Bill Number:	S. 0283 Amended by Senate Education on March 13, 2019
Author:	Talley
Subject:	State Institution of Higher Education Enterprise Act
Requestor:	Senate Education
RFA Analyst(s):	A. Martin
Impact Date:	March 14, 2019

Fiscal Impact Summary

This bill may reduce expenditures of research and four-year institutions because it removes certain steps of the permanent improvement project approval process and increases the authority of an institution's board of trustees to approve permanent improvement projects. However, the reduction in expenditures is undetermined.

Explanation of Fiscal Impact

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State Expenditure
This bill allows the board of trustees of a research university or a four-year college or university to establish one or more auxiliary divisions as a constituent part of its institution. Auxiliary divisions will carry out activities primarily related to economic development, research, housing, food services, stores, health services, and athletics.

The board of trustees must establish management controls and staffing of the enterprise division. The board of trustees is also required to report annually on the auxiliary divisions' activities related to capital projects and the acquisition and disposal of property. While this will result in additional duties for the board of trustees, the functions of the auxiliary divisions are current university functions that already require oversight in the normal course of agency business. These oversight activities are not expected to increase expenditures beyond a level that can be managed within existing appropriations.

The enterprise division's employees are eligible to participate in state retirement, health insurance, and other programs administered by the South Carolina Public Benefit Authority. The creation of an enterprise division involves the transfer of existing personnel, which would not result in an increase in expenditures for the college or university housing the enterprise division.

In regard to permanent improvement projects, this bill raises the threshold for projects which the board may approve without further review by the Joint Bond Review Committee (JBRC). Currently, the board of trustees must review and approve permanent improvement projects before they are submitted for external review. Therefore, this portion of the bill will have no expenditure impact.

This bill will require research and four-year institutions of higher learning to submit their permanent improvement project requests directly to JBRC for review, and only after full architecture and engineering design work is completed. Currently, institutions must submit their request to the Commission for Higher Education (CHE) for recommendations before the request may be reviewed by JBRC. The current process also requires approval of the project before an architectural and engineering contract may be awarded. In addition, as a result of this bill, JBRC review will no longer be required for projects of any value that do not make use of lease-purchase agreements, state institution bond funds, capital improvement bond funds, capital reserve funds, state general appropriated funds, or state infrastructure bond funds. CHE surveyed the institutions previously concerning a similar bill and provided a summary of their responses. Some institutions indicated at that time that there may be cost savings associated with these powers. However, they were not able to quantify those savings. Clemson University and the University of South Carolina have recently indicated that they are working with their respective finance departments to estimate the reduction in expenditures due to this bill. At this time, the reduction in expenditures due to this bill is undetermined.

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director