

*Presentation for*

**SC Senate Finance Committee**

The Honorable Hugh K. Leatherman, Sr., Chairman

**SC Higher Education  
and Priorities FY 2012-13**



April 17, 2012

*SC Commission on Higher Education*

# BRIEFING OVERVIEW

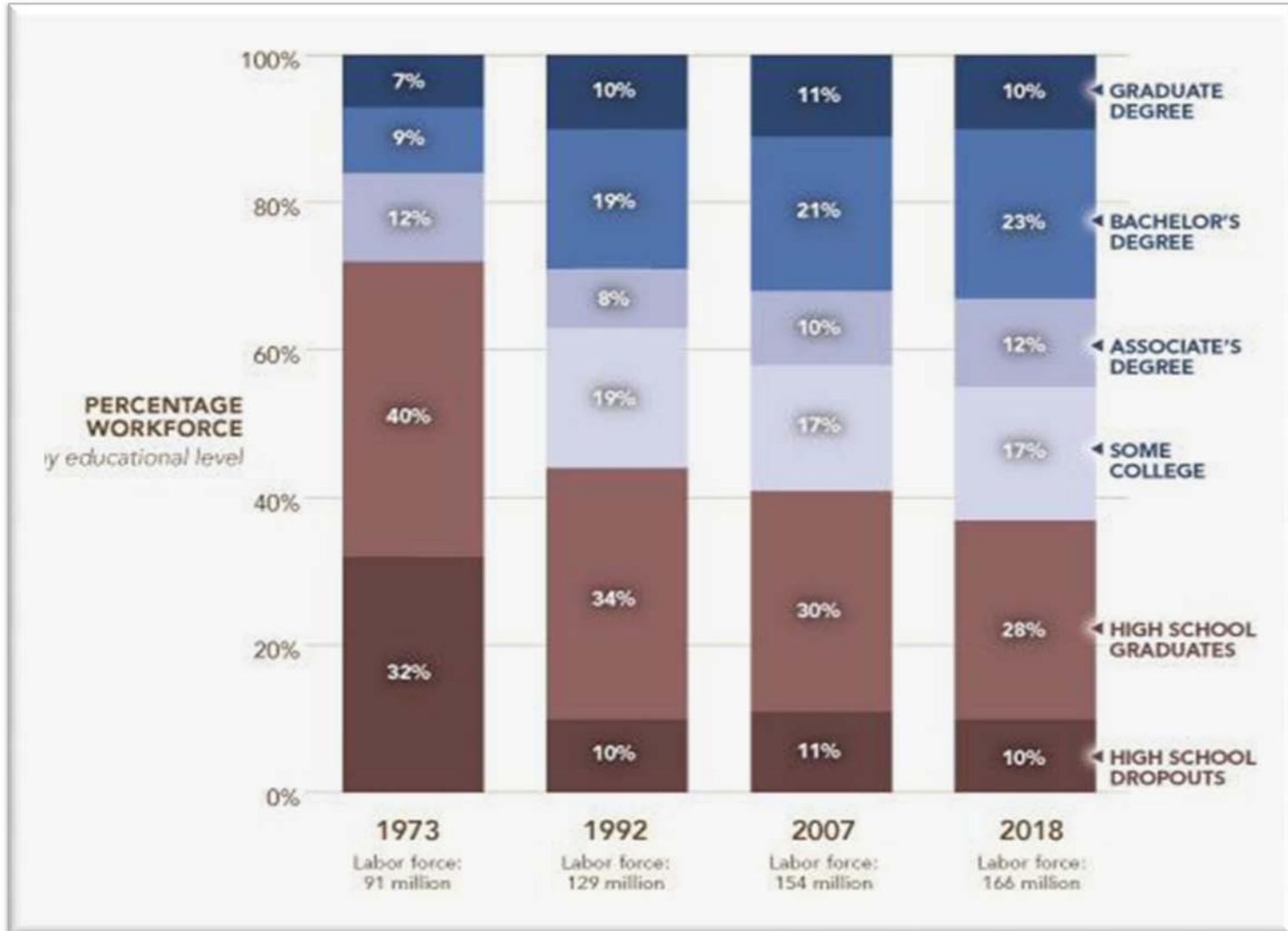
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- Why higher education needs to be a long-term priority for South Carolina
- Where we stand in higher education funding in South Carolina
- Higher education priorities for FY 2012-13

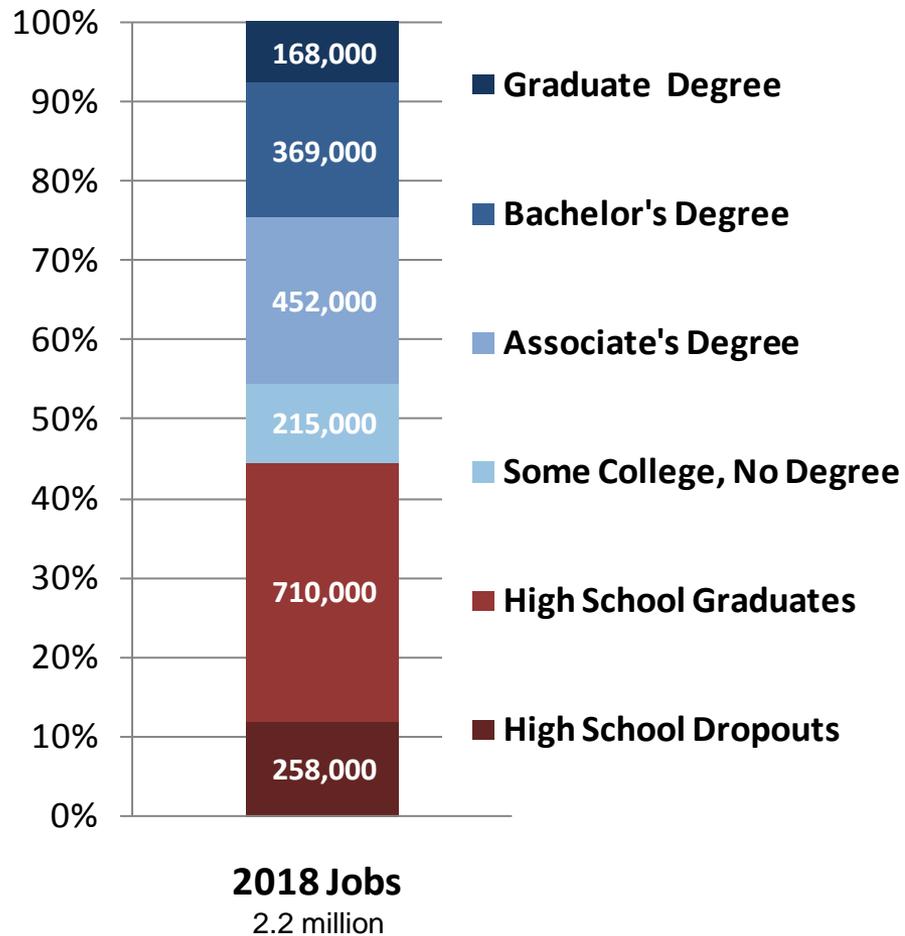
# Higher Education Needs to Be a Long-Term Priority for SC

- A well-educated and well-trained workforce is key to a successful economic strategy
- Investing more in higher education as soon as practicable is a choice we have to make

# NATIONALLY 63% of all jobs will require postsecondary training beyond high school by 2018



# SOUTH CAROLINA, **56%** (1.2 million) of jobs will require postsecondary training beyond high school by 2018

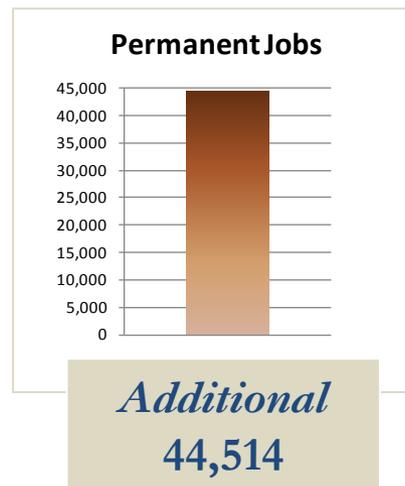
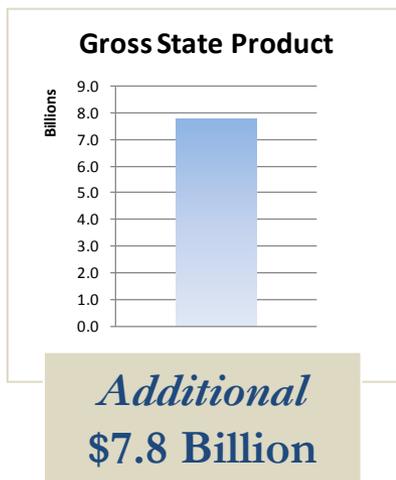


## Between 2008 and 2018

- New jobs in SC requiring postsecondary education and training will grow by 94,000 while jobs for high school graduates and dropouts will grow by 40,000
- SC will create 630,000 job vacancies both from new jobs and from job openings due to retirement
- 349,000 of these job vacancies will be for those with postsecondary credentials, 206,000 for high school graduates, and 75,000 for high school dropouts

# Return on Educational Investment

- Benefits to the individual
  - Lifetime income of a SC full-time worker with a bachelor's degree is on average \$2.5M vs \$1.3M for a high school graduate.
- Benefits to South Carolina's Economy
  - Average annual return of \$11 for every \$1 invested (that's net of all government and personal expenditures) over 20 years in reaching the goal. By 2030, **each \$1 invested in higher education boosts SC's annual gross state product by \$25.**



# SC Higher Education Funding

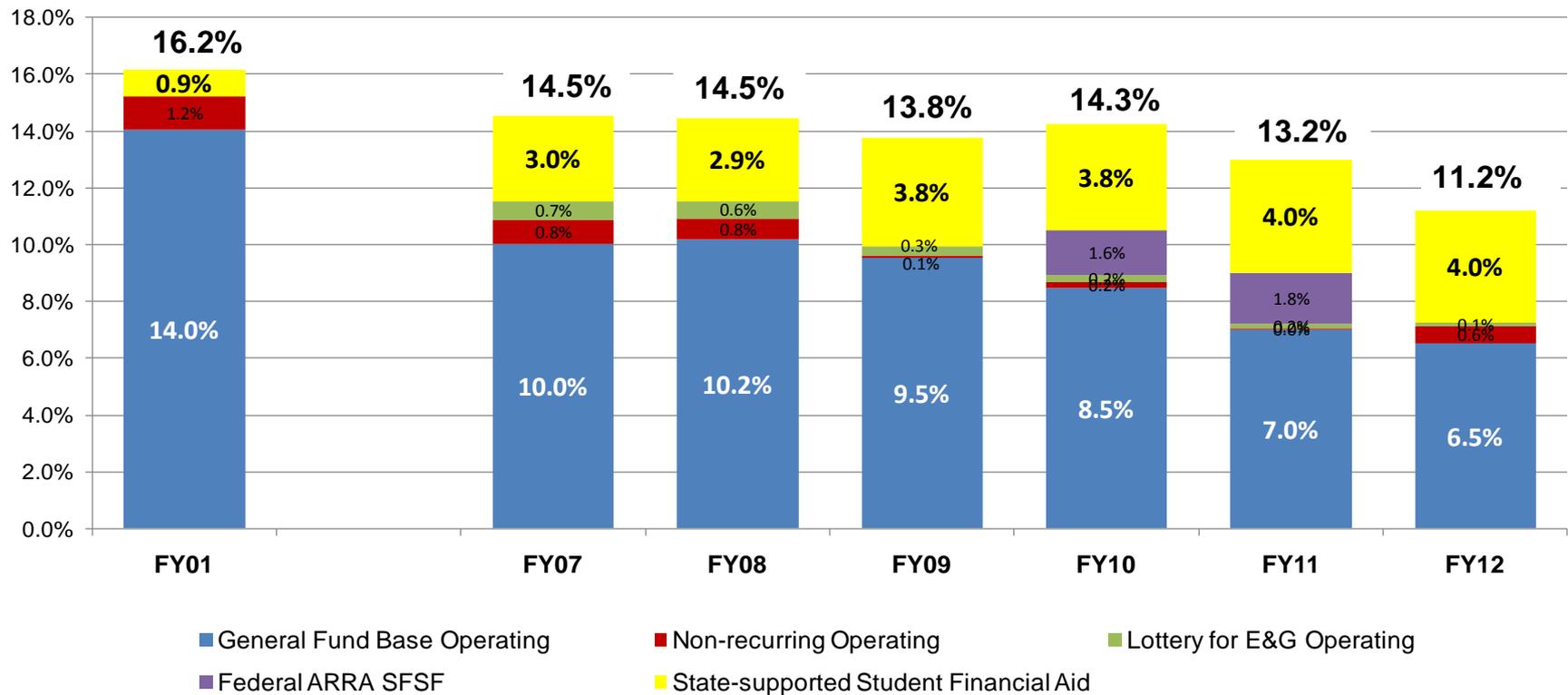
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Where do we stand?

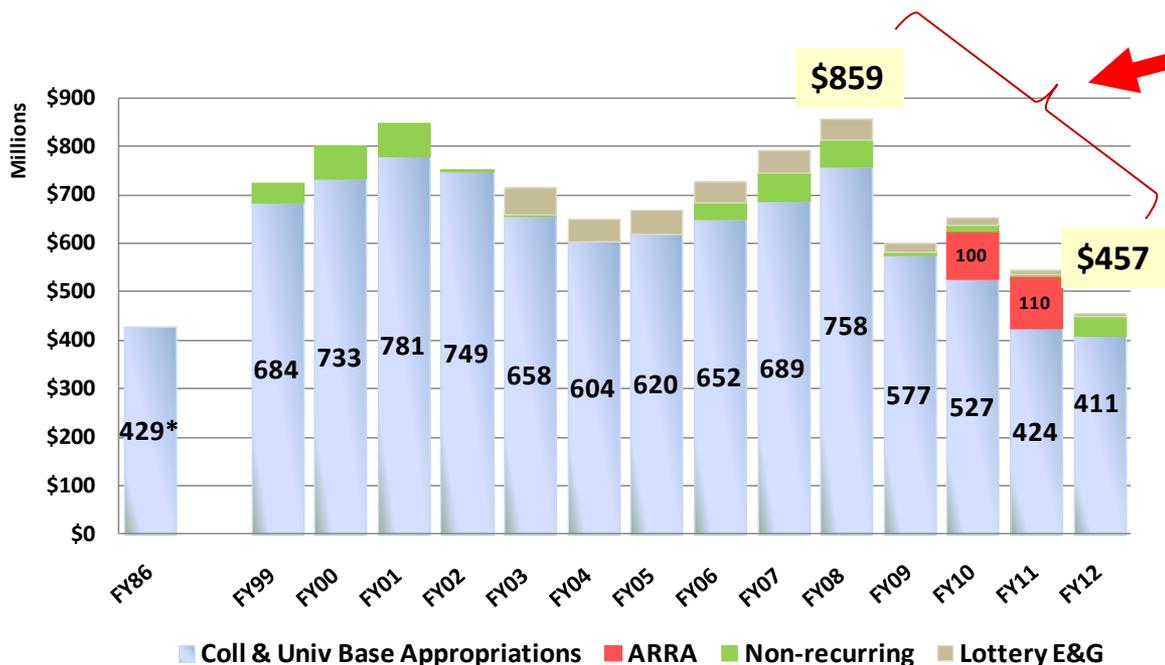
How do we compare?

# SC HIGHER EDUCATION FUNDING

**Change in Public Higher Education Support as a Percentage of the State Budget - Institution Educational and General Operating Support and State-supported Financial Aid for Students**



# SC Public Colleges & Universities State Operating Appropriations



**Inclusive of Non-recurring operating funds:**

**FY12 = \$457 million**

**FY08 = \$859 million**

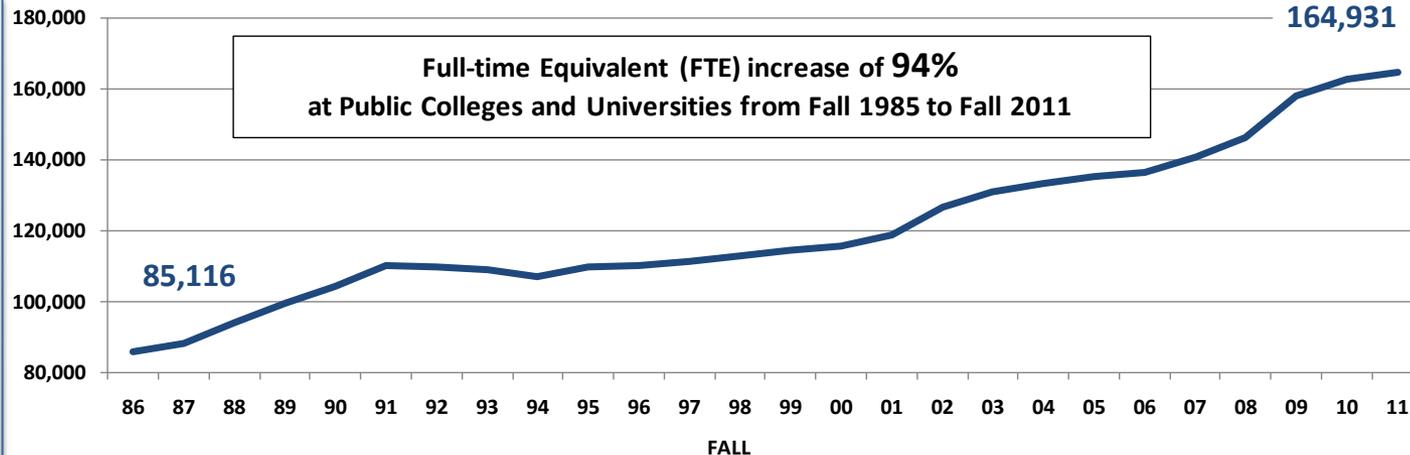
**Drop = (\$402 million)**

*NOTE: Data are not adjusted for inflation or enrollment.*

*\*Amount of FY86 non-recurring, if any, not available. Lottery expenditures began in FY03.*

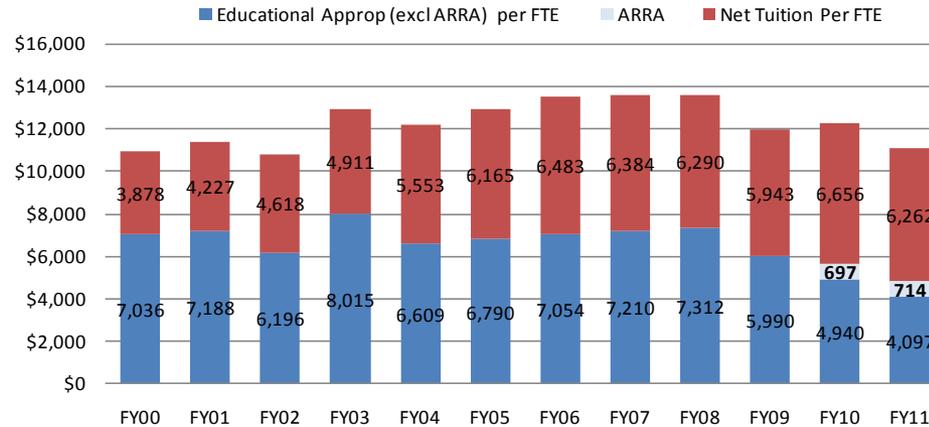
## Enrollment Continues to Climb:

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



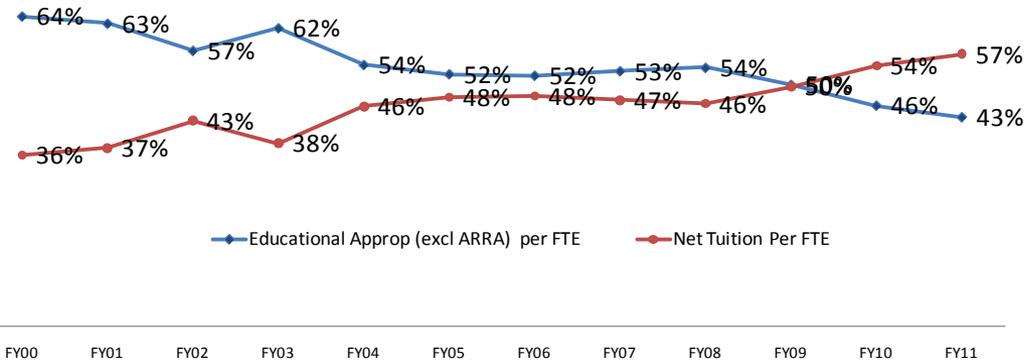
# SC Public Higher Education Educational Appropriations and Net Tuition Revenue Per FTE

(Constant 2011)



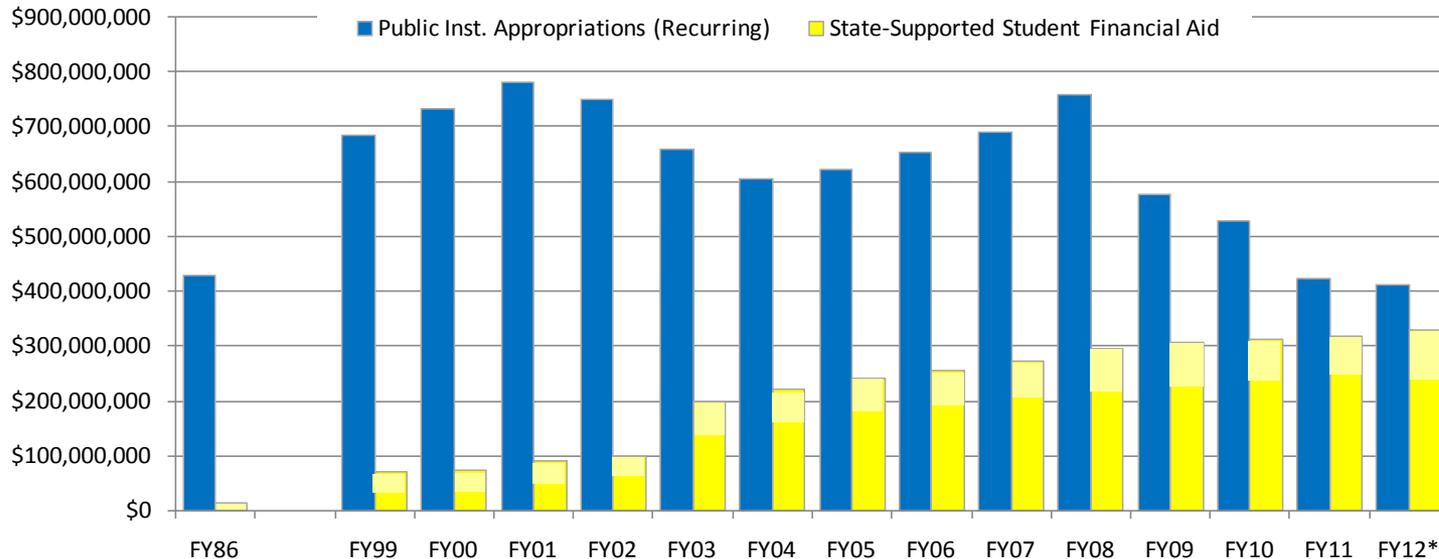
SHEEO SHEF FY2011. Constant adjusted dollars by COLA, EMI, & HECA

## Appropriations & Tuition Revenues per FTE as a Percent of Total



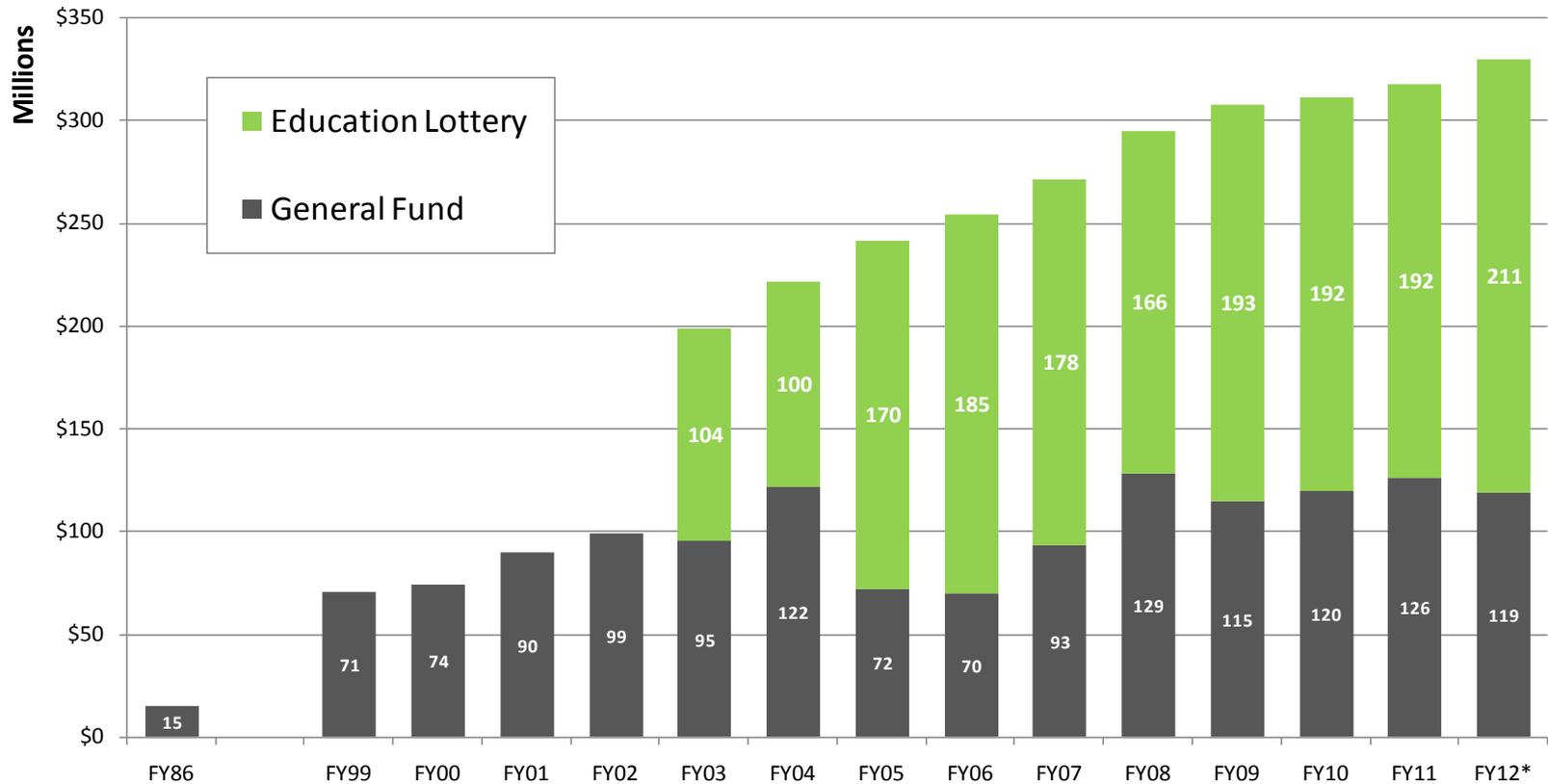
# Appropriation History

## Student vs. Institution Support



- Appropriations (blue) are recurring appropriations for public institutions.
- Student Support includes merit-based (PF, LIFE, HOPE), need-based, and LTA student financial aid to students at public (yellow) and independent (light yellow) institutions. Data source is CHE annual disbursement reports and Tuition Grants annual report with estimated FY12. FY99 is first year of LIFE. FY03 is first year of Lottery.

# Scholarships and Grant Appropriations by Source



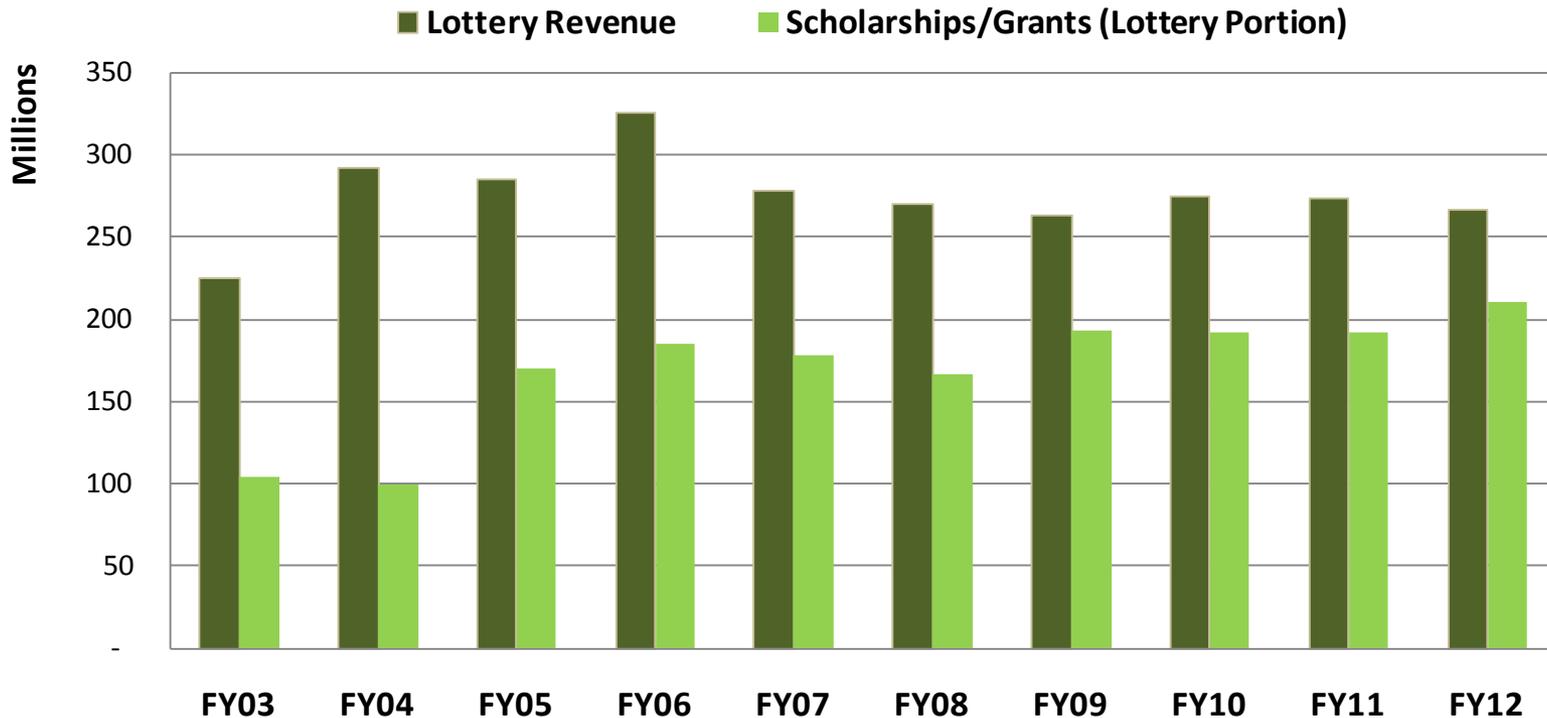
↑  
LIFE  
Implemented

↑  
Lottery  
Appropriations Begin  
HOPE /LTA  
Implemented

↑  
Math/Science  
Enhancements  
for PF and LIFE

\*FY12 estimated

# Lottery Appropriations for Scholarships and Grants Compared to Total Lottery Revenue

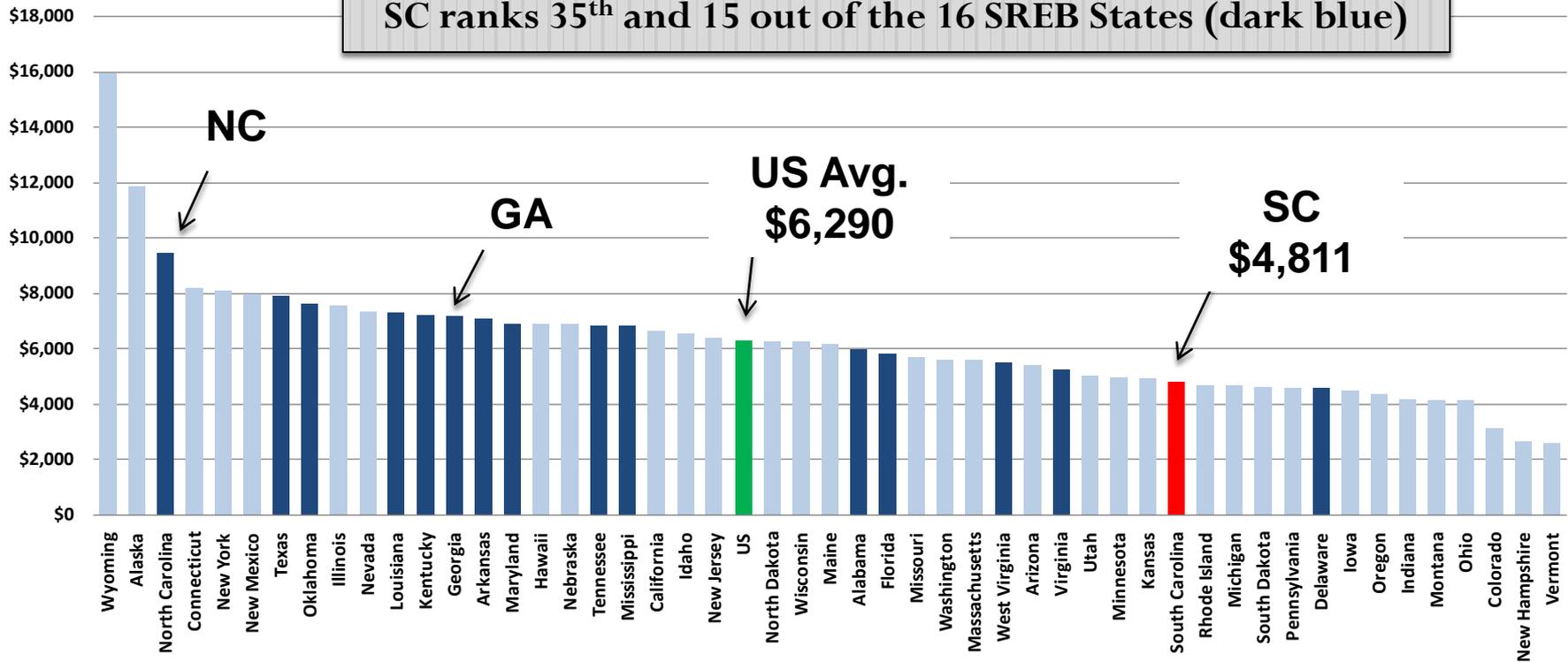


*\*FY12 estimated.*

The idea that SC'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.

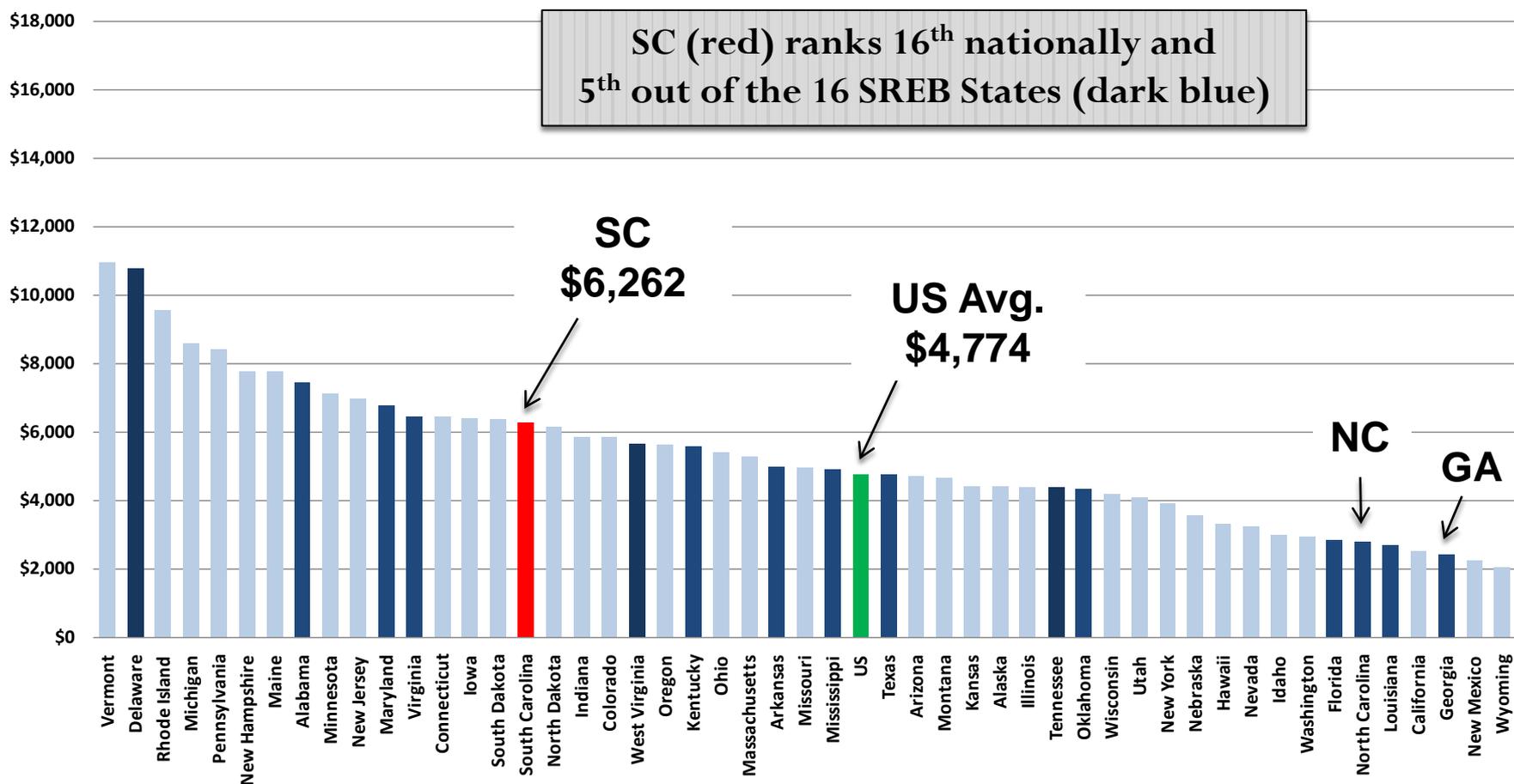
# Educational Appropriations per FTE FY 2011 (with state-supported scholarships/grants)

SC (red) falls 24% below National Average (green)  
SC ranks 35<sup>th</sup> and 15 out of the 16 SREB States (dark blue)



Source: SHEEO State Higher Education Finance Survey, FY2011. Educational appropriations measure state and local support available for public higher education operating expenses and student financial aid for students enrolled in public higher education and exclude research hospitals, medical education. Federal ARRA Stimulus funds are included. Dollars are constant adjusted dollars using Cost of Living Adjustment (COLA), Enrollment Mix Index (EMI), and Higher Education Cost Adjustment. (HECA)

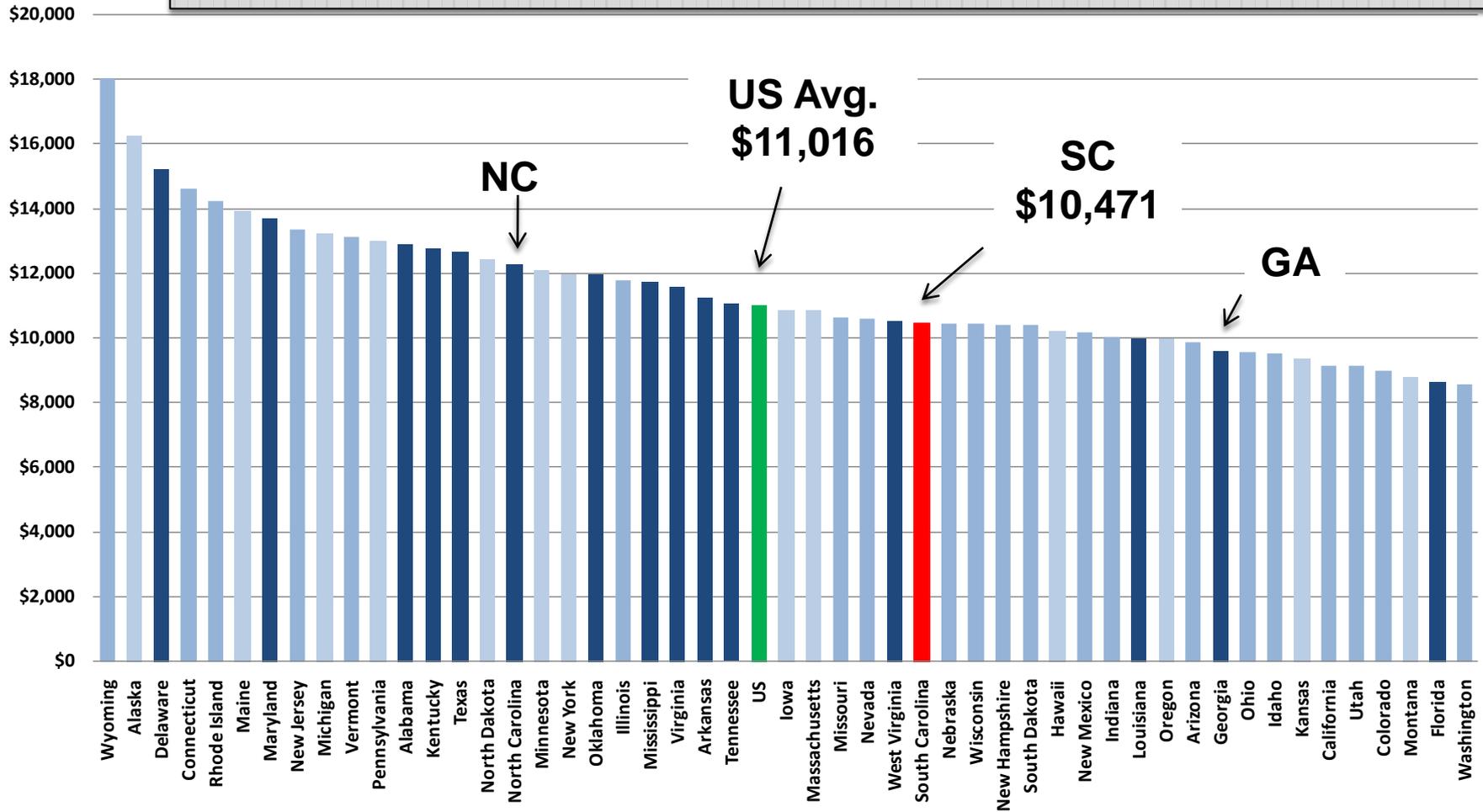
# Net Tuition Revenue per FTE FY 2011



Source: SHEEO State Higher Education Finance Survey, FY2011. Net tuition revenue is calculated by taking the gross amount of tuition and fees, less state and institutional financial aid, tuition waivers and discounts and medical student tuition and fees. Net tuition revenue used for capital debt service is included. In 2011, 12 states reported using some portion of net tuition revenue for debt service. The amount used in these states ranges from \$810 per FTE to \$16 per FTE with SC ranked 4<sup>th</sup> highest among the 12 states at \$602. Dollars are constant adjusted using COLA, EMI, and HECA.

# Total Educational Revenue Per FTE 2011

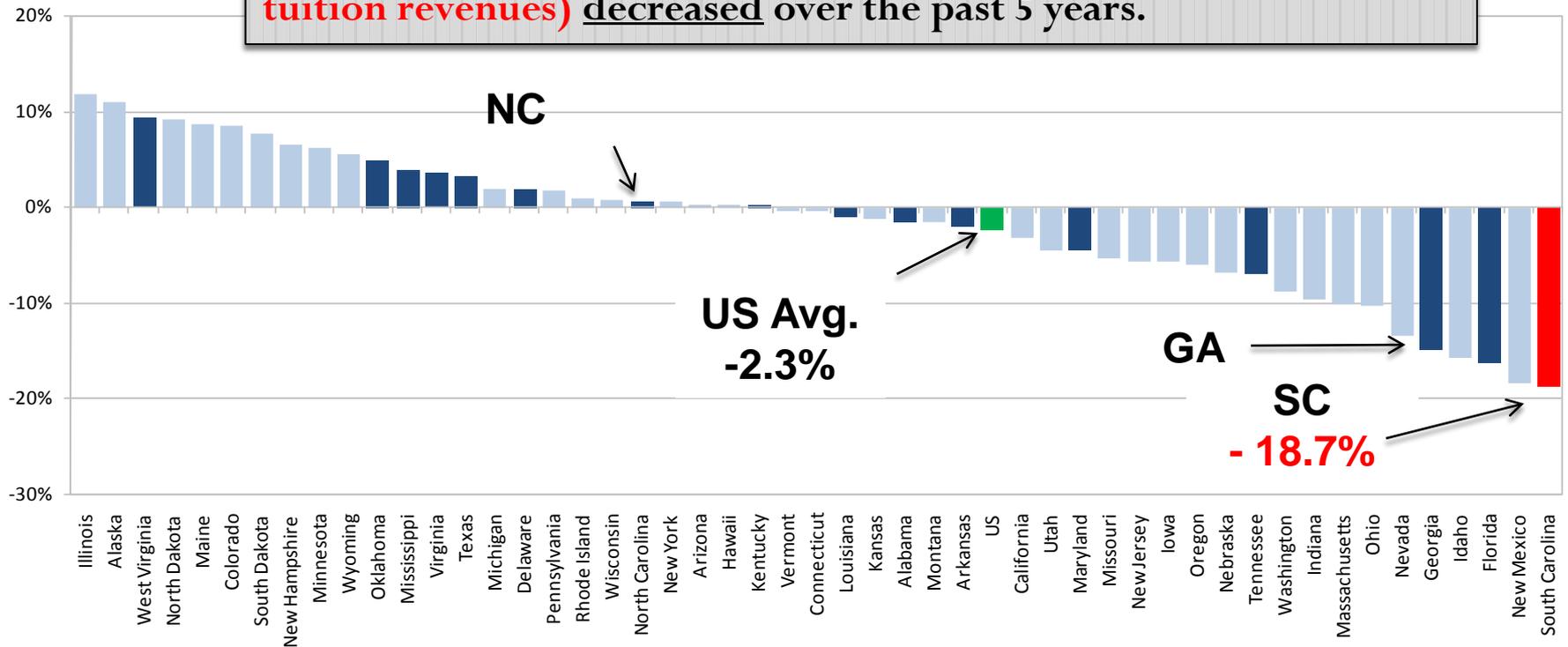
SC (red) ranks 30<sup>th</sup> nationally and 13<sup>th</sup> out of the 16 SREB States (dark blue)



Source: SHEEO State Higher Education Finance Survey, FY2011. Total Educational Revenue per FTE represents the sum of educational appropriations and net tuition exclusive of that portion of net tuition per FTE used for capital debt service. Federal ARRA Stimulus funds are included. Dollars are constant adjusted using COLA, EMI, and HECA.

# Total Educational Revenue Per FTE 5 Year Percent Change – FY2006 to FY2011

SC (red) is one of 26 states in which total educational revenues (educational appropriations, inclusive of federal ARRA funds, and tuition revenues) decreased over the past 5 years.



Source: SHEEO State Higher Education Finance Survey, FY2011. Total Educational Revenue per FTE represents the sum of educational appropriations and net tuition exclusive of the portion of net tuition used for capital debt service. Federal ARRA Stimulus funds are included. Constant adjusted dollars using COLA, EMI, and HECA.

*If we accept the value proposition in higher education & the State's responsibility to ensure it, 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. But, the assumption there is significant existing inefficiency that is increasing costs is wrong.**

- **Strong Leadership at Colleges and Universities and many efficiencies in place**
  - Many strong collaborations
  - Have avoided the costly graduate/professional duplication that plagues other states
- **Can always do more**
  - More shared services, e.g. computing, HR systems
  - More shared programs, e.g. PASCAL (electronic library)

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

- Costs rise faster in service industries than for goods. Higher Education is a service and uses highly educated people.
- Drivers of Increased Tuition
  - Rising wages of highly educated and need to retain and attract highly educated people
  - Technology largely increases quality rather than efficiency and therefore adds costs
  - Sharp decline in state support

- 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.
- SC has fallen behind the national average in total educational revenues (tuition and appropriations) for public higher education. If capital support that states normally provide is included, SC is much further behind.

# Higher Education Priorities

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FY 2012-13

- **BEGIN INCREASING THE STATE'S INVESTMENT IN CORE HIGHER EDUCATION FUNDING**

- Progressively increasing support will lessen the tuition and fee burden on students and families and support institutions as they enroll increasing numbers of students and strive to improve quality and student outcomes.

- **GIVE PRIORITY TO A BOND BILL OR NON-RECURRING FUNDING FOR CAPITAL NEEDS**

- Higher education has received almost nothing for capital since 2000 – placing increased pressure on resources and need for increased tuition and fees.
- In FY12, the State invested \$39 million across our colleges and universities in one-time funds for deferred maintenance. A good start, but needs are great and continue to grow. Recent data reflect over \$1 billion in campus and infrastructure maintenance needs.

**HOUSE GENERAL FUND RECOMMENDATIONS for FY2012-13:**

- Largely maintained level base funding for operations.
- Provided a similar level of one-time Capital Reserve Fund appropriations as provided this year, but with just under \$11.4M directed for deferred maintenance and \$27.2M for selected projects.

- **CONTINUED SUPPORT OF STUDENT FINANCIAL AID PROGRAMS, WITH INCREASED EMPHASIS ON NEED-BASED AID, AND SUPPORT OF SREB STUDENT CONTRACT PROGRAMS**

- Increase to the extent possible Need-based Aid
  - Need-based aid programs represent just 16% of undergraduate state-supported financial aid. Need-based funds have remained level for the past 6 years with the exception of one-time lottery funds from excess unclaimed prizes in one year.
  - Need-based aid is a critical element for any state that seeks to enhance participation in and completion of degree programs by students who have limited financial means. Each decision of a student not to go is a loss for the individual and for society.
- Continue to fully fund Merit Programs
- Increase of \$2.1 million for Lottery Tuition Assistance (LTA) to ensure at least the current award level of \$936 per semester for full-time students
- Provide funding necessary – increase of \$551,309 – to support SREB programs and services for students and enable participation in contract programs in Veterinary Medicine and Optometry to continue at current levels

**HOUSE GENERAL FUND RECOMMENDATIONS for FY2012-13:**

- Level funding for Need-based programs and fully funded Merit programs
- LTA increased from \$47.1 million to \$52.9M
- SREB request funded with an increase of \$551,309 in recurring funds

- **SUPPORT THE LEADING EDGE OF EFFICIENCY & PRODUCTIVITY – PASCAL** ([www.pascalsc.org](http://www.pascalsc.org))

- PASCAL – Partnership Among SC Academic Libraries – is a government best practice, providing at greatly reduced rates the cooperative sharing of electronic academic resources by a common database and physical resources by courier service. **Restoration of SC's investment through recurring or one-time sources is important to PASCAL's success.**

- **INVEST IN SMARTSTATE (FORMERLY ENDOWED CHAIRS/COEE)**

- Through SmartState ([www.smartstatesc.org](http://www.smartstatesc.org)), our research universities are advancing SC's economy by successfully recruiting a critical mass of top-notch researchers in science and engineering. In turn, our economy is benefiting through research and discovery, technology transfer and commercialization. To date, SmartState has resulted in direct investment approaching \$1B non-state dollars in SC's economy and the creation of approximately 7,000 jobs. **Restoration of annual funding of \$30 million as required per §2-75-30 to the greatest extent possible is requested for this critical investment in SC's future.**

**HOUSE GENERAL FUND RECOMMENDATIONS for FY 2012-13:**

- Included PASCAL, at \$1.5 million and second in line to funding that might be realized from uncertified excess unclaimed lottery prize funds. *(A similar recommendation was included in FY 12 - these funds have not yet become available and still not certain whether any funds will be realized.)*
- Funding for SmartState was not included.

- **CONTINUE PROGRESS IN REGULATORY REFORM**

- Higher Education greatly appreciates the regulatory reforms granted during 2011 with the passage of the Higher Education Administrative Procedures and Efficiencies Act. These reforms were a positive step forward; however, continued progress in reforming regulatory provisions for higher education remains an area of focus.
- CHE and our public colleges and universities will continue to work together with the state's leadership to identify and implement additional opportunities that continue the gains in improved operational efficiency and flexibility while also ensuring increased accountability to the state and its citizens.

## • A MORE STRATEGIC CHE OVERSIGHT ROLE

- During Higher Education Study Committee meetings around the state, CHE heard concerns that there was insufficient coordination of higher education—that the public lacked a clear view of how the pieces fit together and why all are necessary. Building on these and on recent conversations with Presidents and others, CHE agrees it should take a stronger role in helping the public be sure that college and university plans create a coherent whole that effectively and efficiently meet SC needs, especially as stated in the Action Plan of March 2009.
- Consider revisions to CHE regulatory authority within the context of a strengthened or revitalized planning framework.
- To ensure greater system coherence, effectiveness and efficiency in statewide planning, CHE working in close collaboration with a revitalized Council of Presidents should:
  - Use existing authority to provide the Governor, General Assembly, and public with an annual report outlining recommendations, both statewide and by institution, on progress toward the goals of CHE's Action Plan for Higher Education. It should include specific comments on issues such as: success in serving SC citizens, increasing participation and success of under-represented populations, enrollment growth, tuition policy, new academic program priorities, facilities needs, and shared infrastructure needs.
  - In this context, CHE would seek necessary regulatory revisions to enhance its coordinating authority but would not seek governing authority on any of these factors. To do so would conflict with the responsibility of institutional boards of trustees.

# CONCLUSION

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- The State is not making a competitive investment in higher education, and we have to change that over time.
- Careful, focused investment will be essential to the future prosperity of our citizens.
- We recognize dollars alone will not be enough. Attitude is also a key – Our citizens need to have a greater appreciation of the value of education (all levels), both for economic success and a higher quality of life.