

## 2006 Session Legislative Update - Higher Education

(prepared July 26, 2006)

The 2006 session, the second year of the continuing session, ended *sine die* on June 1 with members returning on June 14 to take up the Governor's vetoes. Noted below are major highlights from the 2006 session that affected higher education. The information herein is not intended to be exhaustive. For more detailed information, a year-end Legislative Update (*Major Issues from the 2006 Legislative Session*, Vol. 23, June 15, 2006, No. 23) prepared by the SC House of Representatives is available online at <http://www.scstatehouse.net/reports/hupdate/6n23.doc>.

### FY06-07 APPROPRIATIONS

The State's \$6.6 billion budget includes allocations of \$510 million in new recurring funds and \$450 in nonrecurring funds. A Capital Reserve Fund bill totaling \$102 million was also passed. Appropriations for higher education are reflected in the attached pages. Overall, higher education increases (*including CHE, State Technical System, and Colleges and Universities and not including funds for pay and health insurance increases*) include \$42 million in new recurring funds, \$58 million in non-recurring funds and \$7 million in Capital Reserve Fund spending. The lottery appropriations total \$287 million and higher education receives 79% or \$228 million. See attached spreadsheets for details regarding higher education appropriations, lottery appropriations and funding for state scholarship programs.

*Other General Statewide Appropriations of Note:* The 2006-07 budget includes funds for the 3% pay raise to state employees, funds for increases in state employee and retiree health insurance programs to prevent increased premiums to subscribers while maintaining benefits, and funds for the increased mileage reimbursement.

*Part 1B Provisos of Interest for Higher Education (not intended as an exhaustive list):*

- Provisos deleted because they were codified in the 2005 session: **5A.17** (CHE: Palmetto Fellows Reapplication), **5A.19** (CHE: Lottery Technology Funds); **5A.23** (CHE: Palmetto Fellows Eligibility); **5A.27** (CHE: Eligible Institutions Definition, Higher Education Excellence Enhancement); **5A.28** (CHE: Palmetto Fellows Alternate Criteria), and **72.14** (GP: Educational Fee Waivers)
- Provisos deleted because no longer applicable: **5A.2** (CHE: Grants for Programs in Other States); **5A.25** (CHE: LIFE Eligibility)
- Provisos amended for continued eligibility: **5A.26** (CHE: Need-Based Grants for Foster Youth)
- Provisos otherwise amended: **5N.1** (TEC: Training of New & Expanding Industry) to revise "Special Schools" to C.A.T.T.), **5K.5** (SC: Beaufort Campus - Reciprocal Tuition) amended to add a county); **5M.3** (MUSC: Rural Dentist Program) amended to add carry forward provision; **63.10** (BCB: Compensation - Agency Head Salary) was amended to include Technical College Presidents who had been exempted; and **72.26** (GP: Travel - Subsistence Expenses & Mileage) which was amended to include limitations for lodging with the exception of higher education employees travel that is not paid with General Funds and an increase for the mileage reimbursement rate for personal vehicle use to 44.5¢.
- **New Proviso:** 5A.29 (CHE: Out Of State Eligibility) For Fiscal Year 2006-2007, students who are South Carolina residents and enrolled in out-of-state high schools shall be eligible to receive the Palmetto Fellows, Life, and Hope scholarships. Eligibility shall be calculated utilizing criteria for in-state students. Any fees associated with the resulting conversion of grades or class rank to the South Carolina Uniform Grading Scale shall be the responsibility of the student.
- **New Proviso:** 72.102 (GP: Law School Educational Fee Waiver) For Fiscal Year 2006-2007, a public institution of higher learning with a law school may offer fee waivers to no more than four percent of the law school student body. This waiver shall not impact the capacity of the fee waivers for four percent of the undergraduate student body.
- Although there was considerable discussion, no proviso was adopted that would impose any limitations on tuition increases. Provisos regarding the Spartanburg Technical College name change and the direction of funds from USC Upstate for use at the Greenville Center received considerable discussion but were not passed.

## OTHER LEGISLATION

(Copies of all bills are available online at [http://www.scstatehouse.net/cgi-bin/web\\_bh10.exe](http://www.scstatehouse.net/cgi-bin/web_bh10.exe) )

Higher Education-related Bills that passed in 2006 include (not intended as an exhaustive list):

- **H.4394** enabling name change for Spartanburg Technical College to “Community College” This bill passed as local legislation. A statewide bill for all technical colleges that would have enabled a name change to “Technical and Community College” or “Community College” as passed by the House, failed to pass in the Senate and died in the Senate Education Committee.
- **H.4662** enabling Capital Improvement Bond authorization change for Clemson University
- **H.4840** enacting the *Industry Partner’s Act* which follows up on legislation passed last year that restructured the SC Research Authority by developing the Research Innovation Centers.
- **H.5001** authorized the Trident Technical College Enterprise Campus. This bill is similar to legislation passed in recent years for Midlands Tech and Florence-Darlington Tech. It enables public private partnerships and is focused on workforce training issues.
- **S.1036** enacted as local legislation for York Technical College to add county representation from Lancaster and Chester to the Area Commission.
- **S.1107** enables high schools to provide credit for American Sign Language (ASL) as a “world language” rather than as an elective. The legislation only indirectly relates to higher education in that in SC the minimum admissions requirements for higher education is two units of the same foreign language and ASL does not count. Language is included in the bill to indicate that college admission policies related to foreign languages are not affected.
- **Amended regulations for the State’s undergraduate scholarship programs (Palmetto Fellows, LIFE, HOPE, Lottery Tuition Assistance and Appeals Process) were passed.** The changes in the regulations that were approved related largely to legislation enacted in 2005 and enabled the regulations to be up-to-date with statutory requirements.
- **Other – H.3010** (Act 274) enacting a statewide charter school district and **S.385** (Act 376)enacting changes to the state’s procurement process were also passed in 2006

Higher Education Bills of interest that received some discussion but **DID NOT** ultimately pass in 2006 (not intended as an exhaustive list):

- **H.3681**, USC Sumter as four-year Institution (passed House but died in Senate Committee)
- **H.4264**, Free tuition for Foster Youth (passed House but died in Senate Committee)
- **H. 4314**, Annual tuition increases limited to HEPI
- **H. 4317**, US LEED certification for state buildings over \$10 million
- **H.4353**, Free tuition for National Guard members
- **H.4503**, Revise Eminent Domain in SC. This legislation failed to pass this session. An amendment would have removed the authority of colleges to exercise eminent domain. A joint resolution was passed to create a study committee and to provide for a ballot issue on eminent domain.
- **H. 4774**, Mandating of a course in Financial Literacy for degree-seeking students
- **H.4848**, Creation of an Endowed Chair Program for SC State administered by Budget and Control Board

## OTHER

- Representative Ronald Townsend, Chair of the House Education and Public Works Committee, chose not to seek re-election. On June 1, 2006, Representative Bob Walker was elected as the new Chair of the committee effective September 1.
- In February 2006, the Governor issued Executive Order 2006-01 creating a Higher Education Task Force to examine ways to improve our higher education system. The Task Force was appointed late in the session and began meeting in May. For details, please go to the Commission’s website and select “Higher Education Task Force” or go directly to <http://www.che.sc.gov/HETF/HigherEdTaskForceHm.htm> .

**FY 2006-07 Higher Education Appropriations - DRAFT Summary based on B&CB Summary Control Document, Appropriation Act with Governor's Vetoes**

On June 14, 2006, the budget for FY2006-07 was approved. As information, the Governor acted on Tuesday, June 13, to veto the entire budget bill (H.4810) outright. In addition, the Governor vetoed several items in the Capital Reserve bill (H.4812) including several higher education items: Citadel's Infirmary Roof Repair funds, Coastal Carolina's Nutraceutical funds, and SC State's Repair and Renovation funds. The Governor's veto of H.4810 and vetoes in H.4812 were overridden. The information shown below are the items funded for each institution in recurring and non-recurring funding. Non-recurring funds include items in the Capital Reserve Bill and Surplus or Supplemental FY05-06 funding appropriated through the budget bill. Pay/health plan increases are not included as these items are appropriated through the Budget and Control Board, and as a result, the amount is not yet known for each institution. Capital items are shaded in gray.

Source: B&CB Summary Control Document, FY06-07 Appropriations, 6/19/06

	FY06-07 Beginning Base (Includes Recurring Funds Only)	Recurring <sup>1</sup> [Part 1A]	Non-Recurring [Supplemental 05- 06 & Capital Reserve]	Total Increases, Recurring & Non- Recurring	Recurring Funds % increase over Recurring Base	Total % increase over Base considering Recurring & Non- Recurring
<b>CLEMSON</b>	\$92,390,951				4.9%	8.9%
ICAR		\$500,000	\$1,500,000			
Academic Road Map		\$4,000,000				
Call Me Mister			\$1,300,000			
Infrastructure Repairs			\$900,000			
				<b>\$8,200,000</b>		
<b>USC COLUMBIA</b>	\$160,024,457				2.8%	4%
Congaree Initiative		\$500,000	\$1,500,000			
Faculty Support		\$4,000,000				
Palmetto Poison Control Center Equipment			\$200,000			
Incubator Project (City of Columbia)			\$200,000			
Small Business Development Centers			\$250,000			
				<b>\$6,650,000</b>		
<b>MUSC</b>	\$85,906,706				0.0%	12%
MRR Parity			\$2,545,904			
Hollings Cancer Center			\$500,000			
College of Dental Medicine			\$7,000,000			
				<b>\$10,045,904</b>		
<b>CITADEL</b>	\$14,754,261				0.0%	11.1%
MRR Parity			\$141,326			
Infirmary Roof Repair			\$1,500,000			
				<b>\$1,641,326</b>		
<b>COLLEGE OF CHARLESTON</b>	\$29,283,053				0.0%	21.5%
MRR Parity			\$524,238			
Real Estate Program			\$612,764			
School of Business: Office of Tourism Analysis			\$150,000			
Marine Genomics			\$603,000			
Center for Partnerships to Improve Education			\$400,000			
Grice Marine Biology Lab			\$4,000,000			
				<b>\$6,290,002</b>		
<b>COASTAL CAROLINA</b>	\$12,252,967				0.0%	21.3%
MRR Parity			\$2,358,122			
College of Natural Science (Nutraceuticals)			\$250,000			
				<b>\$2,608,122</b>		
<b>FRANCIS MARION</b>	\$15,249,582				4.5%	51.5%
MRR Parity			\$172,989			
Early Childhood - Training Program		\$585,000				
Women and Minorities in Science & Mathematics		\$100,000				
Center for Performing Arts			\$7,000,000			
				<b>\$7,857,989</b>		

Source: B&CB Summary Control Document, FY06-07 Appropriations, 6/19/06

		<b>FY06-07 Beginning Base (Includes Recurring Funds Only)</b>	<b>Recurring<sup>1</sup> [Part 1A]</b>	<b>Non-Recurring [Supplemental 05- 06 &amp; Capital Reserve]</b>	<b>Total Increases, Recurring &amp; Non- Recurring</b>	<b>Recurring Funds % increase over Recurring Base</b>	<b>Total % increase over Base considering Recurring &amp; Non- Recurring</b>
<b>LANDER</b>	MRR Parity Nursing Program	\$9,695,866	\$130,000	\$174,252	<b>\$304,252</b>	1.3%	3.1%
<b>SC STATE<sup>3</sup></b>	MRR Parity Transportation Center Obesity Program Deferred Maintenance	\$21,040,022		\$263,347 \$748,365 \$300,000 \$2,500,000	<b>\$3,811,712</b>	0.0%	18.1%
<b>USC AIKEN</b>	MRR Parity	\$10,021,979		\$599,237	<b>\$599,237</b>	0.0%	6.0%
<b>USC BEAUFORT</b>	MRR Parity	\$2,609,487		\$502,175	<b>\$502,175</b>	0.0%	19.2%
<b>USC UPSTATE</b>	MRR Parity	\$12,283,834		\$1,877,675	<b>\$1,877,675</b>	0.0%	15.3%
<b>WINTHROP</b>	MRR Parity Tillman Hall Repair	\$20,922,640		\$1,172,423 \$6,700,000	<b>\$7,872,423</b>	0.0%	37.6%
<b>USC LANCASTER</b>	MRR Parity Repair/Renovation Repaving	\$2,470,254		\$650,000 \$200,000 \$100,000	<b>\$950,000</b>	0.0%	38.5%
<b>USC SALKEHATCHIE</b>	MRR Parity	\$2,149,911		\$100,000	<b>\$100,000</b>	0.0%	4.7%
<b>USC SUMTER</b>	MRR Parity	\$3,983,056		\$51,269	<b>\$51,269</b>	0.0%	1.3%
<b>USC UNION</b>	MRR Parity	\$958,564		\$16,206	<b>\$16,206</b>	0.0%	1.7%
<b>AHEC</b>	MRR Parity Infrastructure Development	\$14,834,872	\$415,000	\$511,979	<b>\$926,979</b>	2.8%	6.2%

Source: B&CB Summary Control Document, FY06-07 Appropriations, 6/19/06

	FY06-07 Beginning Base (Includes Recurring Funds Only)	Recurring <sup>1</sup> [Part 1A]	Non-Recurring [Supplemental 05- 06 & Capital Reserve]	Total Increases, Recurring & Non- Recurring	Recurring Funds % increase over Recurring Base	Total % increase over Base considering Recurring & Non- Recurring
<b>SBTCE</b>	\$153,229,935				2.0%	9.4%
CATT - Center for Accelerated Technology Training Allied Health Initiative <sup>4</sup>			\$4,200,000			
Spartanburg Tech - Cherokee Expansion		\$1,500,000	\$3,706,698			
Florence-Darlington Tech - SIMT		\$1,500,000				
Tech Coll of Lowcountry - Nursing Program			\$250,000			
Horry Georgetown Tech			\$1,000,000			
Williamsburg Tech - Repair/Renovation			\$300,000			
Central Carolina Tech - Allied Health Service Center <sup>5</sup>			\$2,000,000			
				<b>\$14,456,698</b>		
<b>CHE</b>	\$62,737,885				45.4%	51.8%
Data & Facilities Staffing		\$135,000				
Administration - Unclassified Positions		(\$69,628)				
EEDA - CHE		\$328,000				
EEDA - Institutions		\$1,080,000				
GEAR-UP			\$600,000			
SREB			\$269,000			
LIFE Scholarships <sup>6</sup>		\$25,790,858				
Education Endowment <sup>7</sup>		\$738,317				
Statewide Electronic Library			\$2,000,000			
Manufacturing Extension Partnership			\$1,200,000			
Lowcountry Graduate Center		\$450,000				
				<b>\$32,521,547</b>		
<b>Total for Institutions including AHEC and SBTCE</b>	<b>\$664,062,397</b>	<b>\$13,230,000</b>	<b>\$61,531,969</b>	<b>\$74,761,969</b>	<b>2%</b>	<b>11%</b>
<b>Grand Total for all Higher Ed. incl. CHE</b>	<b>\$726,800,282</b>	<b>\$41,682,547</b>	<b>\$65,600,969</b>	<b>\$107,283,516</b>	<b>6%</b>	<b>15%</b>

## NOTES:

Lottery funds are not included here. See additional attachment for details.

Lines designated as "MRR Parity" funding includes \$11,661,142 in non-recurring surplus funds.

<sup>1</sup> Pay/Health Plan increases are not included. As part of the budget, funds were included to be allocated for pay increases of 3% and to cover any health plan increases.

<sup>2</sup> Capital items are shaded in gray and total \$32,200,000. As a note, capital items appropriated as part of the FY05-06 Budget and Capital Reserve bills totaled \$19,000,000. The FY06-07 total for capital items represents a 69% increase over the FY05-06 total for capital items.

<sup>3</sup> SC State will also receive \$2,500,000 in Lottery revenues. This does not include lottery funds from Higher Education Excellence Enhancement Program or Lottery Technology Funds.

<sup>4</sup> If there are any additional FY2005-06 surplus Lottery revenues above \$30,600,000, this initiative will receive the first \$12,150,000.

<sup>5</sup> Funds for this item are allocated through the Budget & Control Board.

<sup>6</sup> LIFE also receives Lottery funds. Including Lottery funds, the program increase is \$6.4 million.

<sup>7</sup> The Education Endowment (Palmetto Fellows and Need Based Grants) is funded statutorily at \$24 million should Barnwell Revenues be insufficient. The amount here keeps the program at \$24 million. The Education Endowment programs also receive Lottery funds.

Revised last, 6/20/2006

**SC Education Lottery Fund - Higher Education Appropriations for FY 2006-07**

In FY06-07, lottery appropriations for higher education include \$227.8 million (79%) of the \$287.3 in certified dollars appropriated. As a comparison, FY05-06 lottery fund appropriations totaled \$289 million and higher education received \$237.5 million (82%). Additionally for FY06-07, if there are additional funds above the \$30.6 million in surplus FY05-06 lottery funds that have been appropriated as part of the \$287.3 million, the first \$12.15 million will be allocated for the Allied Health Initiative for State Technical Colleges. Also, if there are additional unclaimed prize funds above the \$8.4 million in such funds appropriated, Lottery Tuition Assistance will receive \$2.6 million after \$200,000 is allocated to the School for the Deaf and Blind and \$250,000 is provided for an SDE initiative. SC Tuition Grants program is scheduled will receive any unclaimed prizes in excess of the amounts for the the School for Deaf and Blind, the SDE initiative and Lottery Tuition Assistance.

The following table outlines the appropriated lottery funds for higher education for FY06-07:

<b>Higher Education Lottery Funding, FY 06-07, approved 6/14/06</b>		
<b>Line Item Description</b>	<b>Amount</b>	<b>Change in Funds</b>
Lottery Tuition Assistance – 2-yr institutions	\$45,000,000	<b>Increase of \$2 million.</b> See also below - program may receive an additional \$2.6 million in unclaimed prize revenue bringing the total to \$47.6 million.
LIFE	\$87,911,636	Program receives lottery and general funds. <b>Program increase of \$6,400,000</b> considering lottery and general funds
HOPE	\$7,144,909	<b>Increase of \$471,083</b>
Palmetto Fellows	\$17,830,758	Program also receives Education Endowment Funds of approximately \$12 million. Lottery funds only were increased with total <b>program increase of \$3,448,767</b>
Need Based	\$11,246,093	<b>No Program Increase.</b> Note that program also receives Education Endowment Funds of approximately \$12 million.
Tuition Grants	\$7,766,604	<b>Increase of \$3,766,604.</b> See also below - program may additionally receive any unclaimed prize funds above \$11.45 million in unclaimed prizes. Program also receives general funds which were not increased.
National Guard Loan Repayment	\$1,700,000	No Program Increase.
Endowed Chairs	\$30,000,000	No Program Increase.
Higher Ed Excellence Enhancement	\$4,700,000	No Program Increase.
SC State University	\$2,500,000	Institution receives general and other funds. There was no change in the lottery funds from that appropriated in FY05-06.
Higher Ed. Technology (2-&4-yr)	\$3,600,000	<i>Certified Lottery Revenue.</i> Coupled with unclaimed prize money, there is no increase in the technology funding.
	\$8,400,000	<i>Certified unclaimed prize money</i>
Excess 05-06 Surplus Funds above the \$30.6 million currently certified	<b>1) Tech Allied Health, \$12,150,000</b> 2) Arts Partnership of Greater Spartanburg \$500,000 3) The remaining balance is directed to the State Library for equal distribution to each county for local libraries	
Excess Unclaimed Prize Funds above \$8.4 million currently certified	1) School for Deaf and Blind - Technology, Equipment and Support, \$200,000 2) SDE Agriculture in Classroom, \$250,000; <b>3) Tuition Assistance, \$2,600,000</b> <b>4) Tuition Grants - Any unclaimed prizes in excess of the amounts appropriated above.</b>	

Note: Other Lottery Funding for K-12 not shown above includes: \$11 million SDE Teacher Specialists; \$46.5 million SDE K-5 Reading, Math, Science & Social Studies Program; and \$2 million SDE 6-8 Reading, Math, Science, & Social Studies Program

Revised last, 6/20/2006

## Initial General Fund and Lottery Appropriations for the State Undergraduate Scholarship/Grant Programs

FYs since Education Lottery Began, 2002-03 through 2006-07

	<b>FY2002-03</b>	<b>FY2003-04</b>	<b>FY2004-05</b>	<b>FY2005-06</b>	<b>FY2006-07</b>	<b>% Increase FY07 over FY06</b>
<b>(1) Palmetto Fellows Total</b>	<b>\$17,259,618</b>	<b>\$19,567,906</b>	<b>\$23,176,712</b>	<b>\$26,381,991</b>	<b>\$29,830,758</b>	13.1%
<i>portion from State General Funds</i>	\$5,989,059	\$12,721,188	\$6,480,281	\$10,417,054	\$10,786,212	
<i>portion from Barnwell Revenues</i>	\$6,270,560	\$1,846,718	\$5,519,719	\$1,582,946	\$1,213,788	
<i>portion from Lottery Revenues</i>	\$5,000,000	\$5,000,000	\$11,176,712	\$14,381,991	\$17,830,758	
<b>(1) LIFE Total</b>	<b>\$94,610,414</b>	<b>\$111,520,063</b>	<b>\$122,374,744</b>	<b>\$134,929,425</b>	<b>\$141,333,829</b>	4.7%
<i>portion from State General Funds</i>	\$54,610,414	\$71,520,063	\$29,646,795	\$27,631,335	\$53,422,193	
<i>portion from Lottery Revenues</i>	\$40,000,000	\$40,000,000	\$92,727,949	\$107,298,090	\$87,911,636	
<b>(2) HOPE Total</b>	<b>\$5,787,600</b>	<b>\$6,500,000</b>	<b>\$6,183,017</b>	<b>\$6,673,826</b>	<b>\$7,144,909</b>	7.1%
<b>(2) Lottery Tuition Assistance (2-yr) Total</b>	<b>\$34,000,000</b>	<b>\$29,000,000</b>	<b>\$39,750,000</b>	<b>\$43,000,000</b>	<b>\$45,000,000 *</b>	4.7%
<b>Need-based Grants Total</b>	<b>\$12,478,497</b>	<b>\$15,478,498</b>	<b>\$22,438,427</b>	<b>\$23,246,093</b>	<b>\$23,246,093</b>	0.0%
<i>portion from State General Funds</i>	\$6,207,938	\$10,631,780	\$6,480,281	\$10,417,054	\$10,786,212	
<i>portion from Barnwell Revenues</i>	\$6,270,560	\$1,846,718	\$5,519,719	\$1,582,946	\$1,213,788	
<i>portion from Lottery Revenues</i>	n/a	\$3,000,000	\$10,438,427	\$11,246,093	\$11,246,093	
<b>(3) Tuition Grants Total</b>	<b>\$19,369,269</b>	<b>\$22,325,740</b>	<b>\$23,322,247</b>	<b>\$23,322,247</b>	<b>\$27,088,851</b>	16.2%
<i>portion from State General Funds</i>	\$19,369,269	\$19,325,740	\$19,322,247	\$19,322,247	\$19,322,247	
<i>portion from Lottery Revenues</i>	n/a	\$3,000,000	\$4,000,000	\$4,000,000	\$7,766,604 **	
<b>TOTAL All Programs</b>	<b>\$183,505,398</b>	<b>\$204,392,207</b>	<b>\$237,245,147</b>	<b>\$257,553,582</b>	<b>\$273,644,440</b>	6.2%

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 the Palmetto Fellows and Need-based Grant programs.

- (1) For the Palmetto Fellows and LIFE programs, additional amounts above the appropriations may be provided since these are "open-ended" programs and qualified students are provided the awards. Any funds appropriated above those in the Appropriations Acts are not reflected here.
- (2) HOPE and Lottery Tuition Assistance for 2-Year Institutions have been funded to date only with lottery revenues.
- (3) Program managed by the South Carolina Tuition Grants Commission. Includes state funds for need-based grants to qualified students a SC's Independent Colleges and Universities.

\* Lottery Tuition Assistance may additionally receive \$2.6 million if there are excess unclaimed prize funds over \$8.85 million

\*\* Tuition Grants will also receive any unclaimed prize funds that remain after the scheduled \$11.45 million in unclaimed prize funds is expended

Source: Data pulled from appropriation acts for FY04, FY05, FY06 and FY07

Revised last, 7/26/06