



# South Carolina Commission on Higher Education

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Dr. Garrison Walters, Executive Director

## MEMORANDUM

TO: Mr. Kenneth B. Wingate, Chair, and Members,  
S.C. Commission on Higher Education

FROM: Garrison Walters, Executive Director

DATE: September 25, 2009

Re: Consideration of CHE FY 2010-11 Budget Requests

As you know, two years ago I had a number of informal conversations with colleagues—primarily presidents—about how we could get to the kind of unified operating budget/bond bill request that would take higher education to level of public priority it has achieved in many other states, including nearly all of those in the south and southeast. We made some limited progress, but the need to complete the Action Plan, followed by the national economic collapse, put development on hold.

The economy is now only marginally better but, if we are to be competitive when strong recovery begins, we must begin active planning now. To that end, we have reprised those initial efforts and plan on-going consultation with institutions in the upcoming months in order to develop a coordinated, multi-year approach to higher education funding.

While those conversations progress and in light of the need to provide information soon to the Governor's Office about our specific funding requests for next year (FY 2010-11), we propose submitting a letter to convey our budget priorities. In recognition that FY 2010-11 will still be a difficult one, the request will be limited and focus on recent priorities including maintenance and restoration of core operating funding for the institutions and CHE, regulatory reform, and those initiatives that strengthen statewide collaborations and assist students in successfully achieving a higher education degree.

**A proposed draft letter is attached for your consideration and approval. The letter and approach will be discussed at the upcoming meeting as part of my Executive Director's report on September 30.**

*DRAFT OUTLINE – FY 2010-11 CHE AND INSTITUTIONAL BUDGET REQUESTS*

September ##, 2009

The Honorable Marshall C. Sanford, Governor  
State of South Carolina

Re: FY 2010-11 Budget Request

Dear Governor Sanford:

CHE continues to be deeply worried about the diminishing level of support for higher education. Last year, cuts experienced by the state's colleges and universities were among the largest in the nation. Institutional core recurring funding was decreased by 24%—a drop of over \$180 million—and recently by an additional 4% or \$23 million. CHE and higher education programs flowing through CHE's budget experienced similar percentage declines.

CHE recognizes that the state's dire budget situation continues and will likely be at best improved modestly in FY 2010-11. Accordingly, our first budget priority for FY 2010-11, and also that of our public colleges and universities, is that, to the extent practicable, the state restore the deep cuts experienced over the past two years to institutional and CHE core budgets.

In addition to operating support, a central component of our request for addressing the needs of our public colleges and universities is bond funding for facilities renovation and replacement. We also seek appropriate regulatory reform, in particular the passage of H.3365 and H.3841, to ensure higher education activities are accomplished in the most efficient and effective way.

Beyond restoration of core funding, our budget priorities continue to focus on those initiatives that strengthen statewide collaborations and assist students in successfully achieving a degree. Key among these priorities for FY 2010-11 are the statewide electronic library (PASCAL), need-based student aid, and the Centers of Economic Excellence (CoEE) Program (endowed chairs).

- PASCAL is a special case. PASCAL lost over 90% of its budget last year and none of these funds were restored for the current year. To restore core support as provided in past years, \$2 million is needed. Institutions are working together to sustain the program in the current year; however, without restoration of essential funding from the state, the survival and continued success of this important statewide collaborative are in jeopardy. The returns of PASCAL for our students, faculty, and citizens are too great to ignore and risk losing. PASCAL is also a government best practice: colleges and universities, public and private, working together to maximize efficiency and quality. Cutting an effort of this kind sends a very negative message to government.
- Need-based student aid also remains a top priority, although we need to assess the impact of the significant increase in Federal Pell Grant allocations that are now beginning to

*DRAFT OUTLINE – FY 2010-11 CHE AND INSTITUTIONAL BUDGET REQUESTS*

flow to students. Accordingly, we propose that need-based aid be supported in FY 2010-11 at least at the current FY 2009-10 funding level inclusive of the supplemental funding received. Need-based aid receives the corpus of its funding from general funds and lottery funds. In the past two years, increases have been made available through fiscal year-end allocations of residual lottery unclaimed prize funds, and in the current year through a supplemental appropriation. A predictable and stable funding stream is paramount in ensuring that students whose access to higher education is assured through need-based aid can rely on this support. We are certain that need-based aid will remain at the top of CHE and the institutions' list of priorities for the foreseeable future.

- CoEE program funding was eliminated in FY 2008-09. As with PASCAL, the return of funding in the state's budget for CoEE is critical. CoEE has resulted in the direct investment of more than one-quarter billion non-state dollars in the South Carolina economy and the creation of over two thousand high-paying jobs thus far and was cited in an external evaluation by a prestigious national group as a "best in nation" program. Through the recruitment to the state of a growing critical mass of national and international leaders in science and engineering, the engagement of the research universities in economic development has been significantly enhanced through new research and discovery, expansion and enhancement of graduate programs, the recruitment and retention of a growing number of the best and brightest graduate students in South Carolina and the nation, technology transfer, and commercialization. The CoEE Program has survived for the past two years on interest revenue accrued over the life of the program. This funding is depleting as additional centers come on line. CHE requests that funding be restored to the greatest extent possible to continue this critical investment in South Carolina's future.

As described above, our first priority is the restoration of funding for the agency and programs managed by CHE as well as for colleges and universities. There are also a number of entities whose budgets pass through CHE. CHE does not have the authority to regulate their requests but we do have a responsibility to attach our recommendation. Again in light of the state's situation, CHE is not recommending increased funding except to the extent possible that funding be maintained and the experienced losses restored as would be appropriate for higher education and higher education-related programs that flow through our budget.

In speaking of the restoration of cuts, CHE must again emphasize the relative downgrading of higher education as a state priority (share of the state budget)—particularly in general operating funding for the state's public colleges and universities. Over the past decade, the share of the state's core budget dedicated to higher education institutional operating funds has steadily declined from approximately 15% to about 10% today. If the share of state funding for operating support for our colleges and universities had been maintained, core support for higher education institutions would be over \$250 million higher than it is presently.

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Restoring higher education as a priority is critical if South Carolina is to thrive in the increasingly competitive knowledge economy. Additional funds are necessary to improve and strengthen the quality and effectiveness of education, training, and research, to make needed programs more widely available, and to mitigate tuition increases, all of which would serve to increase capacity in a state that is severely undereducated. We cannot afford to fall further and further behind as our neighbors continue to maintain and in many cases increase support for higher education.

The world is rapidly moving to an economy based on knowledge; given this direction, disinvesting in higher education is the reverse of what South Carolina should be doing.

Sincerely,

Garrison Walters  
Executive Director

Transmitted to Karen Rhinehart, Office of State Budget

c: Kenneth B. Wingate, Chair, and Members of the SC Commission on Higher Education