

## **CHE Legislative Report May 30, 2013**

*(Bills referenced in the text are linked to the latest version of the bill available on [www.scstatehouse.gov](http://www.scstatehouse.gov). Information reported is subject to change. As a reminder, the 2013 Session is the first year of the two-year continuing session. Legislation introduced that is not passed in 2013 retains its position as of the end of this session and consideration may resume in 2014.)*

On June 6, the 2013 Session will end sine die at 5:00 pm. A sine die resolution, [S.744](#), was introduced on May 29 in the Senate to provide that after adjourning on the June 6, the General Assembly would reconvene noon on Tuesday, June 18 and meet until not later than Thursday, June 20. The resolution directs business that may be conducted and limits action to consideration of gubernatorial vetoes, budget and related budget bills, sine die resolutions, appointments, congratulatory and the like resolutions, local legislation, conference reports provided the conference committee was appointed before 5:00 pm on June 6, and joint assembly for offices or vacancies elected by General Assembly.

### **Budget Update:**

Recent Action of the Board of Economic Advisors (BEA): The BEA met May 9. General Fund revenue estimates for the current year or FY 2013-14 were not changed. It is anticipated that that we will run just ahead of the current year estimate by yearend. It is expected that we will finish the current year just above the estimate. For next year, concern was expressed that if the slowed growth in revenue continues, next year's estimate may need to be lowered. The BEA did increase the lottery fund revenue estimate for the current and upcoming year. [Current Year: Lottery proceeds and unclaimed prize funds together, up \$26.9M, inclusive of decrease in the unclaimed prize fund estimate from \$12.4M to \$11.2M. For FY 2013-14: increase of approximately \$6.9M, inclusive of decrease in estimated unclaimed prize funds from \$12.4M to \$8M.]

### Budget Bills:

Senate Finance passed its budget recommendations May 8 and the full Senate began deliberations May 13, passing the Appropriations Act, [H.3710](#), on May 28. The Senate continues to deliberate the Capital Reserve Fund (CRF) Bill, [H.3711](#), which travels with the Appropriations Act and provides allocations for non-recurring appropriations from prior year Capital Reserve Funds that are available for expenditure next year. On May 30, the Senate gave second reading to the CRF Bill, approving the bill as recommended from Senate Finance Committee. The CRF Bill awaits third reading in the Senate before being sent back to the House. The CRF bill includes approximately \$26M of \$112M in projects for higher education.

Once the bills are passed by Senate, they are returned to the House. The House has another opportunity to amend the bills. Once the House has acted, any differences will be worked out by an appointed conference committee and agreed upon by each body before being ratified (signed by Senate Pro Tempore and House Speaker) and sent to the Governor for consideration. It is not anticipated that the work will be completed by June 6 (sine die), and depending on the sine die resolution adopted, the budget would be expected to be approved in late June.

For higher education, the Senate budget remained largely unchanged from the Senate Finance Committee recommendations as reported on earlier. In comparison to House, the Senate increased funding for higher education by more than \$33M – due in large part to additional lottery funding of which \$16.7M was made available to higher education including just under \$14M for maintenance and repair for institutions. (See below for additional details.)

Changes resulting from the full Senate debate included:

- Changes in other areas of the budget and in order to increase local government funding by \$20M resulted in a balancing amendment being adopted. Higher education was not affected except for a \$2M reduction from LIFE scholarships, but with this reduction LIFE remains fully funded.
- Adjustments to lottery allocations: Lottery proviso allocations were debated with desire by some members to provide increased available funds for school bus purchases. In the end, a compromise amendment was adopted. Funds for school buses (\$3.3M) and aid for county libraries (\$2M) ended up in front of PASCAL in the excess priority list for unclaimed prize funds. However, as a result of the lowered estimate to \$8M, PASCAL remains in a slightly lowered but similar position – rather than after first \$12.4M, it will be after first \$13.3M. Other amendments that were not passed would have removed all higher education items from the excess unclaimed prize list in lieu of funds for school bus purchases. The adopted amendment also included an increase in program funds for the Higher Education Excellence Enhancement Program by \$1M (from \$3M to \$4M).
- Other changes adopted by the Senate included amendments to the distribution of nonrecurring “parity” funds provided for to USC 2-year regional campuses, with additional parity funds for one of the campuses (increase of \$78,750 for USC Lancaster); and the addition of a Part 1B proviso to require a study by CHE to inventory the reporting requirements imposed on higher education and report findings to the General Assembly. This provision had been requested by the Governor in her executive budget and which is included in the ABF resolutions.)

In brief, Senate Budget recommendations and as compare to the House recommendations:

- CHE Items: Of note, in addition to supporting CHE’s requests for increases for SREB programs and assessments and the National Guard College Assistance program which the House supported, the Senate Finance Committee supported our first priority request for the agency by including a \$200,000 recurring increase for CHE in support of core mission functions for Academic Program Quality.
- Scholarships and Grants: As with the House, merit-based scholarship programs (Palmetto Fellows, LIFE and HOPE) are fully funded and Lottery Tuition Assistance is level with FY 2012-13 funding. In addition, Need-based grants are funded at \$23,631,566 in the House budget and the Senate Finance Committee provided a \$1.5M increase over the House recommendation. (In comparing this funding to FY 2012-13, as a reminder, Need-based Grants in the current year, FY 2012-13, has base funding consistent with the FY 2010-11 of \$23,631,566 and additionally received a \$4M from a one-time lottery funding source.)
- Institutions: For the public colleges and universities, recommendations for recurring and nonrecurring funds are approximately \$5.3M more than the House recommendations in General Fund increases and non-recurring funds (not including lottery). The Senate Finance Committee recommendations also include just over \$24M in lottery funding for facility maintenance and repair needs for colleges and universities. The House did not include maintenance funding in the lottery. Also of note, for USC 2-year regional campuses, the Senate Finance Committee retains the current budget structure in which the campuses are shown separately funded. The House had rolled up the 2-year campus budgets into USC Columbia under Palmetto College.
- State Employee Pay: The Senate Finance Recommendations include a 1% pay increase for state employees. The House did not include a pay increase.

### With Respect to the Part 1B Provisos:

- Senate includes a new proviso concerning the process for the authorization of other funds drawn down for institutional matches for the SmartState program. House did not include. (11.18)
- Senate includes a new proviso that would transfer funds that flow through our budget to a nonprofit for programs established at institutions for intellectually disabled students. The existing funds in the budget would go to the students for need based grants. House did not include. (11.19)
- Senate includes a new proviso to require CHE working with institutions to bring back recommendations concerning the use of scholarships in the summer. House did not include this or any related provision on this issue. (11.20)
- Senate includes a new proviso to require CHE to inventory and report on higher education data reporting requirements. House did not include. (11.21)
- House includes a new proviso concerning changing the continuing eligibility requirements for merit scholarships from institutional GPAs at 3.0 to a numeric scale of 80 out of 100. Senate deleted. (3.6)
- House includes a new proviso giving USC Board discretion to address parity within its system. Senate deleted. (20.4)
- House includes a proviso to provide Converse College and Columbia College eligibility for participation in the Higher Education Excellence Enhancement Program. Senate deleted on Rule 24. (11.15)
- Senate amended existing proviso 117.79 (GP: Printed Report Requirements) to remove the suspension of CPIP reporting. House did not include this amendment. (117.79)
- As a reminder, the House and Senate both include a new proviso to require CHE to report on parity funding, a new proviso to enable funds for the SC National Guard College Assistance Program to be carried forward and exempt from mid-year cuts, and amendments to existing provisos with technical changes requested by CHE to delete codified or accomplished provisos and conform two provisos to funding.

### **Other Legislative Activity and Bills of Interest Reported on Previously:**

[House Ways and Means K-16 Building Need And Utilization Study Committee](#) met on Thursday, May 24. This is a special committee formed by Ways and Means to review and study facilities needs. It is chaired by Ways and Means Chairman Brian White, who is joined on the committee by Representatives Roland Smith, Gilda Cobb-Hunter, Chip Limehouse, Kenny Bingham, Jim Merrill, and Jackie Hayes. At the meeting, the committee heard from Budget and Control Board staff, Carol Routh, who spoke to the capital planning process. For information about the committee and Ms. Routh's remarks, [Click Here](#). At future meetings, CHE, the State Treasurer, and others are expected to be invited to address the committee. The committee, which has held one prior organizational meeting in April, is expected to work during the interim and make recommendations for legislation that could be considered in the upcoming session.

[S.266](#) and companion bill [H.3518](#), ABF: House bill that passed earlier remains in Senate Education. Senate bill was placed on the agenda for the May 29 Senate Education Committee meeting. Senator Setzler proposed an amendment that was adopted concerning the use of the MRR relative to any new funding mechanism. The committee adopted the amendment and reported the bill out favorably to the

Senate on May 29. As a reminder, this bill did not make the crossover date; the House bill did but remains in Senate Education.

[S.535 - Clemson Enterprise Act](#): Passed Senate, sent to House and referred to Ways and Means. The bill has not been brought up in committee. A companion House bill, [H.4039](#), was also introduced (on April 25) and referred to Ways and Means.

[H.3784 – SCNG CAP](#) – The bill remains in committee and is not likely to pass as a result. Timing issue due to the budget discussions and a cancellation of scheduled subcommittee on higher education. Consequently, has not been heard by the subcommittee and has not been reported out of Education. If not passed this year, could be considered and passed early next session.

[H.3086](#) and [S.93](#) which relate to provisions for veterans and in-state tuition remain in Senate Education.

[S.259 – Free tuition for 60+](#) that would remove the prohibition from those who are 60+, was passed by the Senate and sent to the House where it was referred to and remains in House Ways and Means.

[S.417 – Military Service Occupation, Education, and Credentialing Act](#) has been passed by the Senate and House and was enrolled for ratification on May 24. This bill provides for consideration of the award of educational credit for students honorable discharged from the US Armed Forces and for the licensing of active duty military personnel and their spouses.

[H.3896 – Tuition Prepayment Program](#): This program had been closed to new enrollees in 2007. The legislation, if enacted, would impose a cap on the tuition public institutions could charge participants at the 2008-09 level. It is estimated that there would be a \$68M cost over 15 years in doing so. This bill was passed by House and was referred to the Senate where it remains in Senate Education.

[S.22, Department of Administration](#) – A bill was passed by the House and Senate and differences will be resolved in in conference committee. The House named its conferees on May 30 (Representatives Lucas, Delleney, and Ott) and the Senate would be expected to name its conferees next week. A key issue relates to procurement and whether the responsibility lies with the newly created Department of Administration as in the House version or State Contracts and Accountability Authority as in the Senate. The provisions reported on previously relating to changes in higher education facilities definitions and process that were recommended by House Judiciary committee were ultimately not included in the House version and the provisions of the House and Senate bills are now similar in this respect.

[S.334 concerning Identity Theft Protection](#) passed by Senate and remains in House Ways and Means after the committee determined further review was necessary and adjourned debate on the bill this week. Recommended in this bill are changes to state oversight of information technology for state agencies, including higher education institutions.