

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
Rep. Denny W. Neilson • Rep. James Merrill • Rep. Liston Barfield

Tuesday, January 13, 2009

I. Context on Higher Education - Forthcoming HESC Action Plan

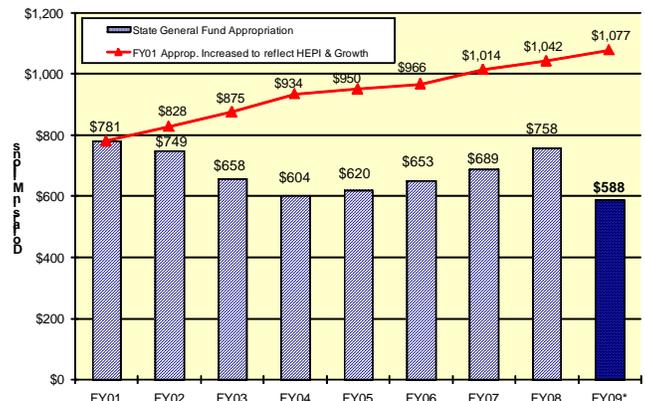
- a) Higher Education Study Committee (HESC), a group of distinguished citizens appointed by the Governor and legislative leadership to recommend a statewide plan, has been working for just over a year and is scheduled to report on February 5
- b) Most elements of the plan are complete
 - i) Central 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 hundreds of thousands of highly educated people whose use of the microcomputer and internet allowed the United States to lead the world in productivity growth.
 - (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
 - ii) Return on Educational Investment is huge
 - (1) Texas independent economic study: “A” state (growth on the *status quo*) vs. “B” state (investment in the proposed higher education plan)
 - (a) The study shows that the “B” state, the one with augmented higher education, would:
 - (i) increase 308,000 jobs in a six year period;
 - (ii) increase annual gross state product by \$41 billion; and
 - (iii) return about \$8 for every additional dollar of higher education spending
 - (2) A similar study for South Carolina data will be available on February 5

II. Where we are—the impact of budget cuts

- a) Our public colleges and universities have taken a 22.5% cut in state general funds the past 6 months – a drop of \$170 million from \$758 million in FY08 to \$588 in FY09.

(Shown at right compared to red trend line had state appropriations kept pace with inflation and enrollment growth.)

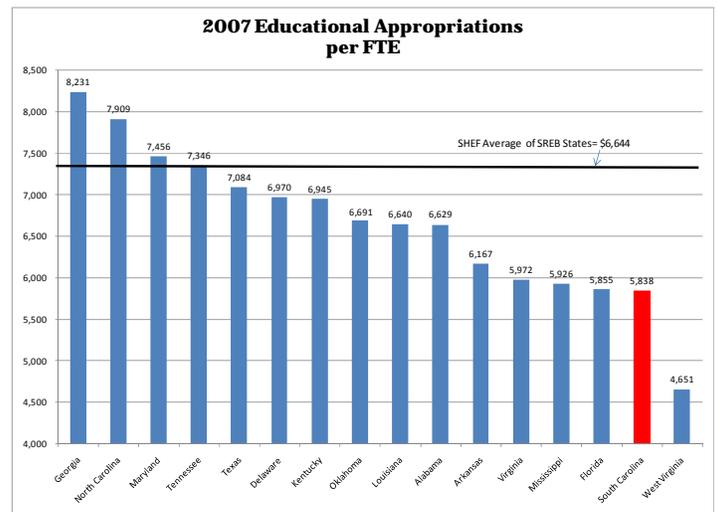
Colleges will provide detail as they give their own testimony, but a couple of overarching points based on the simple question: **Why does it matter what the state spends?**



- 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 over 20% — 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 or student support. 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
 - ii) Like the colleges and universities, CHE is doing more with less:
 - (a) CHE has sustained sizeable cuts – Administrative reductions of 18% since FY08.
 - (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 -

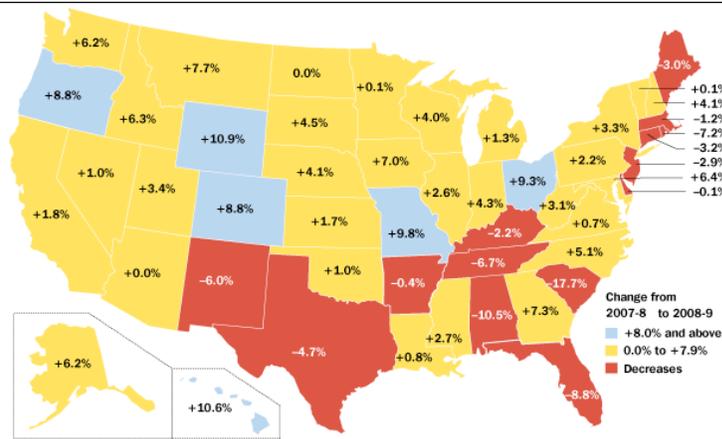
In FY07, SC ranked 38th nationally and 15th out of the 16 SREB states on support per fte student. SC at \$5,838 was below the national average of \$6,774 and the SREB states' average of \$6,644.



2007 Educational Appropriations per FTE by SREB states. (Source: SHEEO, FY 2007 State Higher Education Finance(SHEF) Report, with calculation derived by dividing educational appropriations by FTE.

ii) Higher Education cuts are higher in SC than other states

ONE-YEAR CHANGES IN STATE APPROPRIATIONS FOR HIGHER EDUCATION



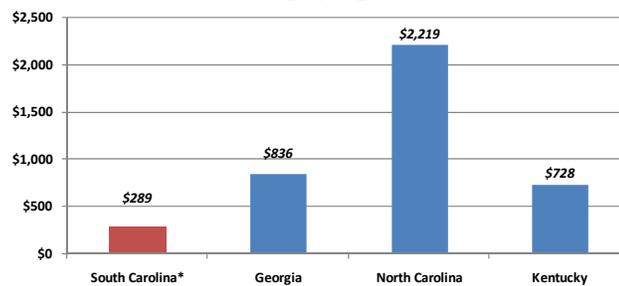
NOTE: The figures for some states are expected to change. As budget gaps grow, a number of states are proposing to make cuts in spending on higher education in the middle of the 2008-9 fiscal year. In addition, figures for some states may not take into account the amounts of money that colleges already have been required to keep in reserve or give back to the state's general fund.

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

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.
 - (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.

**Average per Student Appropriation for Capital Needs
FY1997-FY2006**



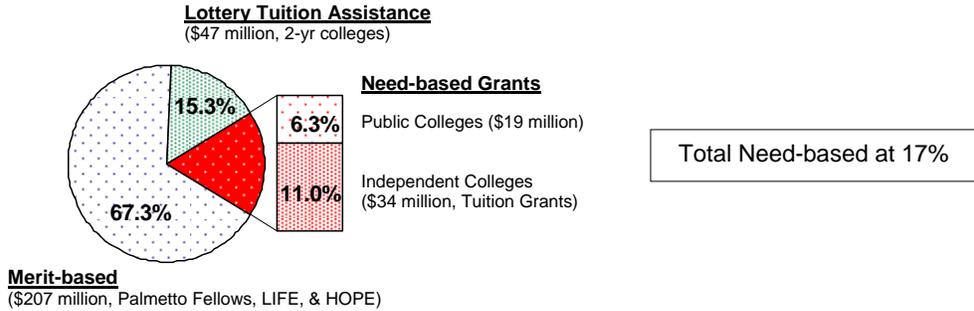
*Sources include capital improvement bonds, capital reserve fund, and supplemental appropriations. Funding associated with the Life Sciences Act of 2004 is not included. These funds provided \$220 million to S.C.'s three research institutions to support and expand economic development and \$30 million 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.

State Support for Operating and Capital Budget			
State	Average Educational Appropriation per FTE, FYs 1997-2006	Average Capital Support 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

ii) Need-based aid remains a top priority

a) Current portfolio is not balanced.

SC Undergraduate Scholarships & Grants
FY 2008-09 Appropriations



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.

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?

II. 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 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	<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



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

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.