

SC Commission on Higher Education

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Presentation to the

Senate Education Committee

Chairman John Courson

and

Senate Higher Education Finance Budget Subcommittee

Senator Courson, Chairman, and Senators Dick Elliott, Danny Verdin, and Darrell Jackson

Wednesday, March 25, 2009

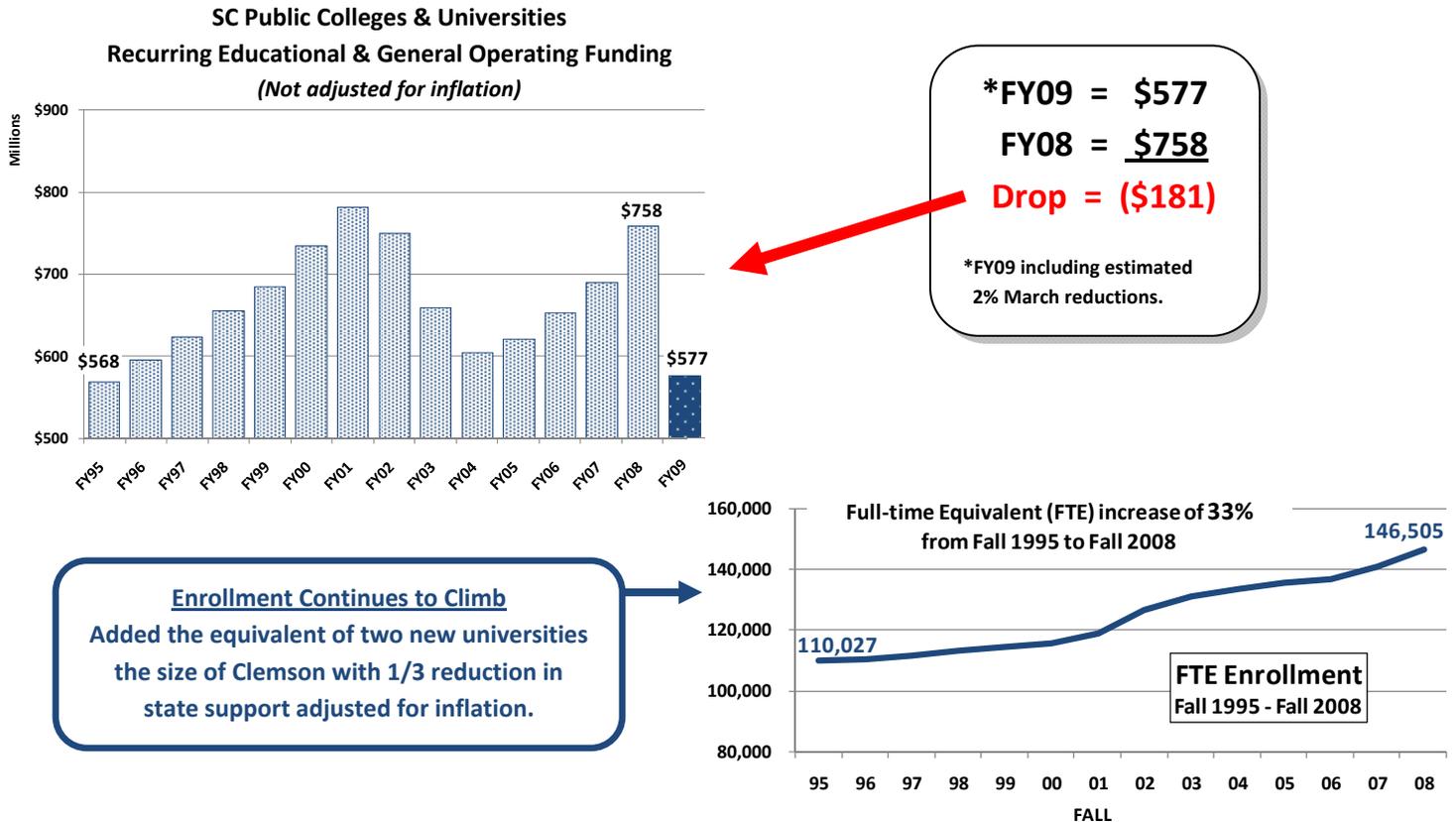
I. Context on Higher Education - Forthcoming HESC Action Plan

- a) Higher Education Study Committee (HESC), a group of distinguished citizens appointed by the Governor and legislative leadership to recommend a statewide plan, has been working for just over a year and is scheduled to report on April 2.
- b) Most elements of the plan are complete.
 - i) Central focus is on the critical importance of higher education in today's knowledge economy
 - (1) 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.
 - (2) Highly educated people are at the core of economic competitiveness.
 - (a) Not just knowledge creators—though they are important.
 - (b) But also knowledge *implementers*—highly educated people who know how to take new technologies and make them useful. For example, the U.S. had zero personal computers in 1980 and 50 million in 1990. The U.S. was way ahead in using computers to restructure and advance the economy. Why? We were the most educated country and had the millions of highly educated people who knew how to use technology effectively.
 - (3) An illustration of change—Intel's new \$3 billion plant in Chandler, Arizona
 - (a) Only about 1,000 workers.
 - (b) Almost all technical, engineering—few jobs for unskilled are in cleaning, food services and similar mostly contracted jobs.
 - (4) The Action Plan is business-oriented
 - (a) Testimony in Senate Education by the Chamber of Commerce on March 11 spoke to important elements.
 - ii) Return on Educational Investment is huge for realizing the Action Plan Goals.
 - (1) A study undertaken by the Division of Research at the Moore School of Business at the University of S.C. shows a striking pay-off.
 - (a) For each dollar that the state spends on higher education between 2010 and 2030, \$11.20 is added to the economy (measured by gross state product).
 - (b) Further, after reaching the goal in 2030, each dollar spent by the state boosts S.C.'s economic activity (measure by gross state product) by \$25.20. The overall effect on the size of S.C.'s economy is considerable – an annual gain for S.C. after reaching the goal in 2030 of \$6.9 billion in total personal income, \$7.8 billion in gross state product, and 44,514 additional permanent jobs.
 - (2) In addition to the powerful direct benefits to income and employment, this positive economic impact will have the potential to decrease significantly the state's unemployment rate, health care costs and incarceration rates. Calculations on these factors and an analysis by region of the state will be provided in the forthcoming report.

II. Where we are—the impact of budget cuts

- a) Since the end of FY08 and including the recently announced reductions, our public colleges and universities have been cut 24% in state general funds – a drop of \$181 million from \$758 million in FY08 to an estimated \$577 million in FY09.

As shown at below, the state general fund appropriations are at the level of FY95 in nominal dollars not adjusted for inflation. In constant dollars, using the Higher Education Price Index (HEPI) as the inflation factor, current funding represents 61.5% of FY95.



The House Budget recommendations include level base funding (as of December reductions) for public colleges and universities. Additionally, one-time federal stimulus funds totaling \$119,673,400 are spread across the colleges and universities relative to shortfalls. *These funds represent only 66% of funding lost since FY08.*

Colleges have been providing detail on the impact of reductions as they've appeared before the budget subcommittee, but a couple of overarching points based on the simple question:

Why does it matter what the state spends?

- i) State support affects quality and range of services.
- (a) In a complex economy, need to prepare people in a wide array of specialized fields:
- BioTechnology – Greenville Tech
 - 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
- (b) Colleges and universities are working hard to protect quality, but can't lose 24%—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 that support student success. These critical services are oftentimes the first activities impacted.

ii) Affordability and accessibility

- (a) Net cost of college—tuition minus financial aid—is a big factor in participation.
- (b) Accessibility—proximity of institutions to where people live and work—is a key factor in keeping higher education affordable.

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

i) What does CHE do?

- (a) Oversees academic program quality
- (b) Maintains funding system and data/ accountability systems
- (c) Administers student financial aid
- (d) Supports increased access to and success in higher education
- (e) Supports increased public awareness of the importance of higher education
- (f) Advocates on behalf of colleges, universities, students, and parents

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

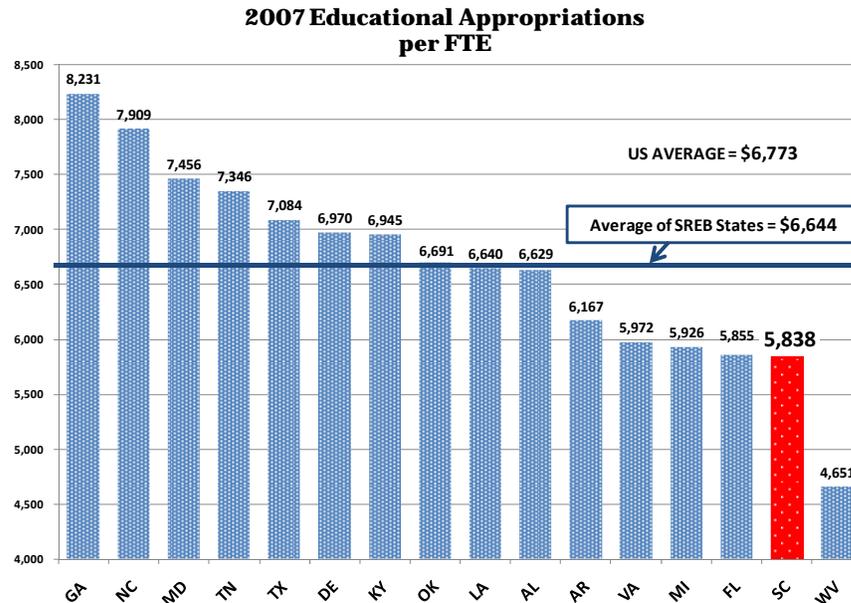
- (a) CHE has sustained sizeable cuts – Administrative reductions of 20% to date since FY08. *The House Budget includes an additional administrative reduction for CHE of \$24,415.*
- (b) Management of cuts to date –
 - (i) Focus has been to protect staffing of critical agency and higher education programs, 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.

c) Additional context on the overall higher education budget.

i) We invest less than other states -

In FY07, S.C. ranked 38th nationally in support per FTE student. *(These numbers include support to parents and students via scholarships—S.C. would be much lower if the ranking was just support to higher education.)*

Shown below are data for S.C. and the other 15 Southern Regional Education Board (SREB) states, S.C. at \$5,838 is below the national average of \$6,773 and below the regional average of \$6,644.

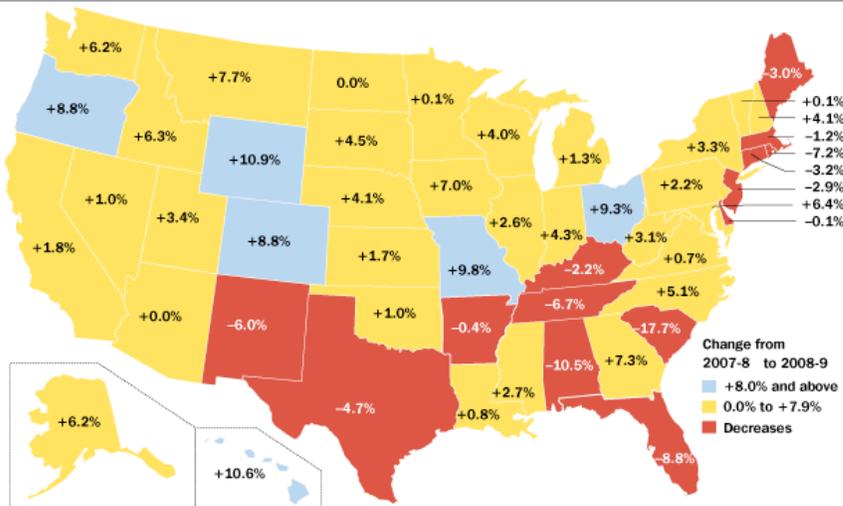


Source: SHEEO, *State Higher Education Finance Survey, FY 2007*

ii) Higher Education cuts are higher in S.C. than other states

- Data below are State General Fund Appropriations for Higher Education Institutions – the data are as of early fall 2008.
- Since these data were published, a number of states have experienced decreases, as has **S.C. which is now at minus 24%**.

ONE-YEAR CHANGES IN STATE APPROPRIATIONS FOR HIGHER EDUCATION, FY08 to FY09



NOTE: The figures for some states are expected to change. As budget gaps grow, a number of states are proposing to make cuts in spending on higher education in the middle of the 2008-9 fiscal year. In addition, figures for some states may not take into account the amounts of money that colleges already have been required to keep in reserve or give back to the state's general fund. The chart at left was prepared prior to SC's December and March reductions. SC now stands at minus 24%.

SOURCE: Center for the Study of Education Policy, Illinois State University.

III. CHE's August higher education budget request to the Governor

a) Document is attached (slightly updated).

i) We recognize that the world has changed since August—our priorities are still priorities, but we understand that the timeline will be substantially different.

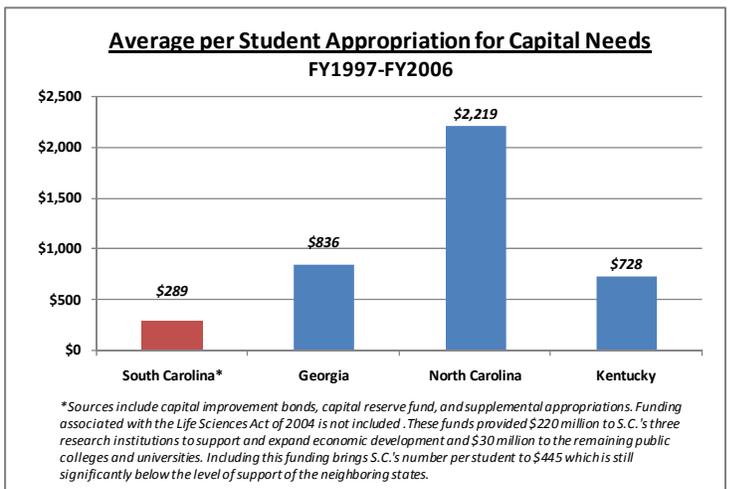
b) CHE wishes to signal three key points for consideration this year.

i) There is a critical need for a Bond Bill

(1) Higher education has received almost nothing for its capital needs since 2000.

(2) Capital is a normal operating cost—not an exceptional or unusual one.

(a) 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. *See graph at right.*

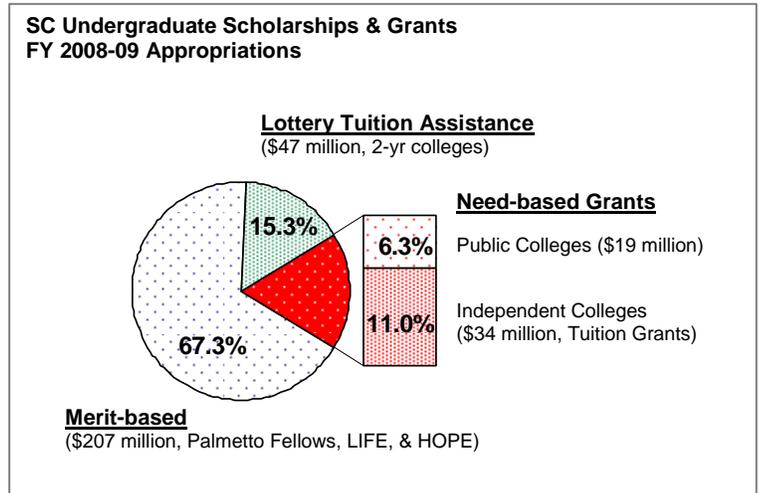


(b) Considering both operating and capital support for higher education, **SC's average investment of \$5,150 over the past 10 years significantly trails NC at \$9,192, GA at \$8,278 and KY at \$7,021.**

(3) Investing now 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.

ii) Need-based aid remains a top priority

- a) Current portfolio is not balanced.
- b) Change in our education levels will have to come overwhelmingly from the lowest income groups of our society.



- i) 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.

- c) 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.
- d) *The House addition of \$2 million in non-recurring funding is a very welcome improvement in this critical area.*

iii) Restore funding for the statewide virtual library -- Pascal

- a) Shared purchase of information resources is a great investment for the state—leverages far greater ROI than could be done individually.
- b) PASCAL is a government best practice—if we can't sustain this, how will we get greater synergy in other areas?

IV. Conclusion:

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

The critical needs described in our August budget request remain critical, especially core funding in institutional operating budgets, 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	<ul style="list-style-type: none"> ➢ Increased tax revenues ➢ Greater productivity ➢ Increased consumption ➢ Increased workforce flexibility ➢ Decreased reliance on government financial support 	<ul style="list-style-type: none"> ➢ Higher salaries and benefits ➢ More stable employment ➢ Higher savings ➢ Improved working conditions ➢ Personal/professional mobility
Social	<ul style="list-style-type: none"> ➢ Reduced crime rates ➢ Increased charitable giving/ service ➢ Increased quality of civic life ➢ Social cohesion/ Appreciation of diversity ➢ Improved ability to adapt to and use technology 	<ul style="list-style-type: none"> ➢ Improved health/ life expectancy ➢ Improved quality of life for children ➢ Better consumer decision making ➢ Increased personal status ➢ More hobbies/ leisure activities

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



SC COMMISSION ON HIGHER EDUCATION (CHE)
FY 2009-10 FUNDING REQUESTS— PRIORITIES FOR HIGHER EDUCATION & CHE
(Requests as submitted in August 2008)

Public Colleges & Universities Core Operating Needs – \$42,078,186 increased recurring funds and Support for Capital Bond funding for Higher Education

Need-based Grants – \$16,312,708 increase to bring total funding to \$39,944,274

PASCAL Higher Education Electronic Library – \$2,300,000 recurring

This statewide collaborative statewide program has been funded annually since FY 2004-05 with \$2,000,000 in nonrecurring funds. However, in FY 2008-09 PASCAL only received \$200,000 recurring, a 90% reduction in funds. The request restores purchasing power for annual licenses and services to FY 2007-08 levels.

Lottery Tuition Assistance – \$8,800,000 in increased lottery funds to bring total to \$55,800,000

National Guard Tuition Assistance – Continuation of \$1,700,000 in lottery funding and restoration of \$1,300,000 to return program to its FY 2007-08 total of \$3,000,000

Centers of Economic Excellence – Restoration of lottery program funding to \$30,000,000

SC Light Rail – \$4,500,000 continued in nonrecurring funds to Clemson, USC, and MUSC

Higher Education Lottery-Funded Programs – CHE requests continued support of higher education programs funded through the SC Education Lottery. These programs included in FY 2008-09, Student Scholarship, Grant and Loan Programs (Palmetto Fellows, LIFE, HOPE, Lottery Tuition Assistance, Need-based Grants, Tuition Grants, and National Guard Tuition Assistance/formerly Loan Repayment), Centers of Economic Excellence, Technology Funds for public 2- and 4-year colleges and universities, the Higher Education Excellence Enhancement program, and SC State University.

Other Collaborative Education Programs

SREB Programs and Services – \$469,300 increase in recurring funds

SC GEAR UP – \$223,147 recurring increase

Access & Equity – \$15,593 recurring increase

EPSCoR (Experimental Program to Stimulate Competitive Research) – \$1,026,670 recurring increase

University Center of Greenville (UCG) Operations – \$1,728,998 recurring increase

Greenville Tech Maintenance & Debt Service for UCG – \$750,000 nonrecurring increase

Lowcountry Graduate Center – \$1,625,000 in nonrecurring and \$1,200,000 recurring increase

SC Manufacturing Extension Partnership – \$1,200,000 recurring

Critical Needs Nursing Initiative – \$1,000,000 recurring increase

SC Alliance for Minority Participation – \$313,308 recurring increase

CHE Agency Needs

CHE Agency Technology – \$130,000 recurring increase

In FY 2007-08, CHE received one-time funds totaling \$130,000 which were not returned in FY 2008-09. CHE seeks to restore funds to purchase necessary software and hardware, support continued maintenance costs, and allow for planned system improvements to enhance and improve data accessibility.

CHE Staffing – \$89,533 recurring increase

CHE requires funds to support one additional employee to assist the Commission in meeting its mission relating to statewide planning needs for higher education.