

Notes on Ways and Means Budget Recommendations for FY 2014-15 for CHE and Higher Education 2/20/2014

The full Ways and Means Committee met during the week to consider budget recommendations. Recommendations were approved by the Committee on Thursday (Feb 21). The budget bills (Appropriations Bill and Capital Reserve Fund Bill) will be prepared in the upcoming week and placed before the House during the week of March 3. It is anticipated that the full House will begin its debate during the week of March 10. ([Click Here for anticipated budget schedule](#)). Please note this report is based on information as of 2/20 and is subject to change as the budget bills move through the process.

Statewide: FY 2014-15 recommendations include an increase of \$265M in general funds (recurring) and \$377M in non-recurring funds from anticipated prior year surplus (\$192M), Master (Tobacco) Settlement provision (\$68M) and Capital Reserve Fund (\$117M). Also available are \$337M in Lottery funds (net increase over prior year of \$28M) and \$652M from EIA for public (K-12) education (net increase of \$17M over prior year).

- Of the total available increased recurring funds, higher education overall received \$1.9M or less than 1%.
 - None of the higher education institutions received recurring dollars; recurring dollars as noted below to CHE for SREB programs, SC Tuition Grants Commission for Tuition Grants, and Technical College System Office for a new pilot program for student stipends for STEM areas.
 - The Ways and Means recommendations include \$23M for state agencies in recurring funds to provide a 1.5% cost of living increase for state employees.
- Of the total \$377M available in nonrecurring funds statewide, higher education appropriations totaled \$30.4M or 8%, with institutions receiving approximately \$20M of these funds toward requested initiatives.
- Of the available \$337M in lottery funds, higher education appropriations total \$269M or 80%.

Recommendations follow for CHE, the Institutions, Scholarships and Grants, and the Lottery. Described are budget increases/decreases for recurring base funds and one-time (non-recurring) funds.

Commission on Higher Education (CHE):

- Provides general fund (recurring) increase requested for SREB programs (increase \$180,810)
- Supports requested increase of \$250,000 to fund a new college and career readiness center through CHE EIA-funded Centers of Excellence program. (Proviso 1A.36 amended accordingly)
- Supports PASCAL at \$1.5 million as the first priority for excess unclaimed prize funds available after the BEA certified level of \$10 million for unclaimed prize funds.
- Adjusts other funds as requested to remove funding for the federal SLDS grant which ended in 2013 (decreases CHE other funds \$1,404,133 as requested)
- No funds were included in support of CHE's requested Affordability Initiative
- No new funds were included for SmartState

Other recommendations affecting funds that flow through CHE:

- Recommends \$225,000 non-recurring for USC Childhood Medical Response program.

Institutions:

- None of the institutions received recurring funds.
- \$4M in nonrecurring funds spread across research and four year institutions to support a higher education efficiency, effectiveness and accountability review to be conducted by an outside consultant. See page 3 for information about the proviso language.

- \$10.9M in nonrecurring surplus for projects at each of the 17 research, comprehensive and 2-year USC institutions
- \$5.1M in nonrecurring surplus for projects at selected technical colleges including Tri-County, Aiken, Central Carolina and Technical College of the Lowcountry.
- \$10.4M from the Capital Reserve Fund included ReadySC at \$5.4M and \$5M for a project at Trident Technical College
- Other funds for College of Charleston and USC Upstate were reduced by \$52K and \$17K, respectively, due to concerns with respect to book choices. ([Click Here](#) for a recent news story.)

Scholarship and Grant Programs:

Scholarship and grant programs include funding from lottery, general fund and nonrecurring budget sources. Ways and Means recommendations include a total of \$369.7M in appropriations which

- Support requested full-funding of merit-based scholarship programs including increases in lottery funds for Palmetto Fellows, LIFE, and HOPE. Total funding from all sources is \$256,475,990 with an increase from prior year initial appropriations of \$28.2M included.
- Increase CHE Need-Based Grants by providing the requested increase of \$2.6 million in nonrecurring general funds to return to FY 2012-13 levels for total funding of \$27.6M
- Support requested level funding for SC National Guard College Assistance Program (\$4,545,000 in lottery and \$89,968 in recurring funds)
- Support requested level funding for Lottery Tuition Assistance (\$49.1M in lottery funds)
- Increase SC Tuition Grants funding by \$258,764 in recurring funds to support request to provide a per student grant of \$3000)

Additionally:

- Implementation of allowing Palmetto Fellows and LIFE to be awarded during summer was supported with an increase of \$3,425,804 in lottery funds and proviso (see attached) as proposed in CHE November 2013 white paper on year-round eligibility ([Click Here for Report](#))
- \$1.5M for State Technical College System Office for new program providing stipends to students in STEM programs. See page 3 and attached for related proviso.

Lottery:

In FY 2013-14 (this year), the General Assembly appropriated \$309 million in certified lottery proceeds, certified unclaimed prize funds, and excess or surplus lottery funds for higher education and K-12 programs with 85% to higher education and 15% to K-12. For FY 2014-15, available lottery dollars recommended by Ways and Means based on BEA estimates include a total of \$337,070,643 in appropriations from certified proceeds (\$281.6M), unclaimed prize funds (\$10M) and prior year surplus (\$45.5M). Of these funds, recommended Higher Education appropriations total \$268,735,774 or 79.7% of the total including:

- Full funding of merit-based scholarship programs (Palmetto Fellows, LIFE, and HOPE) for growth and \$3,425,804 to implement summer awards for Palmetto Fellows & LIFE.
- Level Lottery Funding for Need-based grants at \$13M, Lottery Tuition Assistance (2-year) at \$49.1M, SC National Guard CAP at \$4,545,000, Tuition Grants at \$8M, and SC State at \$2.5M.
- Technology Grants for 2- & 4-year Public Institutions at \$8,136,012 with an additional \$6,333,897 from excess uncertified unclaimed prize funds after the first \$14.5M in unclaimed prize fund expenditures (Note: Funding in FY14 totaled \$9,576,816 with up to an additional \$5,470,093 from excess uncertified unclaimed prize funds after the first \$12.8M)
- Higher Education Excellence Enhancement Program at \$2,950,000 (Funding in FY14 totaled \$3,978,053)
- PASCAL as noted above included as first priority for excess unclaimed prize funds after first \$10M in unclaimed prize fund expenditures

Provisos:

CHE requested technical changes to update provisos that were made including the deletion of two provisos that required reports to be submitted during FY 2013-14 11.14 (Parity Funding Study) and 11.17 (Higher Education Inventory of Reporting). Among the provisos updated with technical changes to continue applicability in upcoming year: 11.16 relating to the College Transition Connection Program and changes to continue the program per provisions adopted in FY 2013-14 and Proviso 11.13 concerning the Higher Education Excellence Enhancement Program.

Several new/amended provisos of interest were adopted including:

- For copies of the Provisos adopted directing Lottery, Master Settlement, Employee Pay Raise, Capital Reserve Funds appropriations, see <http://www.scstatehouse.gov/CommitteeInfo/Ways&MeansMeetingHandouts/February202014/Conforming%20Provisos.pdf> .
- **See attached for New Provisos adopted relating to the following:**
 - New Proviso requiring the reporting of Higher Education Mission, Ethics and Values Statements to the General Assembly
 - New Proviso providing for oversight for a higher education efficiency study. This proviso creates a nine member steering committee to oversee the procurement, execution, and implementation of a review of higher education institutions. \$4 million was distributed across senior institutions for their participation. The study is to be conducted by outside consultants with results due in February 2015.
 - New Proviso providing for implementation of summer eligibility for LIFE and Palmetto Fellows
 - New Proviso concerning funds directed to the State Technical College System Office to start a new program to provide stipends to students in STEM programs. \$1.5M in recurring funds was directed to the State Technical System Office for this recommendation.
 - New proviso creating a team directed by the Budget and Control Board to review all components of SC State. The team includes staff from the Budget and Control Board, Office of the Comptroller General, Office of the State Treasurer, State Auditor's Office, and CHE. It also provides direction for development of a balanced budget plan and monitoring.
 - New proviso concerning CERRA program and process for eligibility for participating institutions
 - New proviso concerning the Higher Education Excellence Enhancement Program and eligibility
 - New proviso concerning statewide cyber security and direction for state agencies concerning the adoption of policies developed by the Budget and Control

SPONSOR: REP. GARRY SMITH

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COMMISSION ON HIGHER EDUCATION

11.ms. (CHE: Mission, Ethics and Values Statements) Each public institution of higher learning shall submit a report that denotes their mission, ethics, and values statements to the members of the General Assembly by January 3, 2015.

1. Higher Education Efficiency Proviso amendment

Adds two sentences at the end of the previously approved language allow the institutions to retain unused review funds and future savings.

The funds provided above for the Higher Education Efficiency, Effectiveness and Accountability Review shall be governed by a nine member steering committee to oversee the procurement, execution, and implementation of the South Carolina Higher Education Efficiency, Effectiveness and Accountability Review. The committee shall serve as the primary client for the vendor selected to complete the review. Appointments to the committee shall include:

The Speaker of the House or his designee;

The Chairman of the House Ways and Means Committee or his designee;

The President Pro Tempore of the Senate or his designee;

The Chairman of the Senate Finance Committee or his designee;

The Governor or her designee;

The Executive Director of the Commission on Higher Education;

A college or university president, a college or university trustee and a college or university chief financial officer, each selected by a majority vote of the Commission on Higher Education.

Upon request of the committee, every college and university shall provide funds necessary to complete the review, not to exceed the amount provided in this act for this purpose; and the Budget and Control Board shall provide assistance with the procurement process. The committee shall deliver initial findings to the Governor and the General Assembly by February 1, 2015. Every college and university must implement process improvement strategies identified by the review. Any funding provided for this purpose that is not needed to complete the actual review shall be used to implement findings. It is the intent of the General Assembly that any savings realized from these reviews shall be retained by each university.

SPONSORS:**REP. CHIP LIMEHOUSE****REP. GARRY SMITH****REP. BR SKELTON****REP. JIMMY BALES****REP. KENNY BINGHAM****ADD NEW PROVISIO - CONFORM TO FUNDING**

11.ss (CHE: Palmetto Fellows and LIFE Summertime Scholarships) A student may receive a Palmetto Fellows or LIFE scholarship award during the summer, in addition to fall and spring semesters of an academic year, provided continued eligibility requirements are met as of the end of the spring semester. Students must enroll full-time, which for purposes of the summer award will require enrollment in at least twelve hours over the course of the summer. The summer is defined as the period between the end of the spring term and prior to the opening of the fall term. The total summer award per student may not exceed half of the allowable academic year award up to the cost of attendance and must be reimbursed if less than twelve hours for academic credit are not completed by the student during summer sessions. If awarded in the summer, a student's total award during his or her enrollment may not exceed the amount that would otherwise be provided under current semester limits applied for the scholarship awards. The Commission on Higher Education may provide additional guidelines necessary to ensure uniform implementation.

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ADD NEW PROVISIO

25.CNW (TEC: Critical Needs Workforce Development Initiative Stipend) Of the funds appropriated to the Board for Technical and Comprehensive Education for Critical Needs Workforce Development Initiative, a stipend shall be awarded to students who are enrolled in an area of critical needs. For this purpose, critical needs shall be defined as areas of Science, Technology, Engineering, and Manufacturing. A student shall remain eligible regardless of other financial assistance he or she may receive.

SPONSORS: REPS. WHITE, LIMEHOUSE, AND SIMRILL

117.dmt. (GP: S.C. State Deficit Monitoring Team) There is created a South Carolina State University Deficit Monitoring Team to be directed by the Budget and Control Board. The team is directed to review all components of the university to include but not be limited to the university itself, its foundation, auxiliary enterprise and athletics. The team shall include staff of the Budget and Control Board, the Office of the Comptroller General, the Office of State Treasurer, the State Auditor's Office, and the Commission on Higher Education and may draw upon the expertise of the other colleges and universities at its discretion. The team shall work with South Carolina State University to develop a plan to place the university in a structurally sound financial position by the end of the fiscal year. The university shall prepare a status report of its management plan to produce a balanced budget and submit the report to the Governor, the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee no later than December 15, 2014. Additionally, staff of the Budget and Control Board shall meet monthly with officials of South Carolina State University to review revenue and expenditure statements for the university's major activities and accounts. Further, the State Auditor is directed to conduct a review to assess the accounting controls for South Carolina State University. The State Auditor may contract out the review as necessary. South Carolina State University shall be required to comply with any and all directives or requests of this team.

IA.CERRA. (SDE-EIA: XII.F.2 - CHE/CERRA) The Center for Educator Recruitment, Retention and Advancement (CERRA South Carolina) must review the list of schools eligible for receiving Teaching Fellows Program scholarships to ensure all schools currently on the list of eligible institutions still meet the necessary criteria as set forth by CERRA. Further, CERRA is directed to add any public institutions that are currently SACS accredited and that meet the criteria so that they may admit students receiving a Teaching Fellows scholarship. CERRA must publish the criteria and requirements for schools to be eligible to receive a Teaching Fellows Scholarship prominently on their website. Any school not meeting the criteria must be informed in writing and CERRA must provide technical support to schools not meeting the criteria, but desiring to accept students receiving a Teaching Fellows scholarship. Schools not accepted may appeal to the Commission on Higher Education. By December 1, 2014, CERRA must report to the Chairman of the Senate Finance Committee, the Chairman of the Senate Education Committee, the Chairman of the House Ways and Means Committee and the Chairman of the House Education Committee a list of eligible institutions and provide information on institutions that are not eligible. Nothing in this proviso should be construed to inhibit process of current applicants for receipt of Teaching Fellows recipients.

SPONSOR: REP. JOE NEAL

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ADD NEW PROVISIO

11.hd (CHE: HEEEP Definition) For purposes of distribution of funds to the Higher Education Excellence Enhancement Program, "Eligible institution" means a four-year institution of higher learning at which sixty-five percent or more of the enrolled undergraduate students were low-income and educationally disadvantaged students, for the four consecutive years immediately preceding the then current year; that is defined in Part B, Subchapter III, Chapter 28, Title 20 of the United States Code; that is accredited by the Southern Association of Colleges and Schools or an accredited organization recognized by the U.S. Department of Education and receives Title III funding; that is organized as a nonprofit corporation or is a public institution; and that has its main campus located in South Carolina. "Federal funding program" means Section 507(c) of the Omnibus Parks and Land Management Act of 1996 (16 U.S.C. 470a note), as amended; or Part B, Subchapter III, Chapter 28, Title 20 of the United States Code. "Low-income and educationally disadvantaged student" means a student who receives a Pell Grant.

**PROVISO SUBCOMMITTEE
LEGISLATIVE, EXECUTIVE & LOCAL GOVERNMENT
RECOMMENDATIONS FOR FY 2014-15
TO THE HOUSE WAYS AND MEANS COMMITTEE**

101.cs. (BCB: Cyber Security) All state agencies must adopt and implement cyber security policies, guidelines and standards developed by the Budget and Control Board. The Budget and Control Board may conduct audits as necessary to monitor compliance with established cyber security policies, guidelines and standards. In addition, the Budget and Control Board shall oversee all incident responses to agency cyber security breaches. Upon request of the Budget and Control Board for information or data, agencies must fully cooperate with and furnish the Budget and Control Board with all documents, reports, assessments, and any other data and documentary information needed by the Board to perform its mission and to exercise its functions, powers and duties.