

SC Commission on Higher Education

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Information on Higher Education Budget and Priorities

for presentation to

SC House Ways and Means Committee

January 13, 2011

BRIEFING OVERVIEW

These brief remarks will touch on four key areas:

- 1) why higher education needs to be a long-term priority for South Carolina;
- 2) what rising tuition really means;
- 3) where we stand in higher education funding in South Carolina; and
- 4) higher education's priorities for the upcoming budget.

An Appendix with additional information on key topics of interest is attached.

1) WHY HIGHER EDUCATION NEEDS TO BE A LONG-TERM PRIORITY FOR SOUTH CAROLINA: THE SOARING VALUE OF HIGHLY EDUCATED PEOPLE IN TODAY'S KNOWLEDGE ECONOMY

Investing More In Higher Education As Soon As Practicable Is A Choice We Have To Make.

- Back in the 1960s, South Carolina was a leader in adjusting to the economy's need for more workers with advanced technical skills—the South Carolina Technical College System became a national model.
- Unfortunately, from the perspective of investment, South Carolina has not been leading in the next economic shift, the one to knowledge.
 - Our institutions have the right focus:
 - For example, the technical colleges have long since changed their instruction. They are no longer teaching static skills, instead focusing on instruction in understanding the principles and purposes of systems because they know their graduates won't be working with the same equipment for more than a few years. Our Technical Colleges know that graduates must be prepared to adjust to continuous, rapid change.
 - Our universities are very much a part of this equation too. The research universities are creating new knowledge and preparing those who will continue to advance learning. The much under-appreciated comprehensive universities are educating people who have the analytical and critical thinking abilities to manage and lead in an environment of continual change. (The comprehensives are also contributing to the research emphasis, as they prepare many students for graduate school in an array of disciplines).

- The process of continual change began in the 1980s. The federal BLS (Bureau of Labor Statistics) projected this decade as a time of growth in durable goods manufacturing. Instead it was one of rapid expansion of services, with computer-based technology leading the way. In 1980, there were no personal computers in the U.S. In 1990, there were on the order of 50 million. Pervasive computing led to a huge growth in productivity in the US. The change was fueled not by the technology itself but by people who knew how to use it. PCs were available around the world but the US, with a much greater supply of highly educated people, far outstripped other nations in using them to increase productivity. To illustrate the nature of change, whole industries restructured from traditional vertical integration to vastly more efficient horizontal integration (an example is the rise in supplier networks vs. in-house divisions in automobile manufacturing).
- A key point is that the rapid expansion in knowledge-based business created a shortage of highly educated people, therefore driving up their salaries vs. those of others. The shortage persisted until the beginning of the Great Recession and is expected to resume as the economy picks up momentum. This fact explains much of the increase in the price of higher education (tuition). We'll come back to that. But next let's look at some indicators of the increasing importance of higher education.

Higher Education's Return on Investment

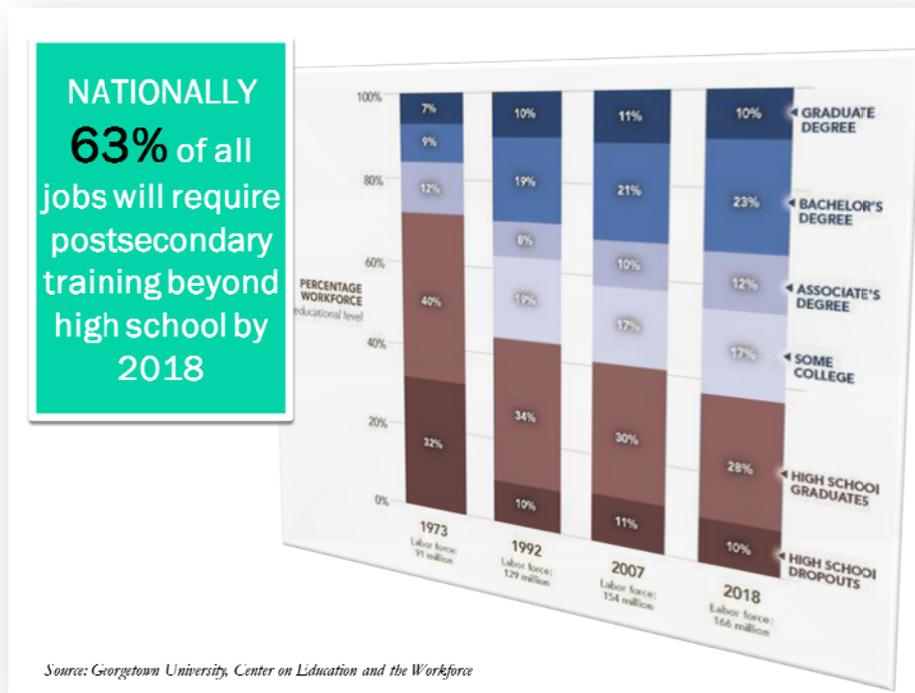
HESC's Action Plan and the ROEI

- The return on investment in education is huge. In 2009, the South Carolina Higher Education Study Committee asked USC's Darla Moore School of Business to investigate the economic benefits of higher education, as expressed in the HESC's Action Plan goal of South Carolina becoming one of the 15 most educated states. The results of the study demonstrate striking benefits for South Carolina's Economy.
 - During the next twenty years, while we work toward the goal (from 2010-2030), there is an average annual benefit of \$11 for every \$1 invested. That's net of all government and personal expenditures.
 - After reaching the goal in 2030: The difference between highly educated South Carolina in comparison to South Carolina on the path it's on now:
 - \$6.9 billion in total personal income
 - \$7.8 billion in gross state product
 - Each \$1 invested in 2030 boosts South Carolina's annual gross state product by \$25
 - All these numbers will continue to increase each year.
- There are also powerful benefits to the individual – the lifetime income of the average full-time worker in S.C. with a bachelor's degree is \$2.5 million—other degrees provide similar benefits.
- The benefits of higher education extend beyond raising income for South Carolinians.
 - Educated individuals pay substantially more taxes and place significantly lower burdens on government programs.

- Positive impacts that add to the return are associated with lower unemployment, less poverty, better health, higher labor force participation, and less incarceration.
- Texas and Virginia have recently completed return on educational investment studies similar to that done by the Moore School and have nearly identical results. (The Virginia study was commissioned by business leaders.)

Has the Great Recession changed these projections?

- No. See graphic.



- There are two reasons why the demand for highly educated people (this includes people with two-year degrees and certificates) will continue to increase: 1) the shortage is still there, it's just less visible with the decline in the economy; and 2) the shortage will be exacerbated as the highly educated Baby Boom generation finally starts to retire.
- Note that higher education has become a highly competitive environment—nearly all states are focusing on their colleges and universities as key drivers of an economic growth strategy.
 - North Carolina is certainly a model. They have invested in education at all levels and have seen corresponding benefits.

Kentucky vs. North Carolina in Per Capita Income

State	Rank in 1960	Rank in 2000	Percent of US average in 2000	Per capita income in 1960	Per capita income in 2000	Percent of SC
Kentucky	47	41	81.8%	\$1,618	\$24,411	100%
North Carolina	46	32	90.7%	\$1,621	\$27,067	111%

Source: SREB Fact Book 2005-06 online database, 7/17/07

- Does North Carolina’s Success Correlate To Its Increasing Levels of Higher Education?

Kentucky vs. North Carolina in education levels

State	Enrollment in 1965	Enrollment in 2005	Percent increase 1965-2005
Kentucky	55,194	201,579	265%
North Carolina	66,364	396,755	498%

Source: Total Enrollment in Public Institutions of Higher Education, SREB 2005-06 online factbook database, 7/17/07

- To illustrate further, consider the two states mentioned earlier: Texas government leaders have made a point of saying that they want to raid the financially distressed University of California System for faculty who can boost Texas’ economic competitiveness. And even in an exceptionally difficult national budget year, Virginia’s conservative Governor is calling for additional investment in higher education.

The Bottom Line On States And Higher Education

- The value of unskilled and low-skilled labor in today’s market has fallen sharply and will continue to fall. That least-educated segment of the workforce will see further declines in wages and ever higher unemployment. Any state or region basing its economic strategy on anything other than highly educated people is going to be hammered in the same way as those low-skilled individuals. It will not be possible to offset the structural problem of an undereducated workforce with low taxes or high relocation incentives.

2) UNDERSTANDING THE PRICE OF HIGHER EDUCATION (TUITION) IN ECONOMIC CONTEXT

If we accept the value proposition in higher education, can’t we offset the need for greater state investment with management or organizational reforms?

- We should always do everything we can to improve efficiency and productivity. CHE is launching a new Cost Reduction Committee to look at opportunities, particularly those that span institutions.
- But, the assumption that there is significant existing inefficiency is wrong.
 - South Carolina’s Colleges and universities are already deeply focused on the issue of efficiency and have been for years. There are many examples of innovation in our state. One is certainly the joint School of Pharmacy between USC and MUSC. A true national leader. The Charleston institutions are well advanced in shared purchasing. The Technical College System has some great ideas about sharing services. Coastal Carolina and Horry-Georgetown Tech are institutions in different sectors that share services, including security. These are just a few examples of the many programs and actions that show efficiency is very much on the minds of South Carolina’s excellent presidents and has been for a long time. As to the program duplication issue that is often cited, some duplication—e.g. all teach English composition and basic mathematics--is inherent in any higher education system. In South Carolina, CHE’s program approval process has aided in keeping in check unnecessary duplication. For details on this issue, see <http://www.che.sc.gov/AcademicAffairs/PERSPECTIVESONPROGRAMDUPLICATION-1d.pdf>

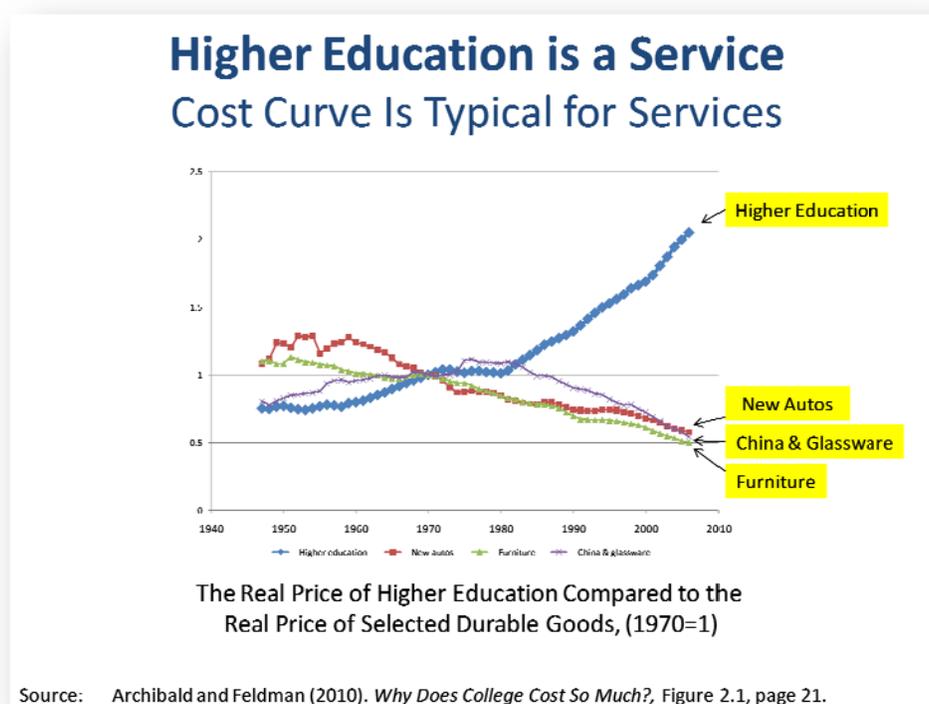
The fact is, it's the structure of the economy that drives the cost of higher education.¹

Costs Rise Faster In Service Industries than for Goods

- Example: tires vs. dentists.
 - An hour of dental service costs one car tire.
 - Price of tires (a good) goes down as technology creates efficiency, mainly by replacing labor with machinery.
 - Price of a dentist's service doesn't go down as much because technology improves quality but has less impact on productivity—time of the dentist is still required.
 - Over time, the number of tires needed to pay for an hour of dental service will go up.
 - The idea that this is bad is wrong—everyone can still be better off and most usually are when technology increases productivity.

Higher Education is a Service

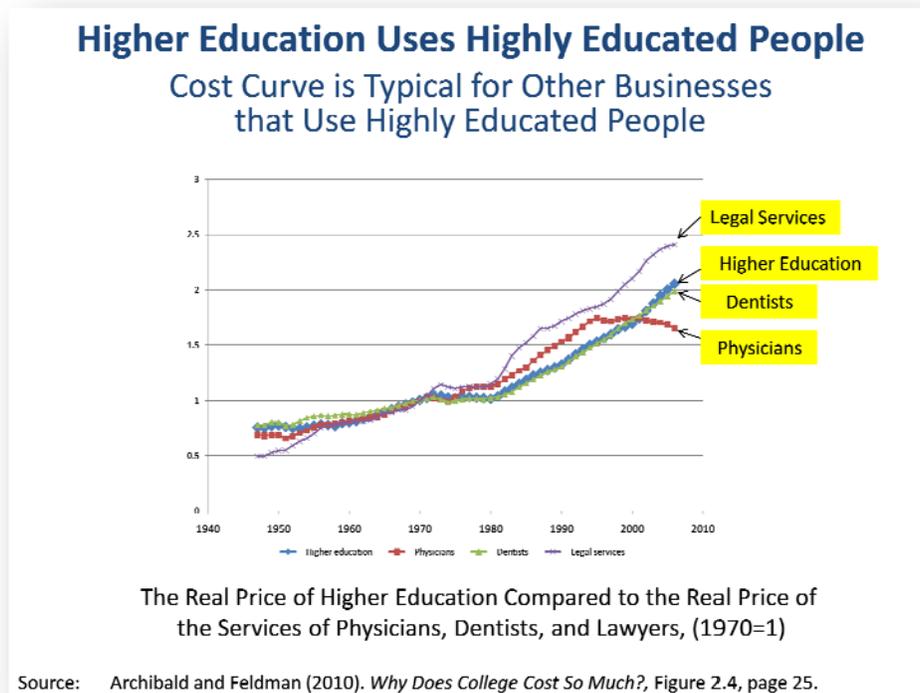
- Cost Curve Is Typical for Services



¹The graphics and much of the analysis used here are from *Why Does College Cost So Much?* By Robert B. Archibald and David H. Feldman (Oxford: Oxford University Press, 2011).

Higher Education Uses Highly Educated People

- Cost Curve is Typical for Other Businesses that Use Highly Educated People



- Demand after 1980 a big problem for colleges and universities which pay about 81% of wages to highly educated people.
- Note the double leveraging effect. If most of your budget is for people, you will be spending much more for them *and* for the services of the external highly educated people who support people—e.g. healthcare—than if much of your budget is for machines or raw material.

Three big drivers of tuition:

- Rising wages of highly educated
- Technology largely increases quality rather than efficiency and therefore adds cost
 - Advanced instruments in, for example, biology, don't lower instructional time and do add cost. If you don't buy the technology, no one will hire your graduates. A fact: the output of higher education is the input of business and industry, and our colleges and universities have to be very aware of that.
- Withdrawal of state support.
 - South Carolina, like many other states, has withdrawn appropriations from higher education to fund tax reductions, Medicaid, K-12, and prisons.

Can't Technology Lower the Price of Higher Education?

- Maybe some, but not a lot. Colleges and universities have, as with other service industries, effected the usual improvements in such areas as computerized records, ending the use of clerk typists, etc. But there is only so much you can do in these

areas--most of a college or university's expenditure is in instruction and instructional support.

- There is limited potential for technology to lower costs in instruction:
 - Online courses usually take more faculty time. In the best case, they save little if done well.
 - People won't pay to be taught by machines—they perceive value in person to person contact and there's good reason to believe they're right.
 - Motivation/ self-discipline matters:
 - A 30-year old Army veteran is a good candidate for online.
 - An 18-year old HS grad much less so.

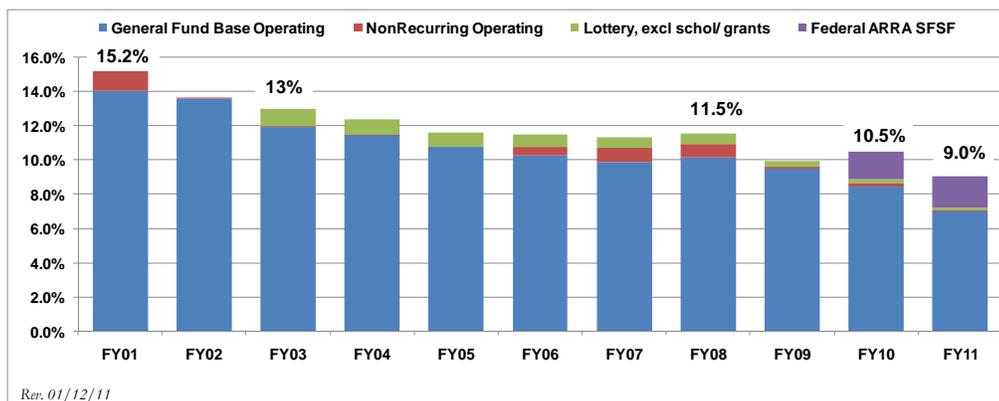
Summary

- The reason for rising tuition isn't inefficiency or duplication or the like.
- Tuition is increasing for the same reasons and at the same rate as other services that use highly educated workers and can't automate or outsource.
- The price of public higher education actually looks good when you consider the cut in state support.

3) THE STATUS OF HIGHER EDUCATION FUNDING IN SOUTH CAROLINA

The idea that cuts to higher education are recent and comparable to cuts to other sectors of state government is not consistent with the facts.

Change in State Educational & General Operating Support for SC's 33 Public Colleges & Universities as a Percent of State Budget, FY01 to FY11

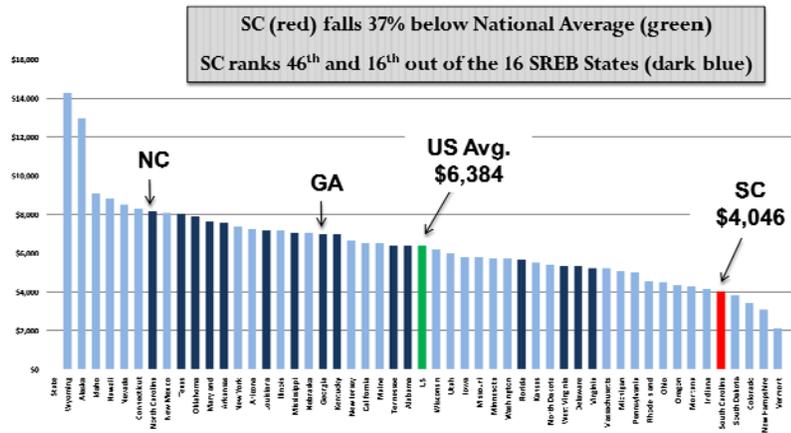


➤ FY11 Appropriations include sustained vetoes and state pay/health plan. State appropriations include general funds, lottery, supplemental and capital reserve funds, and federal ARRA SFSF funds allocated in FY10 & FY11. Lottery Expenditures began in FY03. Higher education funding includes public institutional educational operating appropriations (recurring and nonrecurring) and CoEE and excludes student scholarships and grant appropriations.

➤ Higher education scholarship and grant appropriations are not shown as they are not appropriations to institutions but aid to students. Had the scholarships and grants for students at public institutions been included, the percentage of the budget increases slightly (16.2% in FY01 and 13.1% in FY11). The growth in dollars for students at public institutions have grown from \$51.8 million in FY01 (pre-lottery) to an estimated \$249.1 million in FY11.

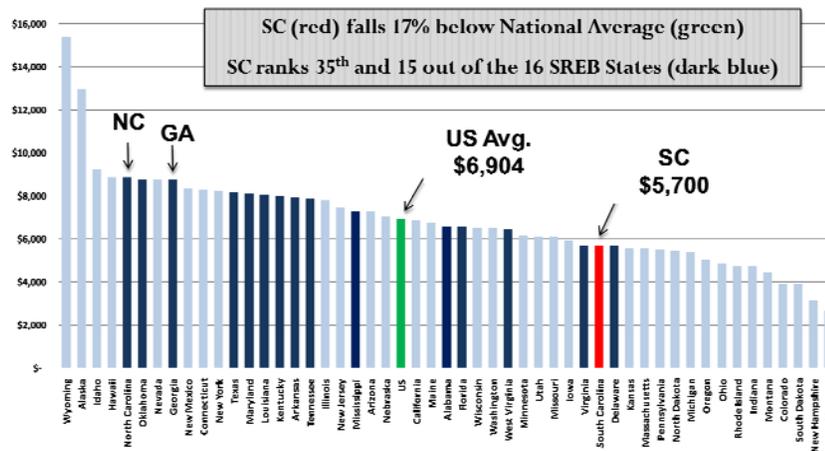
The idea that South Carolina's investment in higher education is comparable to the nation's leaders is not consistent with the facts—indeed we are at best below average.

Educational Appropriations per FTE FY 2009 (without state-supported scholarships/grants)



Source: STIFFO State Higher Education Finance Survey, FY2009, corrected post-release.

Educational Appropriations per FTE FY 2009 (with state-supported scholarships/grants)



Source: STIFFO State Higher Education Finance Survey, FY2009, corrected post-release.

Bottom line: we have to be realistic about our attitude toward higher education as a state priority, both with respect to other areas of our government and in comparison to other states.

4) HIGHER EDUCATION PRIORITIES FOR 2011-2012

Hold the line on core funding

- We understand the enormous pressures on the state budget but, in light of a long pattern of reduced priority for higher education, we ask that you begin to offset that by avoiding further cuts to core operational funding.

Continued support of student financial aid programs, with increased emphasis on need-based aid, and support of SREB student contract programs

- Student financial aid programs are providing incentives for our students to enroll in and complete college programs in South Carolina. Need-based aid is a critical component for any state that seeks to enhance participation in and completion of degree programs by students who have limited financial means.
- The current financial aid portfolio is not balanced – merit programs (Palmetto Fellows, LIFE, SC HOPE) in FY 2010-11 represent 70% (\$230 million) of approximately \$330 million in appropriated dollars for undergraduate scholarship and grant programs, whereas state need-based programs (CHE Need-based and Tuition Grants) represent 16% (\$53 million) and lottery tuition assistance at 2-year colleges 14% (\$47 million).
- The fact is the necessary change in our education levels will have to come overwhelmingly from the lowest income groups of our society.
 - Data on participation -- A recent study of young people who were well-prepared for college but chose not to attend emphasized that affordability was a principal factor in their decision not to go on.
 - Think of the family sitting around the table and trying to decide. Not comfortable with loans. Each decision not to go is a loss for the individual and for society.
- Southern Regional Education Board (SREB) contract programs offer students pursuing professional health degrees admission to schools in other states for the price of in-state tuition and fees. SC participates by contracting through SREB for seats for 24 students Optometry and 104 students in Veterinary Medicine contract programs at 5 partner institutions. To continue SREB participation at the same level next year, \$591,019 additional dollars are needed to replace \$413,929 in one-time funds that were provided to meet FY2010-11 costs and to add \$177,090 for additional program costs anticipated in FY 2011-12.

Support deregulation

- Last session, the House passed legislation (H.3365 and H3841 from 2010 Session) to provide regulatory reforms for higher education institutions related to the facilities approval process, procurement, human resources, and other key management areas to assist in accomplishing institutional missions in the most efficient and effective way while retaining necessary accountability and oversight. Ultimately, the legislation was not enacted and assistance is needed to pass needed legislation this session.

Support the leading edge of efficiency and productivity – PASCAL (<http://pascalsc.org>)

- PASCAL (Partnership Among South Carolina Academic Libraries) has enormous intrinsic value. PASCAL is a government best practice, providing at greatly reduced rates the

cooperative sharing of 11.5 million academic books by courier service and millions of electronic scholarly articles by a common database to all of the state’s public and private academic institutions.

- Shared licensing of electronic information resources not only provides a great return on investment for the state but also creates considerable vendor negotiation leverage for the state.
- PASCAL must be sustained in order to maintain regional competitiveness; nearly all southeastern states, including GA and NC, maintain a virtual academic library.
- Failure to support PASCAL will undermine our ability to build greater synergy and efficiency in the system. If we won’t support the first-class collaborative we already have, who will want to build new ones?

Support leading edge of efficiency and productivity - Restoration to the Extent Possible of the Centers of Economic Excellence (www.scoee.org)

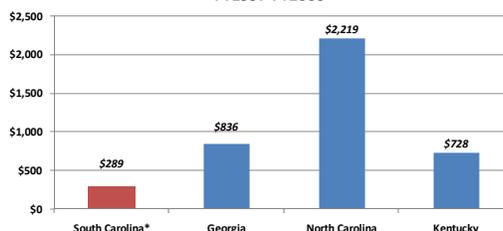
- The Centers of Economic Excellence (CoEE--endowed chairs) program to date has attracted a quarter of a billion dollars of private and federal funding that would otherwise not have come to the state and has created about 3,200 new jobs, most of them well paying.
- No funding has been allocated to the program for the last three years. If momentum is to be sustained in this important program of economic development, some funding needs to be restored, even if it falls short of the \$30 million annual appropriation that has been provided in meeting statutory funding provisions.

Give priority to a bond bill

- Higher education has received almost nothing for its capital projects needs since 2000.
- Capital is a normal operating cost—not an exceptional or unusual one.
 - Good comparative state data on higher education funding should include capital, and when this is done we fall much farther behind others than where we are now.
- Investing as soon as possible in urgently needed capital offers the prospect of getting interest rates at an historical low while paying the bonds off in a rising economy. A good deal!

State Support for Operating and Capital Budget			
State	Average Educational Appropriation per FTE, FYs 1997-2006	Average Capital Support per FTE last ten years	Total
North Carolina	\$6,973	\$2,219	\$9,192
Georgia	\$7,442	\$836	\$8,278
Kentucky	\$6,293	\$728	\$7,021
South Carolina	\$4,831	\$289	\$5,120

Average per Student Appropriation for Capital Needs
FY1997-FY2006



*Sources include capital improvement bonds, capital reserve fund, and supplemental appropriations. Funding associated with the Life Sciences Act of 2004 is not included. These funds provided \$220 million to S.C.'s three research institutions to support and expand economic development and \$30 million to the remaining public colleges and universities. Including this funding brings S.C.'s number per student to \$445 which is still significantly below the level of support of the neighboring states.

CONCLUSION

- We're not making a competitive investment in higher education and, over time, we have to change that. Careful, focused investment will be essential to the future prosperity of our citizens.
- CHE recognizes, though, that dollars alone will not be enough. Unless our citizens come to a greater appreciation of the value of education, including higher education, both for economic success and a higher quality of life, no amount of state money will get us where we need to be. Changing attitudes is something government can't do and that's why CHE is working with the Higher Education Foundation on the Know2 effort to help communities take leadership in communicating the importance of education to citizens of all ages and walks of life. We'd love to come back and talk about this more at some point.
- Thank you very much for your attention. I'd be pleased to answer any questions you might have.

REFERENCE MATERIALS

- **Attached Appendices**
 - 1) The Role of CHE
 - 2) Additional Information on Higher Education Appropriations
 - 3) Scholarships and Grants - The Importance of Need-Based Aid
 - 4) The Issue of Out of State Students
- **Additional Information Resources Available On-line - www.che.sc.gov**
 - **Know2 - Creating a pervasive educational culture in SC**
<http://www.che.sc.gov/ExecutiveDirector/Rep&Presentations/Know2Overview.pdf>
 - **The Issue of Unnecessary Duplication in Higher Education**
<http://www.che.sc.gov/AcademicAffairs/PERSPECTIVESONPROGRAMDUPLICATION-1d.pdf>
 - **CHE FY2009-10 Agency Accountability Report**
<http://www.che.sc.gov/ExecutiveDirector/AgencyAcctRpt.pdf>
 - Higher Education data and statistics are available at www.che.sc.gov, select Data & Publications. For Fact Books, see **SC Higher Education Statistical Abstract** – <http://www.che.sc.gov/Finance/Stat.htm> and **SC Higher Education Briefing Book** (March 2010)
[http://www.che.sc.gov/InfoCntr/BriefingBook_All_FINAL_031610%20\(2\).pdf](http://www.che.sc.gov/InfoCntr/BriefingBook_All_FINAL_031610%20(2).pdf)
 - **SC Higher Education Action Plan and Return on Educational Investment (ROEI) Study**, http://www.che.sc.gov/HigherEd_ActionPlan.htm

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

... will promote quality and efficiency in the state system of higher education with the goal of fostering economic growth and human development in South Carolina.

The South Carolina Commission on Higher Education (CHE), established in 1967, serves as the coordinating board for SC's 33 public institutions of higher learning and is responsible for serving a dual role within state government, acting both as an advocate for higher education and an oversight entity on behalf of the General Assembly. The agency's primary value to the state lies in the benefit of having an entity responsible for bringing to light and working through myriad issues to assure a balance between student and taxpayer interests and institutional policies, aspirations, and needs.

CHE carries out its mission through statewide planning and working with institutions to promote quality, access, and efficiency in the state's higher education system while balancing advocacy, stewardship, and accountability. The major functions of CHE can be categorized broadly into four areas including: advocacy and coordination, information services, accountability, and administration. These functions are carried out through activities of CHE and each of its divisions – Academic Affairs and Licensing; Finance, Facilities, and Management Information System; Student Services; and Access and Equity. In performing its responsibilities, CHE works closely with institutions to expand educational opportunities for the state's citizens, to invest in research for economic development and a better quality of life, and to increase cooperation and collaboration for higher levels of efficiency and quality in higher education opportunities in the state.

CHE operates pursuant to the SC Code of Laws, as amended, §59-103-5, et seq., and is governed by a 14 member board of commissioners. Members of CHE's board are appointed by the Governor including: one at-large member appointed as chair, three other at-large members, six members representing the Congressional Districts, three members representing the public higher learning institutions, and one member representing the independent higher learning institutions. Appointees representing Congressional Districts are recommended by a majority of the senators and a majority of the members of the House of Representatives comprising the legislative delegation from the district, whereas the remaining appointees are recommended based on the advice and consent of the Senate. Commissioners serve four-year terms with the exception of the three public institutional trustees who serve two-year terms. All except the independent institution representative are voting members.

What does the Commission on Higher Education (CHE) do? CHE provides for statewide policy direction and equity:

- ✓ **Oversees academic program quality**—states without this function are homes to diploma mills and see their citizens fleeced on a daily basis by unscrupulous companies.
- ✓ **Maintains funding system and data/ accountability systems**—essential for understanding performance and productivity/source of required national data
- ✓ **Approves all higher education capital projects, leases, and land purchases and collects and reports building data** – assists in determining state priorities
- ✓ **Oversees administration of student financial aid**—requires a staff that is knowledgeable about higher education to provide statewide consistency of administration
- ✓ **Supports increased access to and success in higher education**—improving the transition from K-12 to higher education, ensuring effective transfer ensuring that programs are available to adults, etc.
- ✓ **Supports increased public awareness of the importance of higher education**—Action Plan has underscored the need for a larger role for CHE in this regard; fact that SC has not done this aggressively in the past is reflected in our weak educational levels.

Mr. Kenneth B. Wingate, Chair
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For More Information Visit
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CHE Key Factors

- **CHE's Core Responsibilities**

- Degree Program Approval and Review**

- Includes public, for-profit, and out-of-state institutions
 - Insures program quality and productivity (public institutions)
 - Prevents unnecessary duplication of public programs
 - Protects student rights; promotes appropriate transfer of credit

- ***States lacking these functions are home to diploma mills and have extensive unnecessary duplication of programs, especially at doctoral/ professional levels***

- Student Financial Aid**

- Oversees state-funded financial aid programs at colleges and universities
 - Requires knowledge of higher education to ensure consistent administration
 - Provides audits of compliance

- ***All states have these functions somewhere at the state level***

- Facilities Review and Approval**

- Encourages short and long-term planning to ensure institutional and state priorities are addressed; reviews proposals for need and for most effective use of resources

- ***All states have these functions somewhere at the state level***

- Accountability/ Information Systems**

- Maintains state-level funding system and higher education data essential for understanding performance and productivity

- ***All states have this function somewhere at the state level***

- Improved Statewide Coordination/ Effectiveness and Planning**

- Strengthens K-12/ higher education transition
 - Identifies and advocates for statewide collaborative projects—e.g. creation of statewide virtual library, development of statewide course transfer and articulation system for students, course alignment, and electronic transcript technology
 - Reviews and approves public college and university missions to ensure they are consistent with the law and with the needs of the State

- ***States lacking these and similar functions have inefficient systems and lack access to federal support***

- Advocacy for Greater Access to Higher Education**

- Administers major federal grants (GEAR UP, College Access Challenge)
 - Increases student awareness and knowledge about accessing higher education
 - Provides guidance on accessing financial aid
 - Strengthens school counselor knowledge and resources
 - Helps build local college access programs

- ***States with a strong education culture and focus on higher education as a priority have higher levels of education and comparatively stronger economies***

- **Of the 50 States, 49 Have Agencies with the Same Functions as CHE**

- Exception is Michigan

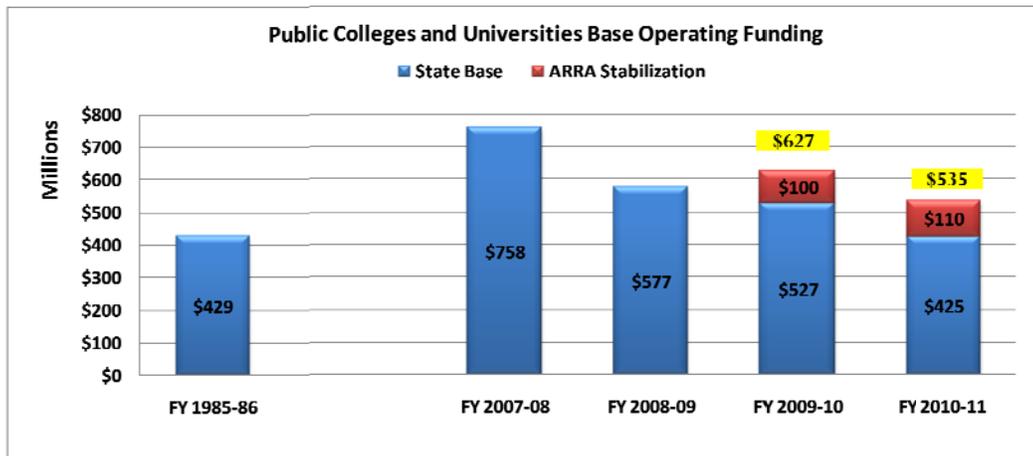
- Most functions exist at state level, but are scattered in other agencies or in separate boards and commissions

- No evidence that the Michigan approach saves money—in fact, the appearance is that it is more expensive

- A key function lacking in Michigan is the one hardest to give to a non-higher education agency: degree program approval and review

- Lacking this oversight, Michigan is plagued with unnecessary duplication at the expensive doctoral and professional levels

SC Public Colleges & Universities State General Fund Appropriations



*rev 12/03/10.

SC Public Colleges & Universities State General Fund Appropriations

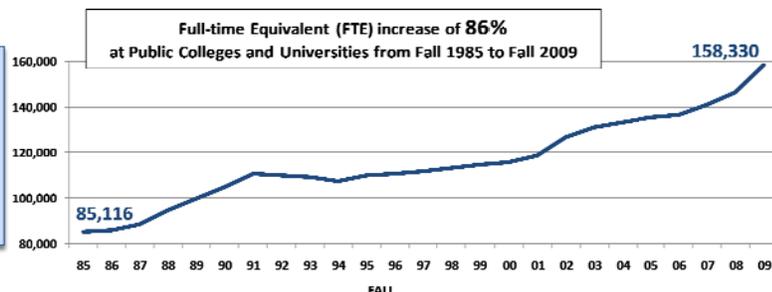


*FY11 = \$425 million
 FY08 = \$758 million
***Drop = (\$333 million)**

*FY 11 Appropriations Act including sustained vetoes and state pay/health plan

(Not adjusted for inflation)

Enrollment Continues to Climb: Since 1985, added equivalent of 4 universities the size of USC with 50% reduction in state support adjusted for inflation.



*rev 12/03/10.

Higher Education General Fund Recurring Appropriations

Institutions	2007-08	2008-09	2009-10	2010-11
Research Institutions				
Clemson	\$112,858,871	\$86,028,361	\$78,498,132	\$62,659,849
USC Columbia	183,772,439	140,045,699	128,520,804	101,018,394
Medical University of SC	97,223,490	74,085,527	67,624,714	54,052,768
Comprehensive Teaching Institutions				
The Citadel	16,287,740	12,347,148	11,256,224	8,992,401
Coastal Carolina	16,808,315	12,675,241	11,555,329	9,215,957
College of Charleston	34,594,904	26,054,537	23,752,507	18,972,744
Francis Marion	19,397,460	14,680,433	13,388,078	10,703,050
Lander	10,937,937	8,310,088	7,592,240	6,066,604
SC State	24,386,739	18,065,137	16,471,285	11,898,708
USC Aiken	11,196,080	8,513,797	7,772,409	6,207,411
USC Beaufort	2,875,328	2,012,013	1,834,243	1,461,646
USC Upstate	14,558,165	11,087,479	10,138,616	8,093,427
Winthrop	23,480,584	17,838,919	16,262,774	13,011,917
Regional Campuses of USC				
USC Lancaster	2,770,893	2,119,544	1,935,139	1,542,935
USC Salkehatchie	2,375,512	1,809,052	1,649,214	1,314,759
USC Sumter	4,408,690	3,358,011	3,061,316	2,443,785
USC Union	1,070,688	818,301	746,001	596,398
Technical Colleges	162,442,569	124,076,698	113,493,412	98,492,141
A.H.E.C.	16,509,835	12,813,466	11,681,342	8,711,377
Subtotal Public Institutions	\$757,956,239	\$576,739,451	\$527,233,779	\$425,456,271
<i>Colleges & Universities as a % of State GF Revenue</i>	11.3%	10.2%	10.0%	8.4%
Commission on Higher Education				
Administration	\$2,610,895	\$2,369,255	\$2,250,172	\$2,086,155
Other CHE Programs	1,775,918	2,032,488	1,740,401	1,685,515
Flow-Through Funds	10,531,535	8,069,816	6,634,388	5,512,527
Scholarships/Grants	109,574,491	95,483,463	95,483,463	108,893,202
Subtotal CHE	\$124,492,839	\$107,955,022	\$106,108,424	\$118,177,399
Technical College System Office				
State Board Administration	\$7,473,160	\$6,357,483	\$5,800,678	\$4,055,585
State Level Programs	475,571	1,118,286	1,023,916	1,290,329
Economic Development (CATT)	5,294,514	2,593,030	2,354,584	3,524,691
Subtotal Technical System Office	\$13,243,245	\$10,068,799	\$9,179,178	\$8,870,605
Tuition Grants Commission	\$22,188,449	\$22,077,893	\$22,049,120	\$22,009,392
Higher Education Total	\$917,880,772	\$716,841,165	\$664,570,501	\$574,513,667
<i>Higher Education as a % of State GF Revenue</i>	13.7%	12.7%	12.6%	11.3%
Total State General Fund (GF) Revenue	\$6,723,274,385	\$5,629,267,090	\$5,275,343,200	\$5,080,373,895

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- CHE Administration and Other CHE Programs include: staffing and activities in carrying out the agency mission together with those funds for operating SC GEAR UP, National Guard Assistance, Higher Education Awareness programs, EEDA activities, and state approving/ licensing functions.
- CHE Flow-Through allocations include: University Center of Greenville, Lowcountry Graduate Center, SC Manufacturing Extension Partnership, African American Loan Program, EPSCoR, SC State, Academic Endowment Incentive Funds for public institutions, Charleston Transition Connection, and National Foundation for Teaching Entrepreneurship.
- CHE Scholarship and Grant Programs include: Education Endowment Funds for Palmetto Fellows and Need-based Grants, LIFE, and HOPE (FY11 only) and SREB Programs and Assessments including Student Contract Programs (Veterinary Medicine and Optometry). Palmetto Fellows, Need-based Grants, LIFE, and HOPE programs receive additional lottery fund appropriations as does the Tuition Grants Commission for the SC Tuition Grant program. Other state-funded student financial aid programs (Lottery Tuition Assistance and SC National Guard College Tuition Assistance) receive lottery appropriations.

SC Lottery Appropriations, FY 2010-11

	Certified Net Lottery	Certified Unclaimed Prize Funds	Total
Higher Education Undergrad.Scholarship/ Grant Programs			
Palmetto Fellows	\$30,277,240		\$30,277,240
LIFE	\$87,370,916		\$87,370,916
HOPE	\$7,823,474		\$7,823,474
LTA	\$47,000,000		\$47,000,000
Need-Based	\$11,631,566		\$11,631,566
Tuition Grants	<u>\$7,766,604</u>		<u>\$7,766,604</u>
Subtotal	\$191,869,800		\$191,869,800
Other Higher Education Programs			
National Guard College Assistance	\$1,700,000		\$1,700,000
Centers of Economic Excellence	\$0		\$0
SC State	\$2,500,000		\$2,500,000
Technology - Public 2- & 4-yr Higher Education	\$4,154,702	\$2,677,271	\$6,831,973
Higher Education Excellence Enhancement Program	\$3,000,000		\$3,000,000
K-12 Programs			
K-5 Reading, Math...	\$41,891,798	\$5,722,729	\$47,614,527
Grades 6-8 Reading, Math...	\$2,000,000		\$2,000,000
School for Deaf and Blind	<u>\$200,000</u>		<u>\$200,000</u>
Subtotal	\$44,091,798		\$49,814,527
TOTAL CERTIFIED LOTTERY	\$247,316,300	\$8,400,000	\$255,716,300
Higher Education Total	\$203,224,502	\$2,677,271	\$205,901,773
Higher Education as % of Total Certified	82.2%	31.9%	80.5%
Additional Allocations of Any Excess Unclaimed Prize Above Certified Unclaimed Prize Funds of \$8.4 million. Projects are funded in order listed as funds become available. In an average year, priority 1 (scholarships) would be fully funded.			
	<u>Excess Unclaimed Prize Funds</u>		
1) Higher Education Merit-Based Scholarships*	\$7,618,477		
2) DAODAS	\$100,000		
3) CHE PASCAL	\$1,500,000		
4) Technology - Public 2- & 4-yr Higher Education	\$5,470,093		
5) State Library Aid to County Libraries	\$2,000,000		
6) Higher Education Excellence Enhancement Program	\$1,000,000		
7) Technical College Allied Health	\$4,000,000		
8) Critical Needs Nursing Initiative	\$1,000,000		
9) Balance to Higher Educ Merit-Based Scholarships*	tbd		
Subtotal Excess	<u>\$22,688,570</u>		
*Includes Palmetto Fellows, LIFE and SC HOPE programs			

(Revised to correct subtotals, 2/15/11)

General Fund and Lottery Appropriations for the SC Undergraduate Scholarship/Grant Programs, FY03 and FY11

	FY2002-03	FY 2010-11*	Change Change, FY03 to FY11	
			Difference	% Change
(1) Palmetto Fellows ⁽¹⁾ Total	\$21,310,658	\$49,386,667	\$28,076,009	131.7%
<i>portion from State General Funds</i>	\$5,989,059	\$17,895,639		
<i>portion from Barnwell Revenues</i>	\$6,270,560	\$1,213,788		
<i>portion from Lottery Revenues</i>	\$9,051,040	\$30,277,240		
(1) LIFE ⁽¹⁾ Total	\$107,220,481	\$171,890,285 ⁽⁵⁾	\$64,669,804	60.3%
<i>portion from State General Funds</i>	\$54,610,414	\$76,900,892		
<i>portion from Lottery Revenues</i>	\$52,610,067	\$94,989,393		
(2) HOPE ⁽²⁾ Total	\$5,787,600	\$8,255,201	\$2,467,601	42.6%
<i>portion from State General Funds</i>	\$0	\$431,727		
<i>portion from Lottery Revenues</i>	\$5,787,600	\$7,823,474		
Sutotal Merit Programs	\$134,318,739	\$229,532,153 ⁽⁵⁾	\$95,213,414	70.9%
<i>portion from State General Funds</i>	\$60,599,473	\$95,228,258		
<i>portion from Barnwell Revenues</i>	\$6,270,560	\$1,213,788		
<i>portion from Lottery Revenues</i>	\$67,448,707	\$133,090,107		
(2) Lottery Tuition Assistance (2-vr) ⁽²⁾ Total	\$34,000,000	\$47,000,000	\$13,000,000	38.2%
(3) Need-based Grants ⁽³⁾ Total	\$15,478,497	\$23,631,566	\$8,153,069	52.7%
<i>portion from State General Funds</i>	\$6,207,938	\$10,786,212		
<i>portion from Barnwell Revenues</i>	\$6,270,560	\$1,213,788		
<i>portion from Lottery Revenues</i>	\$3,000,000	\$11,631,566		
(4) Tuition Grants ⁽⁴⁾ Total	\$22,369,269	\$29,503,352	\$7,134,083	31.9%
<i>portion from State General Funds</i>	\$19,369,269	\$21,736,748		
<i>portion from Lottery Revenues</i>	\$3,000,000	\$7,766,604		
TOTAL All Programs	\$206,166,505	\$329,667,071	\$123,500,566	59.9%
<i>portion from State General Funds</i>	\$86,176,679	\$127,751,218		
<i>portion from Barnwell Revenues</i>	\$12,541,119	\$2,427,576		
<i>portion from Lottery Revenues</i>	\$107,448,707	\$199,488,277		

NOTE: The appropriations above represent only initial program funds as provided per the Appropriations Act. State General Funds and Lottery Funds are included. In addition, Barnwell Revenues that are appropriated for the Education Endowment are included. The Education Endowment for higher education is funded at \$24,000,000 annually through a combination of Barnwell Nuclear Waste Facility revenues and State General Funds. The Education Endowment funds are split equally between the Palmetto Fellows and Need-based Grant programs.

(1) For the Palmetto Fellows and LIFE programs, additional amounts above initial appropriations may be provided since these are "open-ended" programs and qualified students are provided the awards. FYs 2002-03 - 2005-06 (not shown here) included surplus lottery funds for this purpose. Note for Palmetto Fellows and LIFE the General Assembly passed legislation effective FY 2008-09 that provided additional stipends beginning in the sophomore year to recipients of Palmetto Fellows and LIFE who are majoring in identified math, science, engineering and health-related majors and increased the amount of the Palmetto Fellows award beginning in the second year for all recipients.

* FY 2010-11 are beginning year appropriations. Per footnote 1, additional funds may be appropriated for open-ended programs. Merit programs were fully funded by the General Assembly with regard to anticipated program needs.

(2) HOPE and Lottery Tuition Assistance for 2-Year Institutions have been funded to date only with lottery revenues with the current year exception for HOPE which will receive general funds.

(3) For CHE Need-based Grants program a statutory provision requires that a portion of the available Need-based Grant funds each year must be allocated to independent institutions based on their share of full-time, in-state undergraduate enrollment in the prior fall. In fall 2008, the percentage enrollment for the independents is 18.3%. See also note 4 regarding Tuition Grants.

(4) Tuition Grants is a program managed by the South Carolina Tuition Grants Commission and provides need-based grants to qualified students at SC's Independent Colleges and Universities. The program receives funding from the Need-based Grant program as described in footnote 3.

(5) FY 2010-11 includes anticipated excess unclaimed prize funds of \$7,618,477 for merit scholarships which are included in LIFE lottery appropriations.

Source: Data are from appropriation acts and www.budget.sc.gov for balance of excess unclaimed prize funds at year-end. Note FY 2008-09 includes the 2008 Rescission Bill (H.5300, Act 414) enacted 11/7/08.

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STATE-FUNDED SCHOLARSHIPS AND GRANTS FOR STUDENTS

The state appropriates recurring general funds, non-recurring funds, and lottery funds to support the merit-based and need-based scholarships and grants for resident SC undergraduates. **These funds are provided to students toward college costs and assist our state's students and families with college affordability.**

The merit-based undergraduate programs are Palmetto Fellows, LIFE and SC HOPE. Students meeting the required qualifications for these programs are guaranteed funding.

The need-based programs include Need-Based Grants for students at public colleges and universities and SC Tuition Grants for students enrolled in the state's independent colleges and universities. Lottery Tuition Assistance provides grants for students enrolled at SC's two-year colleges and universities. In FY 2010-11, approximately \$330 million is appropriated across the undergraduate merit- and need-based programs as detailed in the following table. Merit-based programs continue to be fully funded for anticipated growth.

However, the demands of keeping pace with the scholarships are placing increasing pressure on state funding which has declined and lottery funds which have remained at similar levels in recent years.

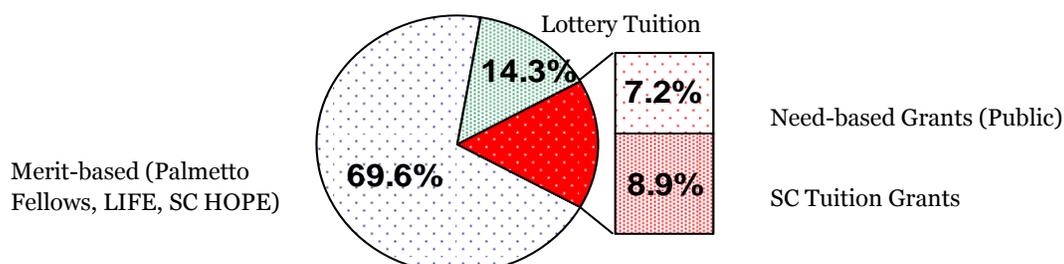
- Of the \$330 million appropriated for FY 2010-11 for student financial aid programs, approximately 61% of the funding is from lottery funds, 39% from state general funds, and less than 1% from non-recurring or other funds.
- Palmetto Fellows, LIFE and the need-based programs existed prior to the implementation of the SC Education Lottery in 2002. With the lottery, the scholarship and grant programs were expanded to include SC HOPE and Lottery Tuition Assistance.
- Appropriations (state and lottery) for all of the programs have grown from \$206 million in FY 2002-03 to \$330 million in FY 2010-11.

Need-based student financial aid is a critical element for any state that seeks to enhance the participation in and completion of degree programs by students who have limited financial means.

In recent years, funding for merit-based scholarship programs has grown to keep pace with increased numbers of eligible students, but funding for need-based grants has not. This creates the appearance that the appeal of merit aid has diminished the importance attached to need-based programs. As a result, a significant imbalance exists and continues to grow between merit- and need-based student aid programs.

Need-based aid programs represent 16% of the undergraduate student financial aid appropriations, merit-based programs 70%, and lottery tuition assistance at two-year institutions 14%.

FY 2010-11 Scholarship/Grant Appropriations by Type Award as a Percent of Total



Affordability is a key concern in increasing South Carolina's education levels:

- *Net cost of college—tuition minus financial aid—is a big factor in participation.*

Change in our education levels will have to come overwhelmingly from the lowest income groups of our society.

- *Data on participation -- A recent study of young people who were well-prepared for college but chose not to attend emphasized that affordability was a principal factor in their decision not to go on.*
- *Think of the family sitting around the table and trying to decide. Not comfortable with loans. Each decision not to go is a loss for the individual and for society.*

Program Awards and Dollars Awarded for the State's Undergraduate Merit-based and Need-based Programs, FYs 2002-03 to 2009-10

South Carolina State-Funded Undergraduate Merit- and Need-Based Scholarships and Grants

Dollars Awarded

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Palmetto Fellows	\$19,090,029	\$21,895,408	\$24,121,633	\$28,408,604	\$31,410,350	\$40,478,125	\$44,035,892	\$46,777,362
LIFE	\$106,568,820	\$119,202,646	\$127,152,542	\$130,922,591	\$134,337,002	\$147,916,296	\$150,595,333	\$160,977,991
HOPE	\$5,396,136	\$5,994,319	\$6,045,918	\$6,260,001	\$6,295,751	\$7,117,245	\$7,037,260	\$7,440,767
Lottery Tuition Assistance, 2-Yr	\$30,274,635	\$37,202,752	\$39,517,443	\$43,724,999	\$48,712,469	\$43,006,457	\$47,641,997	\$43,070,124
Need-Based Grants	\$12,065,707	\$12,231,515	\$17,569,883	\$17,692,531	\$19,251,792	\$18,959,711	\$21,820,397	\$21,737,884
Tuition Grants	\$25,650,042	\$25,202,599	\$27,391,853	\$27,572,932	\$31,457,949	\$37,748,012	\$37,783,612	\$34,056,274

Number of Awards

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Palmetto Fellows	2,985	3,414	3,727	4,401	4,846	5,218	5,590	5,971
LIFE	24,512	26,699	28,433	29,231	29,838	30,641	31,004	33,271
HOPE	2,197	2,434	2,522	2,613	2,605	2,804	2,724	2,888
Lottery Tuition Assistance, 2-Yr	30,719	36,831	38,820	40,708	42,033	42,017	45,628	40,445
Need-Based Grants	11,798	11,389	15,128	15,282	14,854	14,787	15,263	15,466
Tuition Grants	11,586	12,004	12,025	11,869	11,735	12,461	12,801	14,200

Source: CHE Annual Disbursement Reports by Program by Year, and 2009-10 SC Tuition Grants Agency Annual Accountability Report

SC also provides funding for Other State-Supported Student Assistance Programs Including:

SC National Guard College Assistance Program (SCNG CAP) – This program provides incentives for students to enlist in the SC National Guard. The program was passed in 2007 and replaced a loan repayment program provided previously. In FY 2010-11, the SC National Guard College Assistance Program is supported with an appropriation of \$1,791,734.

SREB Contract Programs (Optometry and Veterinary Medicine) and Services. – South Carolina participates in SREB, consortia of 16 southeastern states. CHE pays fees and assessments for SREB participation and to contract for student slots in two professional programs not available in SC. SREB participation allows SC access to data and research resources, student programs such as the Academic Contract program which enables our students to participate in programs in other states at in-state rates, and also the SREB Student Contract Programs in Optometry (24 students) and Veterinary Medicine (104 students). CHE's appropriation for FY2010-11 is \$2,886,153 in recurring base funds and \$413,929 in non-recurring funds. For FY2011-12 total funding required to enable SC to continue participation at the same level is \$3,477,172, a total increase requested in recurring funds of \$591,019.

Out-of-State Students

- CHE data show conclusively that the tuition paid by out of state students more than covers the costs of their education
- The fact is that the presence of out-of-state students substantially lowers tuition for South Carolina residents
 - CHE’s data are statewide: individual institutions can provide detailed information.
- Out-of-state students also contribute significantly more than their in-state peers to their higher education facilities

Statewide Cost Data – A Macro-Level Estimate

Do Out-of-State Students Cover 100% of the Cost? YES!

Considering Public Research and 4-Year Institutions:

	In-State	Out-of-State
Estimated Tuition & Fees Revenue	\$632.8M	\$325.7M
State Appropriations for Operations	478.6M	0
Total Operational Support	\$1,111.4M	\$325.7M
# Full-time Equivalent (FTE) Students	73,897	16,584
Average support per Student	\$15,039	\$19,642
Difference (Out-of-State minus In-State Support)		
Additional Support per Out-of-State Student	= \$4,602	
Total Additional Support from Out-of-State (Difference x Out-of-State FTE)		
	~ > \$70 M	

M = millions

*1 Estimate at the state level. Institutions can provide institutional-specific breakdown.

Growth vs Change in State Support

