



# South Carolina Commission on Higher Education

Layton McCurdy, M.D., Chairman  
Mr. Daniel Ravenel, Vice Chairman  
Col. John T. Bowden, Jr.  
Doug R. Forbes, D.M.D.  
Dr. Bettie Rose Horne  
Dr. Raghu Korrapati  
Dr. Louis B. Lynn  
Ms. Cynthia C. Mosteller  
Mr. James Sanders  
Mr. Hood Temple  
Mr. Randy Thomas  
Mr. Kenneth B. Wingate  
Mr. Neal J. Workman, Jr.  
Dr. Mitchell Zais

Dr. Garrison Walters, Executive Director

CHE  
1/10/2008  
Agenda Item 5

January 10, 2008

## MEMORANDUM

To: Members of the SC Commission on Higher Education

From: Dr. Layton McCurdy, Chairman, SC Commission on Higher Education

### **Amended FY 2008-09 Request for Institutional Operating Funds**

Attached for your consideration is a recommendation to amend the Commission's FY 2008-09 request for institutional operating funds and to provide an allocation methodology for the requested funds.

After speaking with staff and because time is of the essence, I've asked that the enclosed explanation and recommendation be brought forward for consideration of the Commission as a whole. Please do not hesitate to call me or Dr. Garrison Walters should you have any questions or concerns relating to this recommendation.

## Amended FY 2008-09 Request for Institutional Operating Funds

### ***The Return on Investment***

Higher Education plays an increasingly critical role as South Carolina moves to compete more effectively in the new knowledge-based economy—at a minimum, it is clear we must enroll and graduate greater numbers of our population to improve competitiveness. Doing so requires accessible, affordable, and accountable public higher education institutions. To maximize our ability to compete effectively, South Carolina must move its overall investment in higher education to a level that allows our institutions to meet the increasing statewide demand for greater levels of intellectual capital. Adequate funding of core operating costs not only enhances institutional effectiveness and quality, it also mitigates the need for increased tuition and fees. In turn, our institutions will continue to remain affordable and accessible for all qualified South Carolinians.

### ***A Consistent Message***

For the past several years, CHE has requested increases in higher education operating funding. CHE has also recommended that any increased appropriations be allocated across public colleges and universities to assist in bringing institutions closer to FY 2000-01 support levels and to address existing disparities in funding.

For FY 2008-09, CHE continued its quest for additional operating funds, asking that funding be provided to return state support for higher education to the FY 2000-01 level adjusted for inflation and student population growth. This funding plan would have required approximately \$108 million in each of the next four years.

### ***The Basis for Reconsideration***

Since CHE advanced the four-year plan to return support to the FY 2000-01 level, Dr. William Gillespie, the State's Chief Economist, has presented the initial appraisal of the State's economic health for FY 2008-09. Although not completely bleak, Dr. Gillespie concluded that there will be little if any growth in state revenue. Although attributable to an array of factors, the bottom line is that state agencies should not expect significant increases to the level of funding received in FY 2007-08. Consequently, this document proposes a reconsideration of CHE's FY 2008-09 request for institutional operating funds. Further, since CHE did not recommend an allocation plan with its original request, this document recommends such a plan.

### ***CHE is requesting additional recurring operating funds to address inflation and parity***

#### **Inflation**

CHE believes that maintaining support for higher education is not accomplished by simply avoiding cuts and that the status quo is only possible if inflationary increases are provided. The Higher Education Price Index (HEPI) is an inflation index designed specifically for higher education. It is an essential tool enabling schools to project future budget and funding increases required to **maintain** real purchasing power.

Inflation in higher education is different from that of the economy as a whole. Colleges and universities spend a major portion of their budgets on individuals with advanced education and skills who are in high demand and highly mobile. A significant part of the remaining institutional budget supports the purchase of equipment and facilities that must be continually updated if students are to be prepared to compete upon graduation. Failing to recognize the affect of inflation on these issues places our institutions in a position that significantly decreases our ability to compete for the faculty and facilities that will ensure South Carolina's success.

The most recent (2007) Higher Education Price Index was calculated by the Commonfund Institute at 3.4%. **Providing each college and university with the funding needed**

**to maintain their current purchasing power at this level of inflation will require \$25,040,859.**

**Parity**

Beyond the need to maintain, many institutions are still faced with disparities in the level of support received from the state in the past. In FY 2007-08, CHE was directed by proviso 5A.25 to include funding specifically to address parity. CHE is committed to continue, even in periods where little growth is anticipated, significant movement toward solving the parity problem.

Parity funding will be allocated to those institutions that are below the state average funding level (following the allocation of the HEPI increase noted above.) To do this, we are recommending that those institutions whose level of support is less than the state average receive an additional HEPI increase. **This will require \$10,582,015.** As you will see from the attached table (Table A), this increase helps, if only modestly, to close the parity gap. (See column 8)

**Total Revised Operating Request**

Thus, our total request for operating funds for public colleges and universities for FY 2008-09 is \$35,622,874.

**A recommended allocation methodology**

The funding distribution model used in FY 2007-08 required that 35% of appropriated operating funds be directed to those institutions funded below the state parity average with the remaining 65% allocated based on each institution’s share as determined by CHE’s funding model. The proposed formula for FY 2008-09 not only calculates the amount to be submitted as the budget request but also establishes the distribution of those funds. Accordingly, staff believes that, at this time, the approach described in Table A is the most logical and equitable policy option. It enables maintenance of institutional purchasing power and also addresses parity in a more significant manner than the allocation plan used previously.

***Are other recurring general funds beyond those needed for maintenance and parity being requested?***

Yes. The FY 2008-09 budget request previously approved includes funding for the expansion of critical statewide initiatives as well as funding needed to support agency initiatives that are statewide in nature. The table below identifies these very important initiatives and the funding requested. Funding for Need-based Grants continues as our first priority for non-operating funds. The remaining items are also vitally important to South Carolina’s economic development through accessible, affordable, and accountable public higher education.

Statewide Higher Education Programs (Recurring)		CHE Agency Programs (Recurring)	
Need-Based Grants	\$13,277,323	Technology Support	\$130,000
PASCAL (Electronic Library)	2,500,000	GEAR UP	200,000
National Guard Tuition Assistance *	1,300,000	Access & Equity	400,000
EPSCoR	982,464	SREB	145,735
UCG Operating	1,281,301		
Greenville TC - UCG Debt & Maint.	635,919		
SCMEP	1,200,000		
<b>Total Higher Education</b>	<b>\$21,177,007</b>	<b>Total Agency</b>	<b>\$875,735</b>

\* Total request is \$3 million with \$1.7 million continuing in Lottery funds.

***What is the total General Fund request for FY 2008-09?***

In summary, the Commission on Higher Education is requesting \$57,675,616 in recurring state funding.

***Is CHE still requesting other non-recurring and lottery funds?***

Yes. CHE's initial request for funding through lottery and other nonrecurring sources remains intact. The CHE request previously approved recommends continued support of higher education lottery-funded programs (Centers of Economic Excellence, Higher Education Technology for Public Institutions, SC State, Higher Education Excellence Enhancement Program, and scholarship and grant programs) to include an increase of \$11 million for Lottery Tuition Assistance. Additionally, CHE continues to request \$4.5 million from non-recurring funding for the second year of the SC LightRail initiative currently underway at the research universities.

***Staff Recommendation:*** In view of the economic forecast recently reported by the State's Chief Economist, staff recommends that the Commission amend its initial request for an increase in recurring institutional operating funds of \$108 million for FY 2008-09 to reflect a revised increase of \$35,622,874. Staff also recommends adoption of the allocation methodology as set forth in the attached Table A and as described above. The recommended methodology provides an increase for inflation at HEPI (3.4%) and parity funding equal to an additional 3.4% HEPI increase for those institutions funded below the state parity average. It is further recommended that if funding in the amount necessary to fully address this request (\$35,622,874) is not provided, that the amount appropriated for institutional operating funding be distributed based on the proportionate share of each institution's allocation using the adopted allocation methodology.

Table A

Column #	FY07-08 MRR Calculation of Need	2007-08 Appropriation (2008-09 Base)	Base as % of MRR	Increase @ HEPI plus HEPI for those under parity average					Col. 8 as % of MRR	Resulting Distribution				
				HEPI x Base	Base as % of MRR	Parity	Total Additional Funding Requested FY 2008-09	Sub-Total		>= 90%	>= 80%	>= 70%	>= 60%	>= 50%
				3.40%		3.40%								
Institution	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	3	2	6	3	5
1 Clemson	\$146,698,015	\$112,858,871	76.9%	\$3,837,202	79.5%	\$0	\$3,837,202	\$116,696,073	79.5%			Clemson		
2 USC-Columbia	263,212,603	183,772,439	69.8%	6,248,263	72.2%	0	6,248,263	190,020,702	72.2%			USC-Columbia		
3 MUSC	185,363,102	97,223,490	52.5%	3,305,599	54.2%	3,305,599	6,611,197	103,834,687	56.0%					MUSC
4 Citadel	16,304,413	16,287,740	99.9%	16,673	100.0%	0	16,673	16,304,413	100.0%	Citadel				
5 Coastal Carolina	28,704,770	16,808,315	58.6%	571,483	60.5%	571,483	1,142,965	17,951,280	62.5%				Coastal Carolina	
6 Coll. of Charleston	40,928,871	34,594,904	84.5%	1,176,227	87.4%	0	1,176,227	35,771,131	87.4%		Coll. of Charleston			
7 Francis Marion	19,864,430	19,397,460	97.6%	466,970	100.0%	0	466,970	19,864,430	100.0%	Francis Marion				
8 Lander	14,773,294	10,937,937	74.0%	371,890	76.6%	0	371,890	11,309,827	76.6%			Lander		
9 SC State	28,672,162	24,386,739	85.1%	829,149	87.9%	0	829,149	25,215,888	87.9%		SC State			
10 USC-Aiken	17,129,317	11,196,080	65.4%	380,667	67.6%	0	380,667	11,576,747	67.6%				USC-Aiken	
11 USC-Beaufort	5,370,219	2,875,328	53.5%	97,761	55.4%	97,761	195,522	3,070,850	57.2%					USC-Beaufort
12 USC-Upstate	23,426,305	14,558,165	62.1%	494,978	64.3%	428,581	923,558	15,481,723	66.1%				USC-Upstate	
13 Winthrop	34,434,534	23,480,584	68.2%	798,340	70.5%	0	798,340	24,278,924	70.5%			Winthrop		
14 USC-Lancaster	5,018,745	2,770,893	55.2%	94,210	57.1%	94,210	188,421	2,959,314	59.0%					USC-Lancaster
15 USC-Salkehatchie	3,138,191	2,375,512	75.7%	80,767	78.3%	0	80,767	2,456,279	78.3%			USC-Salkehatchie		
16 USC-Sumter	4,620,359	4,408,690	95.4%	149,895	98.7%	0	149,895	4,558,585	98.7%	USC-Sumter				
17 USC-Union	1,507,702	1,070,688	71.0%	36,403	73.4%	0	36,403	1,107,091	73.4%			USC-Union		
18 Technical Colleges	312,770,694	162,442,569	51.9%	5,523,047	53.7%	5,523,047	11,046,095	173,488,664	55.5%					Technical Colleges
Sub-Total	\$1,151,937,726	\$741,446,404	64.4%	\$24,479,525	66.5%	\$10,020,681	\$34,500,206	\$775,946,610	67.4%					
19 AHEC	32,861,163	16,509,835	50.2%	561,334	51.9%	561,334	1,122,669	17,632,504	53.7%					AHEC
Total	\$1,184,798,889	\$757,956,239	64.0%	\$25,040,859	66.1%	\$10,582,015	\$35,622,874	\$793,579,113	67.0%					

CHE Request - System Support (Recurring Funds)	
Need-Based Grants	\$13,277,323
PASCAL (Electronic Library)	2,500,000
National Guard Tuition Assistance	1,300,000
EPSCoR	982,464
UCG Operating	1,281,301
Greenville Tech Debt & Maint	635,919
SCMEP	1,200,000
	<u>\$21,177,007</u>
CHE Request - System Support (Non-Recurring Funds)	
LightRail	4,500,000

Che Request - Agency Support (Recurring Funds)	
Agency Technology	\$130,000
GEAR Up	200,000
Access & Equity	400,000
SREB	145,735
	<u>\$875,735</u>

Summary (Recurring Funds)	
Additional Operating Funds @ HEPI	\$25,040,859
Additional Parity Funds @ HEPI for those state average	10,582,015
Total Additional Operating Funds	\$35,622,874
CHE Request - System Support	21,177,007
Che Request - Agency Support	875,735
	<u>\$57,675,616</u>

Summary (Non-recurring Funds) \$4,500,000

CHE is also requesting continued support of higher education programs (CoEE, Higher Education Technology, SC State, HEEEP, and scholarship and grant programs) funded through the SC Education Lottery to include an increase of \$11 million for Lottery Tuition Assistance.