

SC Commission on Higher Education

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Presentation to the

House Ways & Means Higher Education, Technical, & Cultural Subcommittee

Rep. Harry B. "Chip" Limehouse, III, Subcommittee Chairman
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Overview

Update on Higher Education and the Action Plan – Moving Forward

FY 2010-11 Priorities

- 9 Maintain higher education funding to the greatest extent possible and provide for equitable treatment of higher education in the event additional state funding cuts are necessary.
 - Federal education stimulus funds for higher education in FY 2009-10 and anticipated in FY 2010-11 are helping but have not made up for the shortfalls experienced to date.
 - Continuation of lottery funding for higher education programs including level funding for lottery tuition assistance for students at two-year colleges and also, technology funding for public two-year and four-year colleges and universities.

Enact Regulatory Reform (H.3365 and H.3841) in 2010 passed by the House in 2009.

Provide for special requests for key statewide collaborations that assist students in successfully achieving a degree and advance the state's economic position

- Restoration of PASCAL, the state's higher education virtual library
- Continued support for Need-based Aid
- Restoration of Centers of Economic Excellence

Provide Bond Funding for Institutional Facilities Needs

Context - Update on Higher Education and the Action Plan

The Higher Education Study Committee (HESC) released its final report, ***Leveraging Higher Education for a Stronger South Carolina: Action Plan Implementation***, on April 2, 2009.

(For a copy,

<http://www.che.sc.gov/AboutCHE/OurResponsibilities/HigherEducationActionPlan.aspx>)

Central focus is on the critical importance of higher education in today's knowledge economy. Four goals for higher education and a series of specific strategies and recommendations are outlined to ensure the future success and competitiveness of South Carolina.

Goal 1: Making South Carolina One of the Most Educated States -- 30% by 2030!

The economy has shifted from reliance on cheap natural resources, inexpensive energy, and unskilled labor to knowledge—the ability to create and adapt to rapidly changing situations.

Overwhelming evidence, nationally and internationally, supports higher levels of education lead to greater prosperity and competitiveness in the knowledge economy. Although South Carolina exceeds the national average in the number of associate degrees holders, it is still well behind leading states. What's more, South Carolina falls well short of the national average and very far behind national leaders in the proportion of adults (25 and older) who hold baccalaureate and graduate/professional degrees.

Goal 2: Increasing Research and Innovation in South Carolina

Highly educated people are at the core of economic competitiveness. As new markets and competitors are created, science and innovation are increasingly leading the global economy. To fully engage in this new economy, South Carolina must develop an infrastructure that supports the transfer of technology from academia to industry as well as provide a foundation so the best innovators and entrepreneurs can build and grow their enterprises.

Goal 3: Increasing Workforce Training and Educational Services in South Carolina

The availability of a highly skilled workforce is the key to economic prosperity for any city, state, region or nation. However, as noted in the *2007 South Carolina Labor Market and Economic Analysis Report*, the labor force participation rate (the percentage of the population in the labor force) has been consistently lower in South Carolina than in the United States over the past several years.

Goal 4: Realizing South Carolina's Potential Resources and Effectiveness

The state has not historically provided adequate funding for colleges and universities. In fact, South Carolina's support for higher education has declined over the past five years compared to average support nationally which has increased significantly. Without appropriate funding, South Carolina will continue to trail its neighboring states, and efforts to increase the competitiveness of the state will further weaken.

What's the Benefit in Succeeding?

Return on Educational Investment is Huge. USC's Darla Moore School of Business, Division of Research investigated the benefits of higher education and the costs in achieving the Action Plan goal of becoming a more educated state.

Benefits to the Individual – 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.

Striking pay-off for South Carolina's Economy.

During the period toward reaching the goal (from 2010-2030), there is an average annual benefit over the 20 years of \$11 for every \$1 invested.

After reaching the goal in 2030: Annual Gain for the South Carolina –

\$6.9 billion in total personal income

\$7.8 billion in gross state product

44,514 additional permanent jobs

Each \$1 invested boosts S.C.'s annual gross state product by \$25

Benefits of higher education extend beyond raising income for South Carolinians.

Individuals who earn college degrees are much more likely to achieve a higher socioeconomic status compared with less-educated citizens.

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.

Investing in higher education is the best path to economic growth and stability.

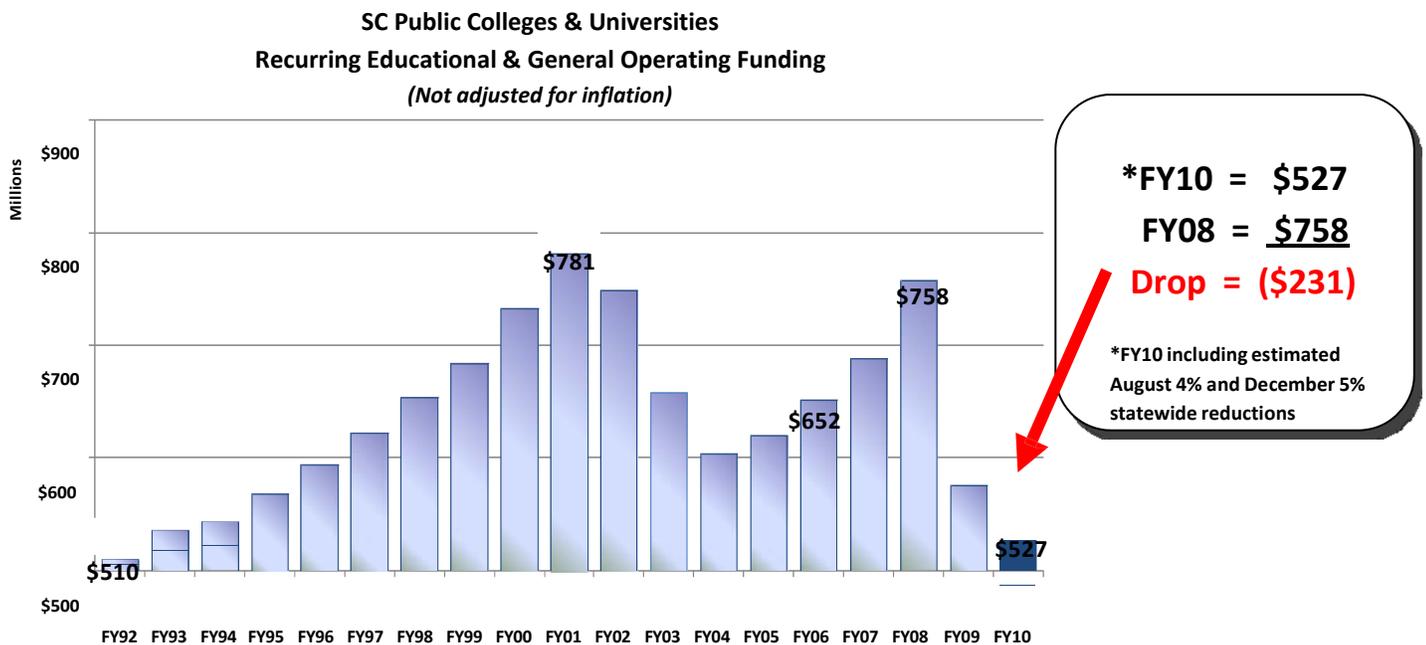
Investment in higher education produces economic benefits. It pays for itself and brings in additional revenue for the state over time.

(For the full ROEI report -

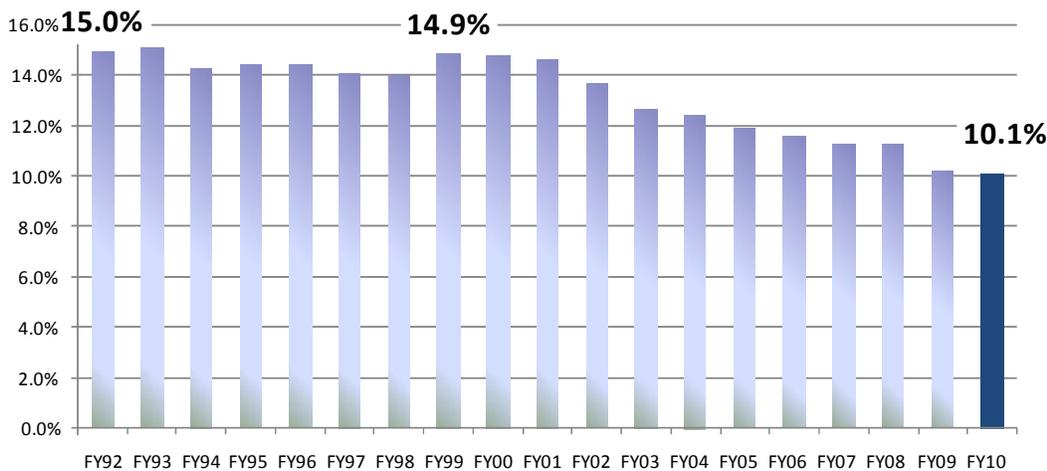
http://www.che.sc.gov/CHE_Docs/InfoCntr/HESC_Files/EconReturnHigherEdAugust09.pdf)

Where we are — the impact of budget cuts

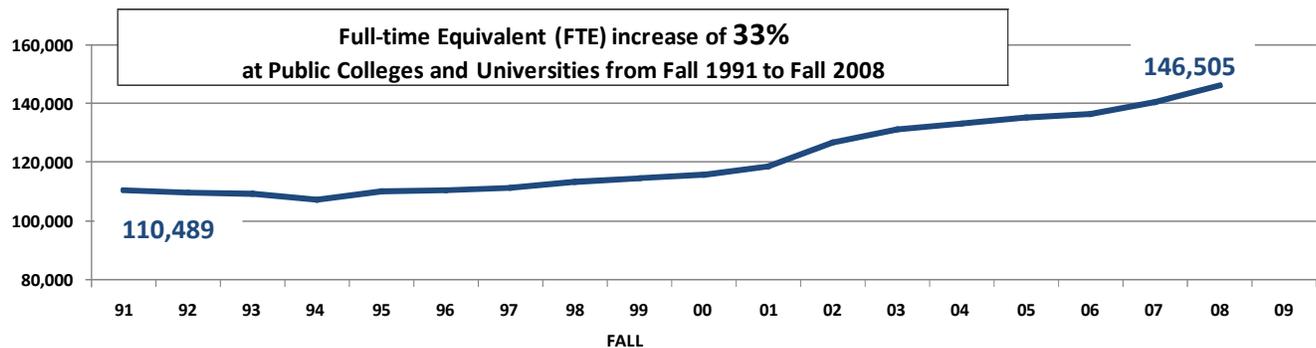
SC public colleges and universities have experienced over 30% in state general fund cuts this past year:



Higher Education as a share of the state's general fund budget continues to fall:



Enrollment Continues to Climb – To put the growth in context, we’ve added the equivalent of two new universities about the size of Clemson with a 40% reduction in state support adjusted for inflation.



Colleges will provide detail as they give their own testimony, but a couple of overarching points based on the simple question:

Why does it matter what the state spends?

State support affects quality and range of services.

In a complex economy, need to prepare people in a wide array of specialized fields:

BioTechnology – Greenville Technical College

BioInformatics – College of Charleston

Information Design – Winthrop

Senior Smart – joint COEE focused on independent living for seniors: increasing quality of life while keeping costs down

And more . . .

Colleges and universities are working hard to protect quality, but can’t lose just over 30% –on top of a relatively weak base—and see no consequence.

Also, we shouldn’t overlook the importance of services—for example, our relatively high graduation rate reflects investment in programs for student support. These critical services are oftentimes the first activities impacted.

Affordability and accessibility

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

Accessibility—proximity of institutions to where people live and work—is a key factor in keeping higher education affordable.

Budget cuts have also significantly affected the Commission on Higher Education.

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

Like the colleges and universities, CHE is doing more with less:

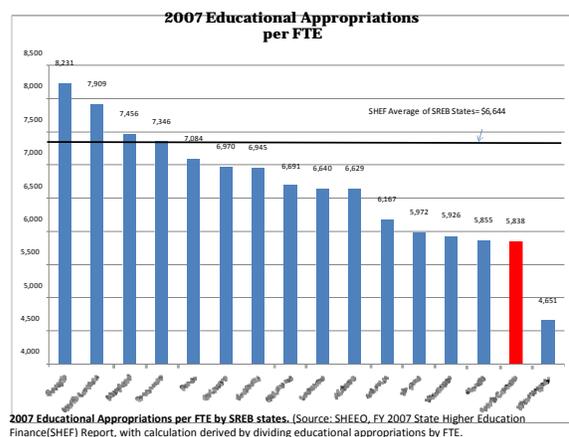
CHE has sustained sizeable cuts. Administrative reductions in recurring funds are now on the order of 29% since FY 2007-08. CHE does not receive any of the ARRA Education Stimulus Funds.

Management of cuts to date –focus has been to protect staffing of critical agency and higher education programs, particularly those aimed at increasing preparation, enrollment and success in higher education, and to protect programs providing student support and serving the core mission of higher education.

Additional Context on the Overall Higher Education Budget

We invest less than other states –

In FY 2007-08, South Carolina ranked 38th nationally and 15th out of the 16 SREB states on support per full-time equivalent (FTE) student. South Carolina at \$5,838 was below the national average of \$6,774 and the SREB states' average of \$6,644.



South Carolina's higher education cuts are among the largest cuts nationally

FY 2010-11 Priorities

We recognize that the world has changed since last year—our priorities are still priorities, but we understand that the timeline will be substantially different. CHE wishes to signal four key points for consideration this year:

#1- While we are not requesting additional funding in light of the state's economic circumstances, maintaining and increasing higher education funding when the opportunity appears is critical to South Carolina's success. *Key Considerations:*

Higher Education is a core state function and we cannot afford to cut it disproportionately in the event any further funding reductions for state government are necessary.

The federal ARRA Education Stimulus funds were allocated relative to budget shortfalls and are helping to mitigate the impact of cuts this year and next year. Colleges will present details to you as to the importance of these funds, but these monies have not made up for the cuts. Including the stimulus funds and considering recurring appropriations for colleges and universities, funding is still down \$132 million (17%) since FY 2007-08.

Consideration for maintenance of funding includes support for continuation of lottery funding for higher education programs including, in particular, (1) level funding for lottery tuition assistance for students at two-year colleges and (2) technology funding for public two-year and four-year colleges and universities.

#2-Regulatory Reform -- Passage of bills, H.3365 and H.3841, advanced and passed by the House in 2009, will ensure higher education activities are accomplished in the most efficient and effective way.

#3- Special requests for key statewide collaborations that assist students in successfully achieving a degree and advance the state's economic position –

Restoration of \$2 million in funding for the statewide virtual library—PASCAL

PASCAL (Partnership Among SC Academic Libraries) 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 Georgia and North Carolina, maintain a virtual academic library.

Need-based aid remains a priority – Level Funding

Critical component for any state that seeks to enhance participation in and completion of degree programs by students who have limited financial means.

Current portfolio is not balanced – merit programs (Palmetto Fellows, LIFE, SC HOPE) in FY 2009-10 represent 67% of approximately \$308 million in appropriated dollars, whereas state need-based programs (CHE Need-based and Tuition Grants) represent 17% and lottery tuition assistance at 2-year colleges 15%.

Ensuring sufficient support for need-based aid remains a priority although we need to assess the impact of significant increases in federal Pell Grant allocations that are now beginning to flow to students. We encourage continued state support at least at current levels.

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.

Restoration to the extent possible Centers of Economic Excellence (CoEE) funding

The 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 two 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 appropriation established in statute.

#4-There is a critical need for a Bond Bill

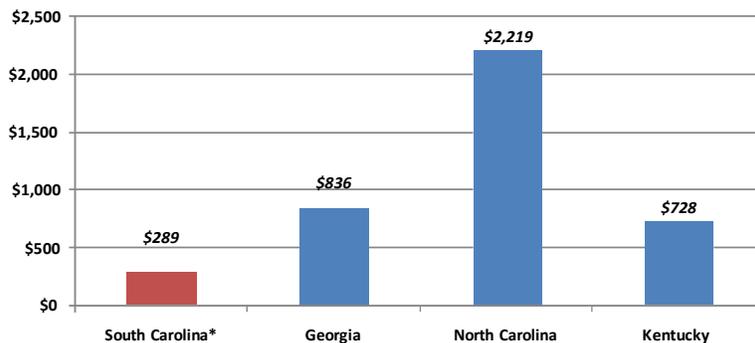
Higher education has received almost nothing for its capital needs since 2000. Capital is a normal operating cost—not an exceptional or unusual one.

- 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:

Investing in Higher Education is the Best Path to Economic Growth and Stability

The critical needs advanced in recent years and those now highlighted in the statewide Action Plan remain critical, especially core funding in operating budget, but we recognize that the global economy will control the timing any added support for higher education. Still, we urge you to remember that:

- Investing as soon as possible in higher education will help speed South Carolina out of this recession and build an infrastructure for future prosperity and stability; and
- Since almost all states and nations are setting higher education as a priority in the changed economy, not investing in highly educated people will be a decision not to compete.

Economic and Social Benefits of Higher Education			
		Higher Education as a Public Benefit	Higher Education as an Individual Benefit
Economic	¾	Increased tax revenues	¾ Higher salaries and benefits
	¾	Greater productivity	¾ More stable employment
	¾	Increased consumption	¾ Higher savings
	¾	Increased workforce flexibility	¾ Improved working conditions
	¾	Decreased reliance on government financial support	¾ Personal/professional mobility
Social	¾	Reduced crime rates	¾ Improved health/ life expectancy
	¾	Increased charitable giving/ service	¾ Improved quality of life for children
	¾	Increased quality of civic life	¾ Better consumer decision making
	¾	Social cohesion/ Appreciation of diversity	¾ Increased personal status
	¾	Improved ability to adapt to and use Technology	¾ More hobbies/ leisure activities

Source: *The Investment Payoff, Institute for Higher Education Policy (2005)*