

**SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION (CHE)****FY 2014-15 BUDGET PRIORITIES SUMMARY FOR GREATER AFFORDABILITY AND SUSTAINABILITY**

We believe today more than ever that S.C.'s path to greater prosperity runs through an effective, efficient, and affordable higher education system that serves all of our citizens. Competing successfully in the knowledge-based economy requires S.C. to prepare a broadly educated and occupationally trained workforce. CHE is committed to making that happen.

Our state is under-educated. S.C. ranks 39<sup>th</sup> in adults with an associate's degree or higher, and 43<sup>rd</sup> for adults with a bachelor's degree or higher. To advance, we must compete through knowledge and dramatically increase S.C.'s educational attainment levels. Ensuring high-quality, affordable higher education opportunities is critical to that success. The value and purpose in doing so extends well beyond the individual benefits that accrue to those who pursue higher education. The strong relationship between a person's education level and earnings is well documented. People with with associate's and bachelor's degrees have lifetime earnings nearly \$500,000 to more than \$1 million greater than high school graduates. We also know that a more educated populace has lower unemployment, less poverty, better health, more productive labor force participation, more civic engagement, and less incarceration. We further know that as our citizens become better educated, businesses will produce more and better jobs in our state, and they will innovate for future growth.

Investing in knowledge now is crucial to S.C.'s success. It requires a steady commitment to our public higher education system to assist S.C.'s citizens in realizing educational goals and our public higher education institutions in providing the necessary quality programming.

CHE continues to support strongly the imperative to recover lost ground in higher education investment. Our public colleges and universities lost nearly 50% of their institutional educational and general (E&G) operating budgets from the state during the recent great recession. We urge the General Assembly to make higher education a priority and begin working over the next several years to restore core state support for public institutions. Progressively increasing support as our economy recovers will mitigate the tuition and fee burden on students and their families. It will further support our institutions as they enroll increasing numbers of students and continue to improve quality and student outcomes.

Over the past three years, the state has appropriated \$895 million to higher education from new state revenues totaling nearly \$4 billion. Less than 1% of those funds for higher education, however, were new recurring monies. CHE understands that there will be many demands on the state's anticipated revenues in FY 2014-15, as our economy gradually continues to recover. CHE is advancing an ambitious but realistic strategic agenda of investments for the FY 2014-15 budget.

<b>INNOVATIONS FOR STUDENT AFFORDABILITY</b>	<b>\$9,000,000 Recurring Increase</b>
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A primary challenge facing S.C. students and their families is the increasing cost of attending and completing post-secondary education. This initiative for institutional educational and general funding provides a focused investment in realistic, practical innovations that allow students to earn an associate's or bachelor's degree at less expense. These innovations fall into two broad categories: 1) academic bridge articulations between two- and four-year degree programs; and 2) management innovations in program/course delivery, scheduling, competency-based learning, and other efficiencies that assist students in completing their degrees more quickly. The funding requested is to be transferred to institutions on a competitive basis to enhance, extend, and pilot proposed innovations focused directly on student affordability.

<b>NEED-BASED GRANTS</b>	<b>\$2,600,000 Lottery Increase</b>
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Student financial aid programs provide incentives for our students to enroll in and complete higher education in our state. Need-based aid is a critical element for any state seeking to enhance participation in and completion of degree programs for those with limited means. For the first time in several years, a much needed and appreciated boost to need-based grant aid was provided in FY 2012-13, but that benefit was lost when the increase was not fully returned in FY 2013-14. The request to increase need-based grant funds by \$2.6 million will return the program to the FY 2012-13 level.

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#### *Other State-funded Scholarships and Grants:*

Continued full support by the General Assembly of the state's merit-based financial aid programs (Palmetto Fellows, LIFE, and HOPE) has been of great benefit to our students and families. For the merit programs, we encourage continued full funding for anticipated growth. In addition, continued level support of the Lottery Tuition Assistance (LTA) program at two-year institutions (\$49.1 million) improves access for students not qualified for merit programs who may be entering higher education for the first-time or returning to acquire training to enter or remain in the workforce. Level support is also requested for the S.C. National Guard College Assistance Program that was initiated in 2007 to provide incentives for enlisting or remaining for a specified time in either the S.C. Army or Air National Guard. Increased support to meet on-going program demand was provided for FY 2013-14 and level funds will maintain needed support for participating members.

#### **SOUTHERN REGIONAL EDUCATION BOARD (SREB) PROGRAMS AND SERVICES** **\$180,810 Recurring Increase**

SREB contract programs offer students pursuing professional health degrees admission to schools in other states for the price of in-state tuition and fees. Our state participates by contracting through SREB for 24 student slots in optometry and 104 in veterinary medicine at five partner institutions. The requested increase results primarily from a structured increase in SREB contract prices for optometry and veterinary medicine slots held for S.C. students. (For more information on SREB programs and services, a fact sheet is available.)

#### **STATE ELECTRONIC LIBRARY, PASCAL** **\$1,500,000 Recurring**

PASCAL, Partnership Among S.C. Academic Libraries ([www.pascal.sc.org](http://www.pascal.sc.org)) is a government best practice, providing cooperative sharing of physical and electronic resources among all of the state's public and private academic institutions at greatly reduced rates. The state began investing in PASCAL in FY 2004-05 at \$2,000,000 annually. But with the economic downturn, funding was reduced in FY 2008-09 to less than \$200,000. Since FY 2010-11, PASCAL has been included at \$1,500,000 on the priority list for excess unclaimed prize funds, if available, from the SC Education Lottery. These non-recurring funds have not been predictable or fully available. On-going support of \$1,500,000 is requested to stabilize the state's support. These recurring funds will enhance PASCAL's ability to leverage better group purchasing power in seeking shared resources that are more costly if procured separately by each institution.

#### **MAINTENANCE, EQUIPMENT, AND OTHER FACILITIES NEEDS** **\$40,000,000 Lottery or Nonrecurring**

Capital investment is a normal business operating cost—not an exceptional or unusual one. The lack of a statewide higher education bond bill since 2000 for E&G facilities, as well as the lack of a predictable source of funding for these facilities has created pressure to increase tuition and fees as institutions maintain and develop needed infrastructure. With recovering revenues since 2011, the General Assembly has begun assisting our colleges and universities by providing support from one-time sources for construction, equipment, and on-going repair and maintenance needs for educational and general facilities. Support over the past three years has ranged from \$40 million to \$68 million annually. The Senate and House finance committees have both established special committees seeking to understand more accurately our institutional facilities' needs. We support these efforts and encourage the General Assembly to continue providing much needed resources while working with higher education to address funding needs and regulatory constraints for facilities. Recognizing that a bond bill is not likely in FY 2014-15, CHE is requesting *a minimum of \$40,000,000* (and an amount greater to the extent possible) in nonrecurring support toward campus repair, refurbishment, and maintenance needs to help reduce costs that must otherwise be supported by students and families through tuition and fees.

#### **EIA-FUNDED CENTERS OF EXCELLENCE** **\$250,000 EIA-fund Increase**

Centers of Excellence is a longstanding competitive grants program that was an original part of the Educational Improvement Act (EIA) of 1984. The program enables eligible institutions or groupings of institutions to serve as "state-of-the-art" resource centers for S.C. in a specific area related to the improvement of teacher education and student learning outcomes. Program funds have been level for the past several years and new grants are not possible given current commitments to four existing centers. The requested increase will enable the creation of a new center to address college and career readiness of S.C. high school graduates.

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*CHE is also requesting the following Proviso Changes:*

**AGENCY PROVISO REQUESTS**

**Add New Proviso and Delete 2 Existing Provisos**

**ADD NEW PROVISO:** SmartState® funds for program operations and approved Centers have been previously appropriated from lottery funds and held in trust as authorized per SC Code of Laws §2-75-10 *et seq.* While authorization for program operating funds is recognized, authorization for state matching funds for Centers is not. CHE must request authorization to draw down the state matching funds through the Other Funds Oversight Committee process. The requested proviso (below) was advanced by the Senate in the FY 2013-14 budget to expedite this process but was not included. The proposed proviso would reduce regulatory burden without compromising accountability. Institutions would be able to place the state funds, once matched \$1-for-\$1 with non-state funding as required, into the approved Center endowments without delay of meeting schedules, thereby facilitating the operation of the Center as intended. CHE notes that new funding has not been provided for SmartState since 2008. CHE along with the institutions remain supportive of restored funding for this highly successful and innovative program that is strengthening S.C.'s economic competitiveness.

*NEW: (CHE: SmartState Draw Down) The Commission on Higher Education, upon receipt of the dollar-for-dollar non-state match for a SmartState "South Carolina Center of Economic Excellence" as required by Section 2-75-50 of the 1976 Code, and after State Budget Division approval, shall be authorized to draw down previously appropriated lottery funds that had been held in trust until matching funds were on hand. The Commission shall submit required documentation to the State Budget Division for approval of such draw downs, including proof that the required match is on hand, and the State Budget Division shall notify the Other Funds Oversight Committee of an authorization approved for this purpose. The requirements of proviso 91.21 contained in this act shall not apply to circumstances described in this proviso.*

**DELETE:** Provisos 11.14\* (CHE: Parity Funding) and 11.17\* (CHE: Inventory of State-Mandated Reporting Requirements) require reports to be submitted in FY 2013-14 and will not be necessary in FY 2014-15. (*\*renumbered FY15 proviso base*)