></li> <li>• PORS employer contribution rate will be 12.3 percent beginning <b>July 1, 2012</b>, will increase to 12.5 percent <b>July 1, 2013</b>, and will increase to 13 percent <b>July 1, 2014</b></li> </ul> <p><b>SCRS and PORS Current Members (Class Two Members) and New Hires (Class Three Members)</b></p> <ul style="list-style-type: none"> <li>• If additional contribution increases are required, both employee and employer contribution rates are increased to maintain a 2.90 differential between the rates</li> <li>• No decrease in contribution rates may be made until the System is at least 90 percent funded</li> <li>• Clarifies that if a member dies prior to retirement, but was eligible to retire at the time of death, the member's beneficiary may elect a retirement allowance in lieu of a lump-sum return of contributions – effective <b>July 1, 2012</b></li> </ul> <p><b>SCRS, PORS, GARS, and JSRS Inactive Accounts</b></p> <ul style="list-style-type: none"> <li>• No interest accrued on inactive accounts (SCRS, PORS, GARS, and JSRS) effective <b>July 1, 2012</b> (interest will be paid on balance as of June 30, 2012, but not thereafter)</li> </ul>



July 1, 2012	<p><b>SCRS and PORS New Hires Only</b> (Class Three Members – Dates of Membership After June 30, 2012)</p> <ul style="list-style-type: none"> <li>• Average Final Compensation based upon the member’s five highest years of earnable compensation effective <b>July 1, 2012</b></li> <li>• Payments for unused annual leave no longer included in a member’s AFC effective <b>July 1, 2012</b></li> <li>• No service credit awarded for unused sick leave at retirement effective <b>July 1, 2012</b></li> <li>• Eight years of earned service required for eligibility for service retirement benefits, disability benefits based upon non- work-related injuries, in-service death benefits, the ability to purchase non-qualified service credit (i.e., “air time”), etc., effective <b>July 1, 2012</b></li> </ul>
<b>Effective Date</b>	<b>H.4967 Changes</b>
	<ul style="list-style-type: none"> <li>• Service retirement benefit calculation remains unchanged (but see five- year AFC and no sick or annual leave)</li> </ul>
July 1, 2012	<p><b>SCRS New Hires Only</b> (Class Three Members – Dates of Membership After June 30, 2012)</p> <ul style="list-style-type: none"> <li>• Effective July 1, 2012, a member may retire if the member (1) has eight or more years of earned service; (2) has reached age 65 (or age 60 with a 5 percent reduction for each year the member retires before age 65) or has satisfied the Rule of 90; and (3) has separated from service</li> <li>• Early retirement at age 55 with at least 25 years of service is not available effective July 1, 2012</li> <li>• TERI program is not available to new hires (Class Three members) effective July 1, 2012</li> </ul>
July 1, 2012	<p><b>PORS New Hires Only</b> (Class Three Members – Dates of Membership After June 30, 2012)</p> <ul style="list-style-type: none"> <li>• Effective July 1, 2012, a member may retire if the member (1) has 8 or more years of earned service; (2) has reached age 55 or has 27 years of service credit (increased from 25); and (3) has separated from service</li> </ul>
July 1, 2012	<p><b>Plan Governance</b></p> <ul style="list-style-type: none"> <li>• Effective July 1, 2012, assumed rate of return on Retirement Systems’ investments set by General Assembly; initially set at 7.5 percent</li> <li>• Effective July 1, 2012, Retirement Systems placed under PEBA with Employee Insurance Program. B&amp;CB (or successor agency) retains authority to approve certain PEBA actions</li> </ul>
November 2012	<p><b>GARS – New Members of the S.C. General Assembly</b></p> <ul style="list-style-type: none"> <li>• GARS is closed to new members. Persons first elected to the General Assembly in November 2012 or after must elect membership in SCRS or State ORP</li> </ul>

January 1, 2013	<p><b>SCRS and PORS Current Members and New Hires</b> (Class Three Members – Dates of Membership After June 30, 2012)</p> <ul style="list-style-type: none"> <li>Effective January 1, 2013, earnable compensation does not include pay for non-mandatory overtime</li> </ul>
January 1, 2013	<p><b>GARS Current Members</b></p> <ul style="list-style-type: none"> <li>GARS member contribution rate increases from 10 percent to 11 percent.</li> </ul>
January 2, 2013	<p><b>SCRS and PORS Current Members and New Hires</b> (Class Three Members – Dates of Membership After June 30, 2012)</p> <ul style="list-style-type: none"> <li>Actuarially neutral service purchase cost, effective January 2, 2013; qualified time will cost no less than 16 percent of highest salary and non-qualified time will cost no less than 35 percent of highest salary</li> </ul> <p><b>SCRS Current Members and New Hires</b> (Class Three Members – Dates of Membership After June 30, 2012)</p>
<b>Effective Date</b>	<b>H.4967 Changes</b>
	<p>For retirements on or after <b>January 2, 2013</b>, a retiree may return to work after being retired for 30 days and receive a benefit subject to a \$10,000 earnings limitation; however, the \$10,000 limitation does not apply if the retiree was at least 62 years of age at retirement or has returned to certain elected or appointed positions</p> <p><b>PORS Current Members and New Hires</b> (Class Three Members – Dates of Membership After June 30, 2012)</p> <ul style="list-style-type: none"> <li>For retirements on or after <b>January 2, 2013</b>, a retiree may return to work after being retired for 30 days and receive a benefit subject to a \$10k earnings limitation; however, the \$10k limitation does not apply if the retiree was at least 57 years of age at retirement or has returned to certain elected or appointed positions</li> </ul>
January 1, 2014	<p><b>SCRS Current Members and New Hires</b> (Class Three Members – Dates of Membership After June 30, 2012)</p> <ul style="list-style-type: none"> <li>Conforms state disability standards to Social Security provisions effective <b>January 1, 2014</b></li> </ul> <p><b>PORS Current Members and New Hires</b> (Class Three Members – Dates of Membership After 2012)</p> <ul style="list-style-type: none"> <li>Retains occupation/job specific for initial determination, but after three years, must meet disability standards of Social Security provisions. Becomes effective <b>January 1, 2014</b></li> </ul> <p><b>Plan Governance</b></p> <ul style="list-style-type: none"> <li>SC Deferred Compensation Commission is abolished and duties are handled by the board of directors of PEBA</li> </ul>

June 30, 2018	<p><b>SCRS Current Members</b> (Class Two Members – Dates of Membership Prior to July 1, 2012)</p> <ul style="list-style-type: none"> <li>• Participation in the TERI Program ended as of <b>June 30, 2018</b> (i.e., new enrollees in the Program after June 30, 2012, must end their participation by five years after their retirement date or June 30, 2018, whichever is earlier)</li> </ul>
	<b>Miscellaneous</b>
December 1, 2012 to April 15, 2013	Qualification and compensation changes to the Investment Commission; provision regarding magistrate educational requirements; studies on legislative and constitutional officer salaries and on compensation spiking in SCRS and POR