

Overview of Higher Education Budget Request
FY 2005-06

The Commission staff has worked with the Funding Advisory Committee to develop the following budget request for South Carolina's public institutions of higher education. Staff's recommendations, endorsed by the Funding Advisory Committee, are presented below in priority order. A narrative description and recommendation for each item are provided on the following pages.

<u>Request #</u>	<u>Description</u>	<u>Amount</u>
1	Operating Funds	\$ 50,000,000
2	Lottery Funded Programs	\$242,226,105
3	Academic Endowment Funds	\$ 4,555,172
4	Below-the-Line Projects	\$ 14,890,382
5	Capital Projects	\$908,855,659

Overview of Higher Education Budget Request
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The Commission staff has worked with the Funding Advisory Committee to develop the following budget request for South Carolina's public institutions of higher education. Provided below in priority order are the proposed budget request items as recommended by the Commission staff and endorsed by the Funding Advisory Committee.

Request # 1 - \$50 million – Operating Funds

Higher Education's greatest need is for increases in operating funds. One of the direct results of the budget reductions in recent years has been a corresponding increase in tuition levels across all sectors of institutions. Institutions have reduced programs, implemented efficiencies, and eliminated unnecessary expenditures. Further, institutions have been held accountable for the past eight years through performance funding measures and standards. While the higher education community recognizes the fiscal constraints of the state's economy, there remains a significant need for increases in higher education operational funding. This requested increase will allow for institutions to mitigate the need for further tuition increases. As a related issue, disparity in funding levels has evolved that is not related to institutional performance or accountability for state resources. The requested funds would be used to address a portion of the current disparity provided institutions continue to maintain acceptable performance levels.

Recommendation – The staff recommends a request of \$50 million for operating funds to address parity needs, provided that institutions continue to maintain acceptable performance levels.

Request # 2 - \$242,226,105 – Lottery Funded Programs

Lottery funds currently provide funding for a variety of programs including scholarships and grants, Research Centers of Economic Excellence, technology, and an electronic library. The Commission is requesting continued funding of these programs due to their successes in their respective areas. Scholarships and grants are providing incentives and support for deserving students pursuing post-secondary education. The Research Centers of Economic Excellence program is investing in long term research and economic development activity designed to promote the expansion of the state's economy. Technology funds are ensuring up-to-date college campuses. The electronic library is achieving significant cost avoidance through collective purchasing of library resources.

In addition to requesting continued funding for existing programs, there exist additional needs for two scholarship and grant programs. First, the Commission has a long standing position of pursuing increases in need-based grant funds. These funds make a post-secondary education a possibility for many students who are solid college students, but are not able to take advantage of merit-based aid. Based on institutional data, there are unmet needs in excess of \$10 million for this program. Second, the State

Technical College System has submitted a request to increase funding for the Lottery Tuition Assistance Program to a level of \$52 million to ensure the capability to fund 75% of required tuition and fees. A summary of lottery related programs follows:

Summary of Lottery Appropriations Request

<u>Items funded in Fiscal Year 2004-05</u>	<u>Amount</u>
Palmetto Fellows Scholarships	\$ 11,176,712
LIFE Scholarships	92,727,949
HOPE Scholarships	6,183,017
Lottery Tuition Assistance Program	39,750,000
Need-Based Grants	10,438,427
National Guard Loan Repayment Program	1,500,000
Teacher Grants	2,000,000
S. C. State University	5,500,000
Higher Education Excellence Enhancement Program	4,700,000
Research Centers of Excellence	30,000,000
Technology Funds	14,000,000
Statewide Electronic Library	<u>2,000,000</u>
Subtotal	219,976,105
 <i>Additional Requested Items:</i>	
Increase in Need-Based Grants	10,000,000
Increase in Lottery Tuition Assistance Program	<u>12,250,000</u>
Total	\$ 242,226,105

Recommendation – The staff recommends a request of \$219,976,105 to provide continued funding for existing public higher education lottery funded programs. The staff further recommends an increase of \$10 million for the Need-Based Grants program and an increase of \$12,250,000 for the Lottery Tuition Assistance Program, for a total request of \$242,226,105.

Request #3 - \$4,555,172 – Academic Endowment Funds

In 1997, the General Assembly created the Academic Endowment Act, which creates an opportunity for institutions to have endowment earnings matched by state funds (only for those endowments created or increased subsequent to the 1997 Act). This provides a tremendous incentive for potential contributors to see their investments in higher education generate significant earnings. This program has been significantly reduced through the recent budget reductions and is currently funded at a level of \$444,828. This requested increase would fully fund the program at \$5 million, as provided in code section 59-118-60, allowing it to provide incentives to potential contributors to invest in higher education.

Recommendation – The staff recommends a request of \$4,555,172 to fully fund the Academic Endowment Act of 1997.

Request # 4 - \$14,890,382 – Institutional Below-the-Line Projects

Each year, the Commission assists the General Assembly by serving as a central clearinghouse for budget requests for institutional special (Below-the-Line) projects. There are 31 total items that vary in amount and nature. The total amount of requested is \$14,890,382. All submitted projects have been reviewed by the Commission staff.

It is noted that the projects are subject to consideration of the Finance and Facilities Committee on October 6, 2004, and Commission approval on October 7. For a detailed listing of projects and recommended dollar amounts that are being considered by the Finance and Facilities Committee for recommendation to the Commission, see Agenda Item 4.04.B included in the CHE meeting materials for the October 7 meeting.

Recommendation – The staff recommends approval of the attached listing of projects and the corresponding recommended amounts. (Note: Subject to recommendation of the Finance and Facilities Committee and approval by the Commission.)

Request #5 - \$908,855,659 – Institutional Capital Projects

The state's Capital Permanent Improvement Process includes a component for agencies to include those projects for which it is requesting funding from state bonds. The higher education institutions have a total of 96 projects included in that process with a need of a little over \$900 million. These projects have been evaluated by the Commission staff and rated based on an approved set of objective criteria.

It is noted that the projects and ratings are subject to consideration of the Finance and Facilities Committee on October 6, 2004, and Commission approval on October 7. A detailed listing of projects and ratings, along with a summary of the rating criteria and a description of the process, that are being considered by the Finance and Facilities Committee for recommendation to the Commission, is included as Agenda Item 4.04.C.3 in the CHE meeting materials for the October 7.

Recommendation – The staff recommends a request of \$908,855,659 in state bonds for capital projects. The staff further recommends that the noted rating scores be approved and provided to the General Assembly as an objective evaluation of the relative merits of each request. (Note: Subject to recommendation of the Finance and Facilities Committee and approval by the Commission.)