

SC Commission on Higher Education

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CHE FY 2013-14 Budget and Higher Education Priorities *for presentation to*

SC House Ways and Means Higher Education, Technical, & Cultural Budget Subcommittee

Rep. Harry B. "Chip" Limehouse, Chair

Rep. William "Bill" Clyburn, Rep. B.R. Skelton, Rep. Garry Smith

January 9, 2013

BRIEFING OVERVIEW

These brief remarks will touch on three key areas:

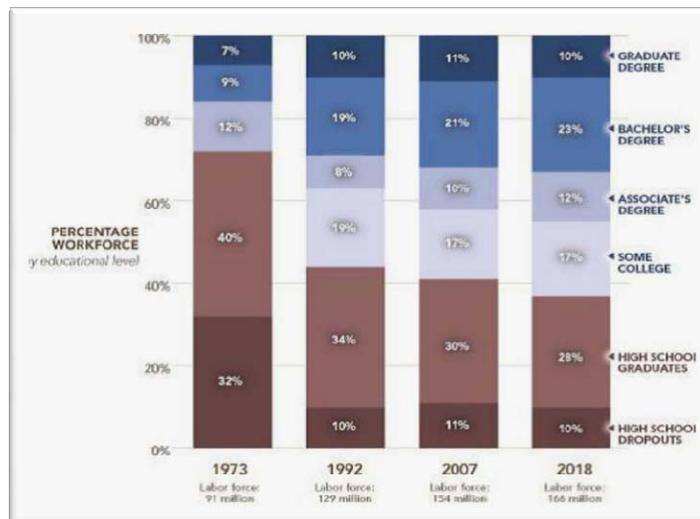
- 1) Why higher education needs to be a long-term priority for South Carolina,
- 2) Where we stand in investment in higher education in South Carolina, and
- 3) CHE agency requests and higher education's priorities for the upcoming budget.

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

A well-educated and well-trained workforce is key to a successful economic strategy. AND a well-educated citizenry is key to our states reputation and our citizens' quality of life.

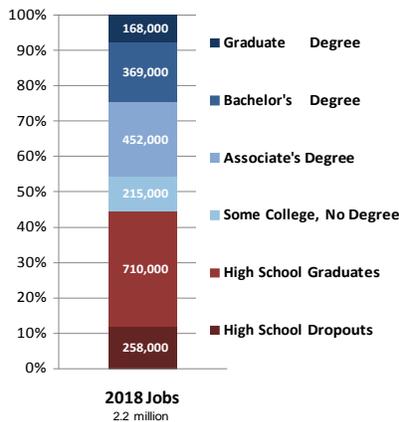
- Today's economy is driven by innovation and requires a highly educated, highly flexible workforce.
- To the extent that our citizens are better educated, business in our State will produce more and better jobs and they will innovate for future growth.
- Investing in knowledge and ensuring a quality, affordable, and productive higher education system is an essential part of an economic growth strategy and crucial to our State's success.

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



Source: Georgetown University, Center on Education and the Workforce

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

Source: Georgetown University, Center on Education and the Workforce

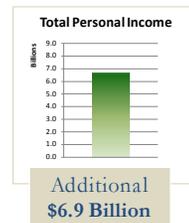
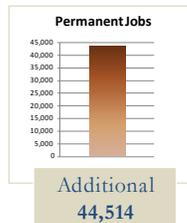
Higher Education's Return on Investment

Raising Educational Attainment Levels in SC

- The return on investment in education is huge. In 2009, the SC Higher Education Study Committee (HESC) 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 SC's Economy.

Return on Educational Investment

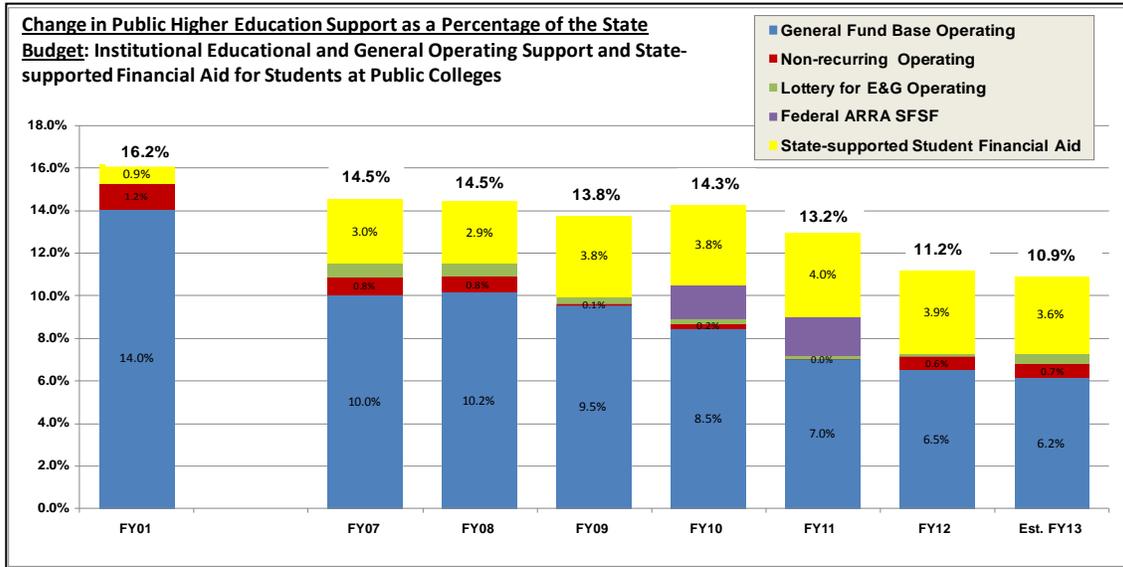
- Benefits to the individual
 - Lifetime income of a SC full-time worker with a bachelor's degree is on average \$2.5M vs \$1.3M for a high school graduate.
- Benefits to South Carolina's Economy
 - Average annual return of \$11 for every \$1 invested (that's net of all government and personal expenditures)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



- 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 increase the return are associated with lower unemployment, less poverty, better health, higher labor force participation, and less incarceration.
 - It will raise the quality of life for our citizens... support growth in tourism and improve our reputation as a destination spot for the nations retiring senior citizens.

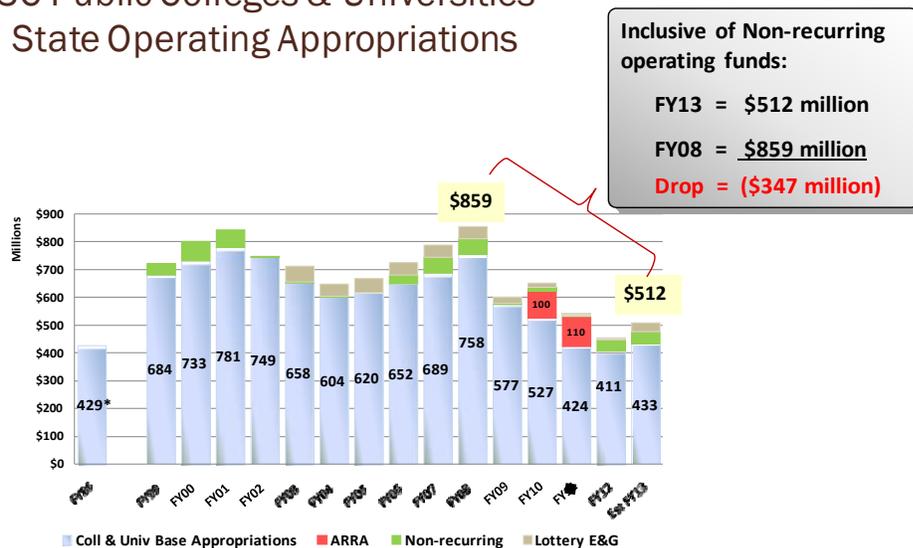
2) THE STATUS OF HIGHER EDUCATION FUNDING IN SOUTH CAROLINA

As a state priority, higher education has been steadily losing ground even inclusive of state-supported student financial aid and well before the Great Recession.



- For SC's public colleges and universities, the reductions to educational and general funds have been deep and remain among the largest in the nation. Appropriations have declined significantly since FY08 and are at levels of nearly 20 years ago. Core recurring operating funding (actual dollars) for our 33 public institutions decreased 46% - over \$347M in state funds lost - from FY08 to FY13. Federal stimulus funds, which were provided in FY10 and FY11, mitigated the state reductions during those years but did not fully restore the cuts and are no longer available. In FY13, core recurring funding rose slightly as the state provided funds for pay/health plan increases and nonrecurring funds, primarily for maintenance needs, were again provided at similar levels to FY12.

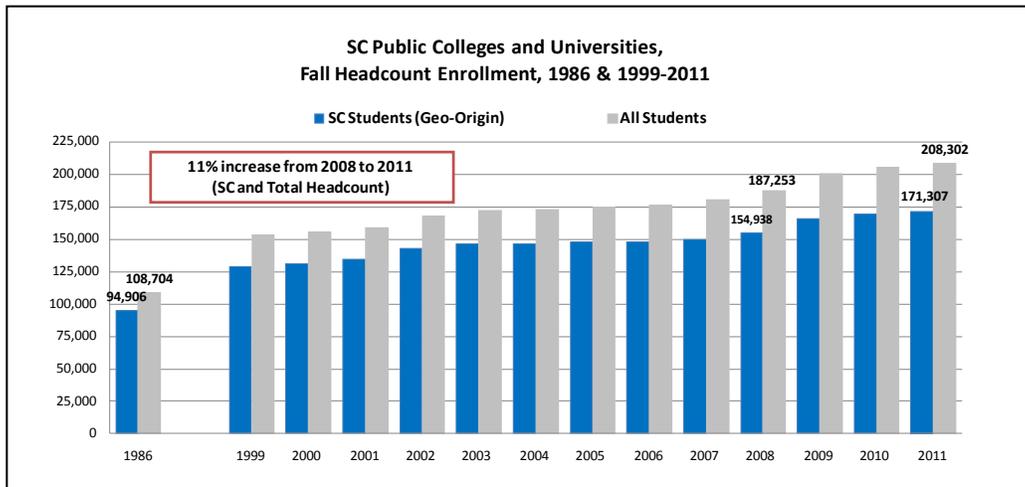
SC Public Colleges & Universities State Operating Appropriations



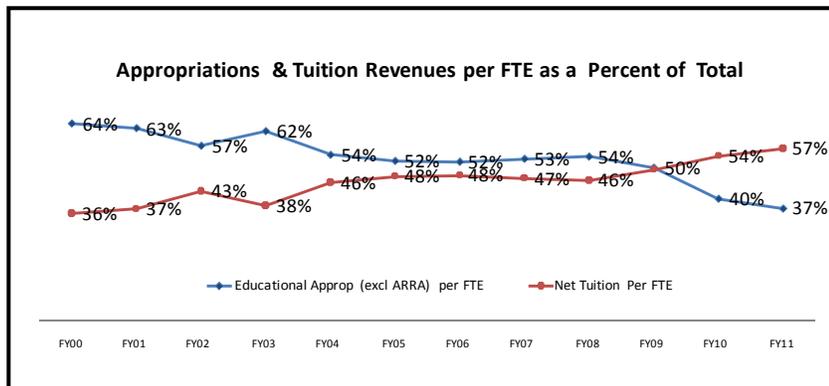
NOTE: Data are not adjusted for inflation or enrollment.

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

- At the same time state funding has decreased, enrollment has continued to increase resulting in less investment per South Carolina student.

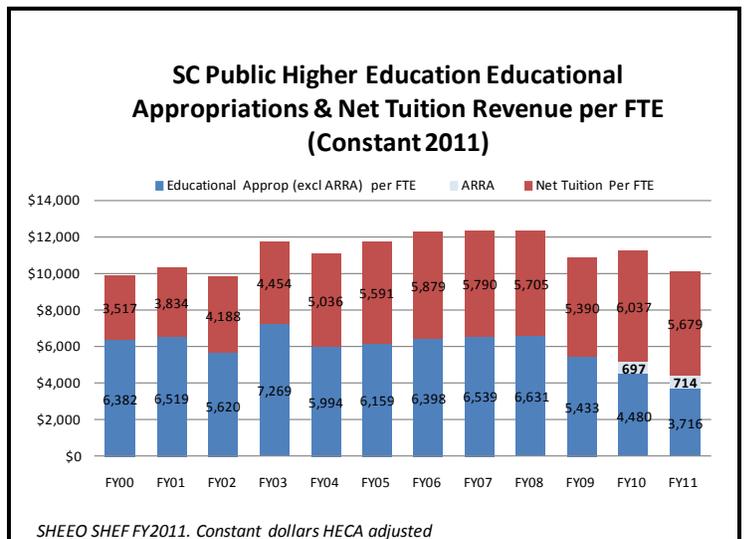


- In spite of rapid declines in funding over the past several years and only limited recovery, our public colleges and universities have kept tuition increases at modest levels. This year the average increase for in-state undergraduate students at public institutions was less than 3%.
- The impact of the decline in state funding for our colleges and universities has been a greater shift in costs to students and families.



2011 SHEEO State Higher Education Finance Survey for South Carolina educational appropriations including state-support for scholarships and grants for students (blue) and student tuition and fee revenues (red). The data take into account inflation and enrollment. South Carolina's students are now contributing more to the cost than the state even taking into account state-supported financial aid.

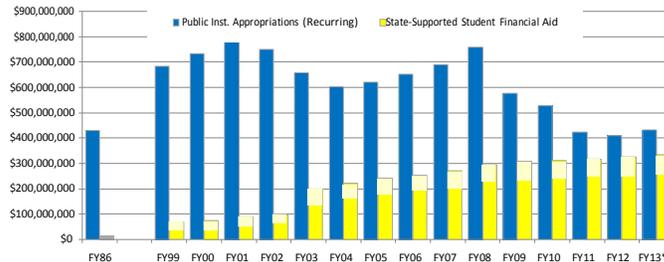
While the decreases in state support have shifted a larger burden of costs to students over the past decade, jeopardizing affordability and access, the recent increases in tuition and fees have not made up for the reductions in state funding. Together, educational appropriations (state share including state-supported scholarships and grants) and tuition and fee revenues (student share) as of FY11 remain below levels of FY08 and are similar to levels of a decade ago.



SHEEO SHEF FY2011. Constant dollars HECA adjusted

- The State's generous support of scholarships and grants is helping many SC students and families. The scholarships and grants have continued to grow even during the recession. It is striking that scholarships and grants are about 45% of higher education funding – a figure up from about 10% a decade ago.

Appropriation History Student vs. Institution Support

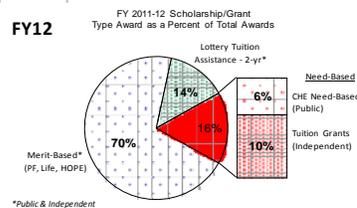
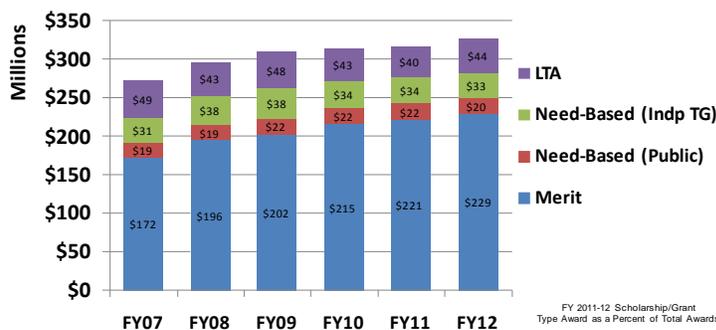


- Appropriations (blue) are recurring appropriations for public institutions.
- Student Support includes merit-based (PF, LIFE, HOPE), need-based, and LTA student financial aid to students at public (yellow) and independent (light yellow) institutions.

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.

- Primarily, growth has come from keeping pace with our merit-based programs (Palmetto Fellows, LIFE, HOPE). These programs are providing important incentives for our students to enroll in and complete programs here and have been successful in doing so.
- Need-based programs have not grown in recent years and we are increasingly concerned about the growing imbalance in our state's student financial aid portfolio. 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 – change in SC's educational levels will have to come overwhelmingly from the lowest income groups and the cost of college is a big factor in participation.
- Lottery Tuition Assistance improves access at 2-year colleges for those not qualified for merit-aid who may be entering higher education for the first-time or returning to acquire training to enter or remain in the workforce.

Merit-Based vs Need-Based Student Financial Aid

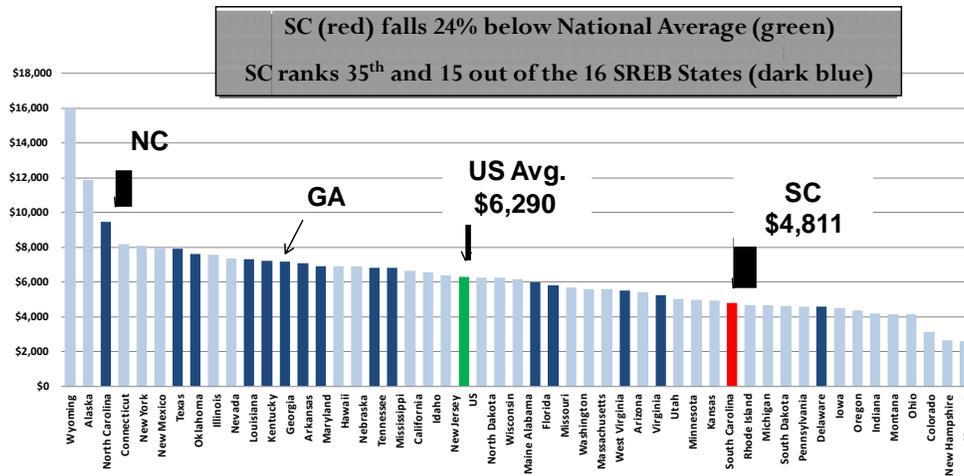


Source: CHE Annual Scholarship/Grant Disbursement Reports and SC Tuition Grants Annual Accountability Report, 11-12

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.

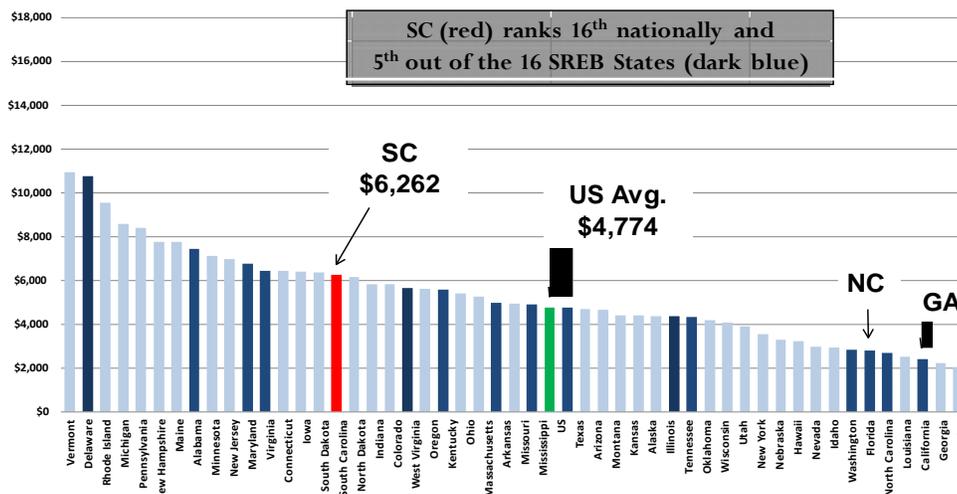
Graphics below illustrate SC's standing in comparison to other states in educational appropriations and tuition and fee revenues for public colleges and universities based on the annual SHEEO SHEF Survey.

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



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)

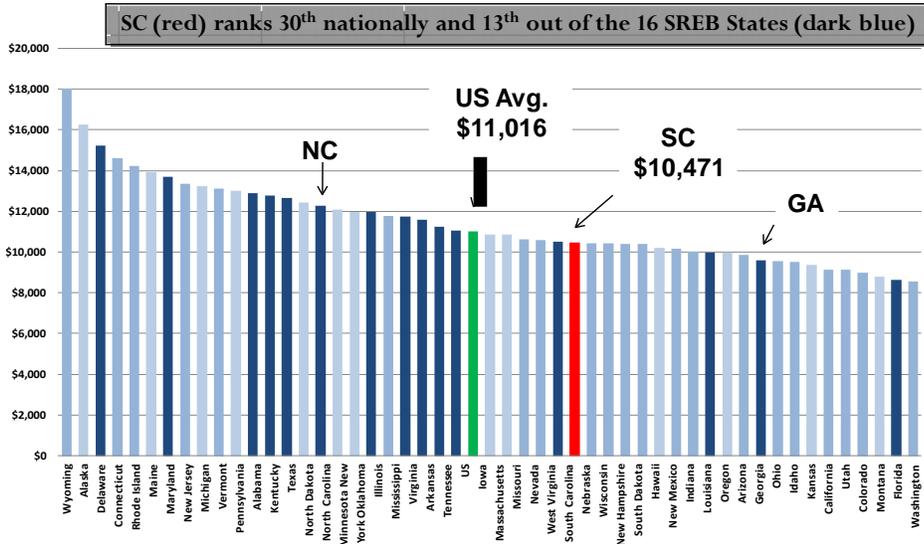
Net Tuition Revenue per FTE FY 2011



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 4th highest among the 12 states at \$602. Dollars are constant adjusted using COLA, EMI, and HECA.

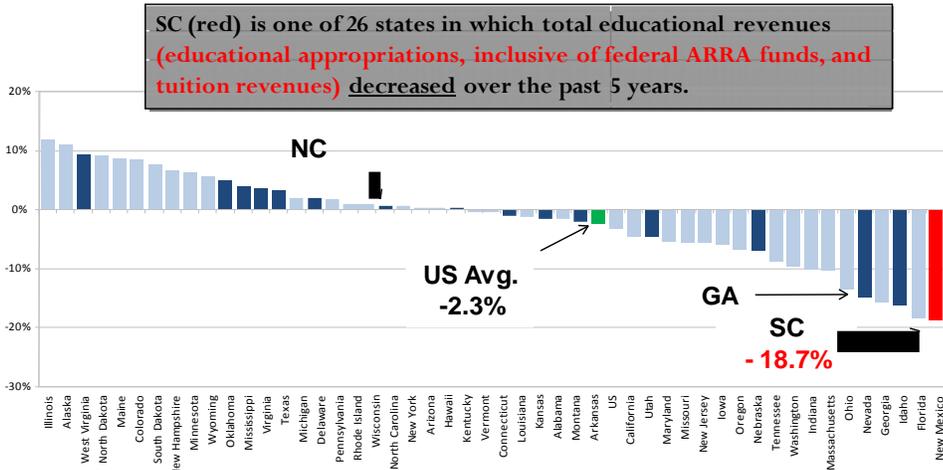
$$\text{Total Education Revenue} = \text{Educational Appropriations} + \text{Tuition Revenue}$$

Total Educational Revenue Per FTE 2011



Source: SHHEO 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 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



Source: SHHEO 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.

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.

3) SC Commission on Higher Education FY 2013-14 Budget Priorities Summary

HIGHER EDUCATION PRIORITIES & REQUESTS

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

We understand the enormous continued pressures on the state's budget. In light of the beginnings of an economic recovery and in consequence of higher education's central role in sustaining and enhancing that recovery, we recommend that the state begin working over the next several years toward restoring core state support for public institutions (nearly 50% since FY08) and higher education programs that have lost similar amounts. **Progressively increasing support as our economy recovers would lessen the tuition and fee burden on students and families and support institutions as they enroll increasing numbers of students and continue improving quality and student outcomes.**

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

Higher education has received almost nothing for its capital projects needs since 2000 which puts increased pressure on resources and the need for increased tuition and fees. Capital is a normal operating cost—not an exceptional or unusual one. Over the past two years, the General Assembly has provided much appreciated support through one-time funding sources for on-going maintenance, repair, and renovations needs including \$39M from the Capital Reserve in FY12 for deferred maintenance needs, and in FY13, \$32.5M for deferred maintenance and another approximately \$30M for other facilities needs from the Capital Reserve and in Lottery Surplus funds. **Recognizing that a bond bill is not likely for FY14, continued investment of one-time funds at least at FY13 levels would continue much needed support for our 33 public colleges and universities toward needs for campus maintenance and facilities and help reduce costs that must otherwise be supported by students and families through tuition and fees.**

CONTINUED SUPPORT OF STATE-SUPPORTED FINANCIAL AID PROGRAMS, WITH INCREASED EMPHASIS ON NEED-BASED AID

Student financial aid programs are providing incentives for our students to enroll in and complete programs in South Carolina. Need-based aid is a critical element for any state seeking to enhance participation in and completion of degree programs for those with limited means. For the first time in several years, a much needed and appreciated boost to need-based aid was provided. **In addition to continued full support for the merit programs for growth (Palmetto Fellows, LIFE and HOPE), need-based aid should be supported at least at the current level and increased to the extent possible. To fund the Need-based Grant program, which received a one-time boost in FY13, CHE is requesting \$4,000,000 which will enable support at the current \$27.6M level.**

The **Lottery Tuition Assistance (LTA)** program improves access for students not qualified for merit programs who may be entering higher education for the first-time or returning to acquire training to enter or remain in the workforce. **Funding was increased by \$2.1M to a total of \$49.1M in FY13 and continued support at this level is recommended.**

The **SC National Guard College Assistance Program (SCNG CAP)** was initiated in 2007 to provide incentives for enlisting or remaining for a specified time in either the SC Army or Air National Guard. **CHE, in collaboration with the National Guard, is requesting an increase of \$2,854,000 for SCNG CAP to maintain annual support at the current participation levels.**

SUPPORT THE LEADING EDGE OF EFFICIENCY AND PRODUCTIVITY – PASCAL AND SMARTSTATE®

PASCAL (Partnership Among South Carolina Academic Libraries), www.pascal.sc.org, is a government best practice, providing cooperative sharing of physical and electronic resources among all of the state's public and private academic institutions at greatly reduced rates. In FY05, the state began investing \$2M annually, but with the economic downturn, funding was reduced to just under \$200,000 as of FY08. Increased institutional investment and a reduction in available electronic collections have enabled PASCAL to continue. In FY12, PASCAL was given first priority for \$1.5M in excess unclaimed prize funds above the first \$12.4M and received \$1.25M at year-end. Again in FY13, PASCAL has been included in the first priority position for excess unclaimed prize funds at \$1.5M. Whether this funding will be realized is uncertain. **Funding of \$1.5M from a more stable source is needed to ensure PASCAL's continued success.**

Through **SMARTSTATE** (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, the SmartState Review Board has awarded \$191.6M in state funds which are matched, \$1-for-\$1 with non-state funds, for the creation of 48 Centers of Economic Excellence and 86 specialized endowed professorships. SmartState is responsible for more than \$1.4 billion in non-state investment in SC's economy (a 7:1 return on the state's investment) and the creation of over 8,000 jobs. Lottery funding for SmartState, which began in FY03, was eliminated in FY09 and has not been restored. The SmartState Program has survived on interest revenue accrued over the life of the program. This funding is depleting as additional centers come on line and projections are that without additional state support, the fund will be near zero by the end of FY13. **Restoration of annual funding to the extent possible will continue this important critical investment in SC's future.**

CONTINUE PROGRESS IN HIGHER EDUCATION REGULATORY REFORM

A MORE STRATEGIC CHE OVERSIGHT ROLE IN THE CONTEXT OF A REVITALIZED PLANNING FRAMEWORK

CHE AGENCY BUDGET REQUESTS

Core Mission Support for Critical Staffing Needs **\$200,000 Increase**

The inability to fund vacated positions has led to staffing shortages and increases in staff workload that are not sustainable in effectively fulfilling CHE’s mission. The requested increase will support an estimated 2 FTE positions that are presently vacant and cannot be supported with current funds. The positions are needed in carrying out mission critical core agency functions concerning regulatory and state-level policy work to ensure academic program quality.

Southern Regional Education Board (SREB) Programs and Services **\$79,710 Increase**

SREB contract programs offer students pursuing professional health degrees admission to schools in other states for the price of in-state tuition and fees. Our state participates by contracting through SREB for 24 student slots in Optometry and 104 in Veterinary Medicine at 5 partner institutions. The requested increase results from a programmed increase by SREB in contract prices for slots held for SC students in optometry and veterinary medicine programs and enables participation at the current level. (A fact sheet on SREB programs and funding is available.)

EIA-Funded Centers of Economic Excellence **\$36,000 EIA-fund Increase**

The Centers of Excellence is a longstanding competitive grants program original to the Educational Improvement Act (EIA) of 1984. The program enables eligible institutions or groupings of institutions to serve as "state of the art" resource centers for South Carolina in a specific area related to the improvement of teacher education. The requested increase along with existing funds will enable a new center in FY14 focused on College and Career Readiness and fully fund the two continuing Centers at Newberry College and Claflin University and a Center at The Citadel scheduled to begin in FY14. *(This budget item is submitted through EOC for consideration).*

Other Higher Education Requests: *As outlined under CHE Higher Education Priorities & Requests, CHE is requesting increases of \$4,000,000 million for Need-based Grants, \$1,500,000 for PASCAL, and \$2,845,000 for the SC National Guard College Assistance Program (SCNG CAP). The requested funds for Need-based and PASCAL will replace one-time fund sources received in FY13. The increase requested for the SCNG CAP will enable annual support at current participation levels.*

Requested Agency Budget Adjustments and FTE authorizations:

Licensing Authorization Adjustments including \$85,000 increase in Other Funds Authorization and shift 2 vacant Federal FTE to Other Funded FTE. CHE is the sole authority for licensing degree- and non-degree granting for profit and not-for-profit institutions seeking to operate in South Carolina. This process is designed to provide consumer protection by ensuring minimum standards which have been increasingly aligned to standards of SACCS, the regional accrediting body. The licensing function is supported predominately by fees from entities seeking licensure. The requested adjustment supports staffing and operating needs and is supported by the existing fee structure.

Federal Program Adjustments: Transfer authorization of \$54,646 in federal funds for unclassified positions in CHE Part 1A budget Section I Administration to federal grants - GEAR UP grant (\$32,788) and CACG (\$21,858) in CHE budget Section VII.

Other Fund Authorization Adjustment for FEEDA: Delete Other Fund authorization of \$15,501 provided for one-time funds.

Agency Proviso Requests

Proviso Consideration for SmartState® (formerly Endowed Chairs or Research Centers of Excellence) Program

SmartState funds for program operations and approved SmartState Centers have been previously appropriated from lottery funds and held in trust as authorized per SC Code of Laws §2-75-10 et seq. While authorization for program operating funds is recognized in CHE’s budget, authorization for state matching funds for Centers is not. Presently, CHE must request authorization to draw down the state matching funds through the Joint Other Funds Oversight Committee (JOFOC) process. CHE will continue to work with JOFOC in seeking either through the budget or by a special proviso recognition of authorization for the release of trust funds for approved SmartState Centers for which institutions have realized and CHE has confirmed the necessary \$1-for-\$1 non-state matching requirement.

CHE finds the following (renumbered base) could be conformed, codified, or deleted:

Amend to conform	Delete (no longer funded or codified)	Codification Candidates
11.4, CHE: African American Loan Program	11.3, CHE: Access & Equity Programs (no longer funded)	11.9, CHE: Troops-to-Teachers
11.8, CHE: Performance Improvement Pool Allocation	11.11, CHE: Grants and Scholarships (codified through legislation enacted in 2008)	11.10, CHE: Need-based Grants for Foster Youth
117.89, GP: Printed Report Requirements		11.13, CHE: LIFE and Palmetto Fellows Enhancement Stipends

CONCLUSION

- South Carolina is an undereducated state, and to advance, we must dramatically increase the state's education attainment levels. Ensuring that high quality, affordable higher education opportunities remain available to South Carolinians is paramount to success.
- The State is not making a competitive investment in higher education, and we have to change that over time.
- Careful, focused investment is 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) for economic success and a higher quality of life.

- **ADDITIONAL INFORMATION RESOURCES AVAILABLE ON-LINE – www.che.sc.gov**
 - **SC Higher Education Action Plan and Return on Educational Investment (ROEI) Study,**
<http://www.che.sc.gov/AboutCHE/OurResponsibilities/HigherEducationActionPlan.aspx>
 - 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/DataPublications/SCHigherEducationStatisticalAbstracts.aspx> 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)
 - **CHE FY2011-12 Agency Accountability Report**
http://www.che.sc.gov/CHE_Docs/ExecutiveDirector/AgencyAcctRpt.pdf
 - **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>
 - **Legislative Updates of interest for Higher Education**
<http://www.che.sc.gov/Home/CHELegislativeUpdates/LegislativeUpdatesofinterestforHigherEducation2013.aspx>

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION (CHE)

... 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 Planning and Access. 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 board of 15 members who are appointed by the Governor including: one at-large member appointed as chair, three other at-large members, seven 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 State Senators and House members comprising the District's legislative delegation, whereas the remaining appointees are recommended and appointed 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** including approval of academic programs at public institutions and licensing of non-public institutions that operate in SC. —States without such 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.

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