

# Higher Education Reference Material

*Supplement to CHE Presentation for Senate Finance Committee, 4/17/2012*

- **ATTACHMENTS**

- 1) The Role of CHE
- 2) Additional Information on Higher Education Appropriations
- 3) Comparison of Capital Funding for SC and Selected States
- 4) Scholarships and Grants - The Importance of Need-Based Aid
- 5) Higher Education Enrollment
- 6) The Issue of Out of State Students
- 7) Understanding the Price of Higher Education (Tuition) in Economic Context

- **ADDITIONAL INFORMATION RESOURCES AVAILABLE ON-LINE – [www.che.sc.gov](http://www.che.sc.gov)**

- **SC Higher Education Action Plan and Return on Educational Investment (ROEI) Study**, <http://www.che.sc.gov/AboutCHE/OurResponsibilities/HigherEducationActionPlan.aspx>
- Higher Education data and statistics are available at [www.che.sc.gov](http://www.che.sc.gov), select Data & Publications. For Fact Books, see
  - **SC Higher Education Statistical Abstract –** <http://www.che.sc.gov/DataPublications/SCHigherEducationStatisticalAbstracts.aspx> and
  - **SC Higher Education Briefing Book** (March 2010) [http://www.che.sc.gov/InfoCntr/BriefingBook\\_All\\_FINAL\\_031610%20\(2\).pdf](http://www.che.sc.gov/InfoCntr/BriefingBook_All_FINAL_031610%20(2).pdf)
- **CHE FY2010-11 Agency Accountability Report** [http://www.che.sc.gov/CHE\\_Docs/ExecutiveDirector/AgencyAcctRpt.pdf](http://www.che.sc.gov/CHE_Docs/ExecutiveDirector/AgencyAcctRpt.pdf)
- **Know2 - Creating a pervasive educational culture in SC** <http://www.che.sc.gov/ExecutiveDirector/Rep&Presentations/Know2Overview.pdf>
- **The Issue of Unnecessary Duplication in Higher Education** <http://www.che.sc.gov/AcademicAffairs/PERSPECTIVESONPROGRAMDUPLICATION-1d.pdf>

## SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

*... will promote quality and efficiency in the state system of higher education with the goal of fostering economic growth and human development in South Carolina.*

The South Carolina Commission on Higher Education (CHE), established in 1967, serves as the coordinating board for SC's 33 public institutions of higher learning and is responsible for serving a dual role within state government, acting both as an advocate for higher education and an oversight entity on behalf of the General Assembly. The agency's primary value to the state lies in the benefit of having an entity responsible for bringing to light and working through myriad issues to assure a balance between student and taxpayer interests and institutional policies, aspirations, and needs.

CHE carries out its mission through statewide planning and working with institutions to promote quality, access, and efficiency in the state's higher education system while balancing advocacy, stewardship, and accountability. The major functions of CHE can be categorized broadly into four areas including: advocacy and coordination, information services, accountability, and administration. These functions are carried out through activities of CHE and each of its divisions – Academic Affairs and Licensing; Finance, Facilities, and Management Information System; Student Services; and Access and Equity. In performing its responsibilities, CHE works closely with institutions to expand educational opportunities for the state's citizens, to invest in research for economic development and a better quality of life, and to increase cooperation and collaboration for higher levels of efficiency and quality in higher education opportunities in the state.

CHE operates pursuant to the SC Code of Laws, as amended, §59-103-5, et seq., and is governed by a board of 14 members who are appointed by the Governor including: one at-large member appointed as chair, three other at-large members, six members representing the Congressional Districts, three members representing the public higher learning institutions, and one member representing the independent higher learning institutions. Appointees representing Congressional Districts are recommended by a majority of the senators and a majority of the members of the House of Representatives comprising the legislative delegation from the district, whereas the remaining appointees are recommended and appointed based on the advice and consent of the Senate. Commissioners serve four-year terms with the exception of the three public institutional trustees who serve two-year terms. All except the independent institution representative are voting members.

***What does the Commission on Higher Education (CHE) do?*** CHE provides for statewide policy direction and equity:

- ✓ **Oversees academic program quality**—states without this function are homes to diploma mills and see their citizens fleeced on a daily basis by unscrupulous companies.
- ✓ **Maintains funding system and data/ accountability systems**—essential for understanding performance and productivity/source of required national data
- ✓ **Approves all higher education capital projects, leases, and land purchases and collects and reports building data** – assists in determining state priorities
- ✓ **Oversees administration of student financial aid**—requires a staff that is knowledgeable about higher education to provide statewide consistency of administration
- ✓ **Supports increased access to and success in higher education** – improving the transition from K-12 to higher education, ensuring effective transfer, ensuring that programs are available to adults, etc.
- ✓ **Supports increased public awareness of the importance of higher education**—Action Plan has underscored the need for a larger role for CHE in this regard; fact that SC has not done this aggressively in the past is reflected in our weak educational levels.

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**[www.che.sc.gov](http://www.che.sc.gov)**

# CHE Key Factors

- **CHE's Core Responsibilities**

- Degree Program Approval and Review**

- Includes public, for-profit, and out-of-state institutions
    - Insures program quality and productivity (public institutions)
    - Prevents unnecessary duplication of public programs
    - Protects student rights; promotes appropriate transfer of credit

- ***States lacking these functions are home to diploma mills and have extensive unnecessary duplication of programs, especially at doctoral/ professional levels***

- Student Financial Aid**

- Oversees state-funded financial aid programs at colleges and universities
      - Requires knowledge of higher education to ensure consistent administration
    - Provides audits of compliance

- ***All states have these functions somewhere at the state level***

- Facilities Review and Approval**

- Encourages short and long-term planning to ensure institutional and state priorities are addressed; reviews proposals for need and for most effective use of resources

- ***All states have these functions somewhere at the state level***

- Accountability/ Information Systems**

- Maintains state-level funding system and higher education data essential for understanding performance and productivity

- ***All states have this function somewhere at the state level***

- Improved Statewide Coordination/ Effectiveness and Planning**

- Strengthens K-12/ higher education transition
    - Identifies and advocates for statewide collaborative projects—e.g. creation of statewide virtual library, development of statewide course transfer and articulation system for students, course alignment, and electronic transcript technology
    - Reviews and approves public college and university missions to ensure they are consistent with the law and with the needs of the State

- ***States lacking these and similar functions have inefficient systems and lack access to federal support***

- Advocacy for Greater Access to Higher Education**

- Administers major federal grants (GEAR UP, College Access Challenge)
      - Increases student awareness and knowledge about accessing higher education
      - Provides guidance on accessing financial aid
      - Strengthens school counselor knowledge and resources
    - Helps build local college access programs

- ***States with a strong education culture and focus on higher education as a priority have higher levels of education and comparatively stronger economies***

- **Of the 50 States, 49 Have Agencies with the Same Functions as CHE**

- Exception is Michigan

- Most functions exist at state level, but are scattered in other agencies or in separate boards and commissions

- No evidence that the Michigan approach saves money—in fact, the appearance is that it is more expensive

- A key function lacking in Michigan is the one hardest to give to a non-higher education agency: degree program approval and review

- Lacking this oversight, Michigan is plagued with unnecessary duplication at the expensive doctoral and professional levels

## Higher Education General Fund Recurring Appropriations

Institutions	2007-08	2008-09	2009-10	2010-11	2011-12*	% change, FY11 to FY12
<b>Research Institutions</b>						
Clemson	\$112,858,871	\$86,028,361	\$78,498,132	\$62,659,849	\$59,701,370	-4.7%
USC Columbia	183,772,439	140,045,699	128,520,804	101,018,394	96,386,182	-4.6%
Medical University of SC	97,223,490	74,085,527	67,624,714	54,052,768	51,564,100	-4.6%
<b>Comprehensive Teaching Institutions</b>						
The Citadel Coastal	16,287,740	12,347,148	11,256,224	8,992,401	8,478,007	-5.7%
Carolina College of	16,808,315	12,675,241	11,555,329	9,215,957	8,571,369	-7.0%
Charleston Francis	34,594,904	26,054,537	23,752,507	18,972,744	18,077,904	-4.7%
Marion	19,397,460	14,680,433	13,388,078	10,703,050	10,313,863	-3.6%
Lander SC	10,937,937	8,310,088	7,592,240	6,066,604	5,831,128	-3.9%
State USC	24,386,739	18,065,137	16,471,285	11,898,708	11,358,373	-4.5%
Aiken	11,196,080	8,513,797	7,772,409	6,207,411	5,924,243	-4.6%
USC Beaufort	2,875,328	2,012,013	1,834,243	1,461,646	1,360,802	-6.9%
USC Upstate	14,558,165	11,087,479	10,138,616	8,093,427	7,788,843	-3.8%
Winthrop	23,480,584	17,838,919	16,262,774	13,011,917	12,446,846	-4.3%
<b>Regional Campuses of USC</b>						
USC Lancaster	2,770,893	2,119,544	1,935,139	1,542,935	1,468,791	-4.8%
USC Salkehatchie	2,375,512	1,809,052	1,649,214	1,314,759	1,251,387	-4.8%
USC Sumter	4,408,690	3,358,011	3,061,316	2,443,785	2,330,655	-4.6%
USC Union	1,070,688	818,301	746,001	596,398	570,069	-4.4%
<b>Technical Colleges</b>	162,442,569	124,076,698	113,493,412	97,480,772	98,819,868	1.4%
<b>A.H.E.C.</b>	16,509,835	12,813,466	11,681,342	8,711,377	8,478,368	-2.7%
<b>Subtotal Public Institutions</b>	<b>\$757,956,239</b>	<b>\$576,739,451</b>	<b>\$527,233,779</b>	<b>\$424,444,902</b>	<b>\$410,722,168</b>	-3.2%
<i>Coll. &amp; Univ. as a % of State GF Revenue</i>	11.3%	10.2%	10.0%	8.4%	7.5%	
<b>Commission on Higher Education</b>						
Administration	\$2,610,895	\$2,369,255	\$2,250,172	\$2,086,155	\$1,869,811	-10.4%
Other CHE Programs	1,775,918	2,032,488	1,740,401	1,685,515	1,447,745	-14.1%
Flow-Through Funds	10,531,535	8,069,816	6,634,388	5,512,527	5,328,630	-3.3%
Scholarships/Grants	109,574,491	95,483,463	95,483,463	108,893,202	99,762,731	-8.4%
<b>Subtotal CHE</b>	<b>\$124,492,839</b>	<b>\$107,955,022</b>	<b>\$106,108,424</b>	<b>\$118,177,399</b>	<b>\$108,408,917</b>	-8.3%
<b>Technical College System Office</b>						
State Board Administration	\$7,473,160	\$6,357,483	\$5,800,678	\$3,623,735	\$3,645,766	0.6%
State Level Programs	475,571	1,118,286	1,023,916	1,834,217	1,834,217	0.0%
Economic Development (CATT)	5,294,514	2,593,030	2,354,584	3,378,500	3,378,500	0.0%
<b>Subtotal Technical System Office</b>	<b>\$13,243,245</b>	<b>\$10,068,799</b>	<b>\$9,179,178</b>	<b>\$8,836,452</b>	<b>\$8,858,483</b>	0.2%
<b>Tuition Grants Commission</b>	\$22,188,449	\$22,077,893	\$22,049,120	\$22,009,392	\$21,993,015	-0.1%
<b>Higher Education Total</b>	<b>\$917,880,772</b>	<b>\$716,841,165</b>	<b>\$664,570,501</b>	<b>\$573,468,145</b>	<b>\$549,982,583</b>	-4.1%
<i>Higher Education as a % of State GF Revenue</i>	13.7%	12.7%	12.6%	11.3%	10.1%	
<b>Total State General Fund (GF) Revenue</b>	<b>\$6,723,274,385</b>	<b>\$5,629,267,090</b>	<b>\$5,275,343,200</b>	<b>\$5,080,373,895</b>	<b>\$5,453,533,140</b>	

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- **CHE Administration and Other CHE Programs in FY12 include:** staffing and activities in carrying out the agency mission together with those funds for operating SC GEAR UP, National Guard Assistance, EEDA activities, and state approving/ licensing functions.
- **CHE FY12 Flow-Through allocations include:** University Center of Greenville, Lowcountry Graduate Center, SC Manufacturing Extension Partnership, African American Loan Program, EPSCoR, SC State, Academic Endowment Incentive Funds for public institutions, Charleston Transition Connection, and PASCAL.
- **CHE Scholarship and Grant Programs include:** Education Endowment Funds for Palmetto Fellows and Need-based Grants, LIFE, and HOPE (FY11&12 only) and SREB Programs and Assessments including Student Contract Programs (Veterinary Medicine and Optometry). Palmetto Fellows, Need-based Grants, LIFE, and HOPE programs receive additional lottery fund appropriations as does the Tuition Grants Commission for the SC Tuition Grant program. Other state-funded student financial aid programs (Lottery Tuition Assistance and SC National Guard College Tuition Assistance) also receive lottery appropriations.

**SC Lottery Appropriations, FY 2011-12**

	Certified Net Lottery	Certified Unclaimed Prize Funds	Total
<b>Higher Education Undergrad Scholarship/ Grant Programs</b>			
Palmetto Fellows	\$30,277,240		\$30,277,240
LIFE	\$106,554,616		\$106,554,616
HOPE	\$7,823,474		\$7,823,474
Lottery Tuition Assistance	\$47,000,000		\$47,000,000
Need-Based	\$11,631,566		\$11,631,566
Tuition Grants	\$7,766,604		\$7,766,604
<b>Subtotal</b>	<b>\$211,053,500</b>		<b>\$211,053,500</b>
<b>Other Higher Education Programs</b>			
National Guard College Assistance	\$1,700,000		\$1,700,000
Centers of Economic Excellence	\$0		\$0
SC State	\$2,500,000		\$2,500,000
Technology - Public 2- & 4-yr Higher Education	\$4,154,702		\$4,154,702
Higher Education Excellence Enhancement Program	\$3,000,000		\$3,000,000
<b>Subtotal</b>	<b>\$11,354,702</b>		<b>\$11,354,702</b>
<b>K-12 Programs</b>			
K-5 Reading, Math...	\$29,491,798		\$29,491,798
Grades 6-8 Reading, Math...	\$2,000,000		\$2,000,000
School for Deaf and Blind	\$200,000		\$200,000
Dept. of Education - Purchase of New School Buses		\$12,350,000	\$12,350,000
<b>Subtotal</b>	<b>\$31,691,798</b>	<b>\$12,350,000</b>	<b>\$44,041,798</b>
State Library - Aid to County Libraries	\$733,000		\$733,000
Dept. of Alcohol and Other Drug Abuse Services (DAODAS)		\$50,000	\$50,000
<b>TOTAL CERTIFIED LOTTERY</b>	<b>\$254,833,000</b>	<b>\$12,400,000</b>	<b>\$267,233,000</b>
<b>Higher Education Total</b>	<b>\$222,408,202</b>	<b>\$0</b>	<b>\$222,408,202</b>
<b>Higher Education as % of Total Certified</b>	<b>87.3%</b>	<b>0.0%</b>	<b>83.2%</b>

**Additional Allocations of Any Excess Unclaimed Prize Above Certified Unclaimed Prize Funds of \$12.4 million.**

Projects are funded in order listed as funds become available. In an average year after the projects funded with certified unclaimed prize funds (\$12.4 million), it would be anticipated that priority 1 (PASCAL) would be funded and up to approximately \$3 million of priority 2 .

	<b>Excess Unclaimed Prize Funds</b>
1) PASCAL (HE Electronic Library)	\$1,500,000
2) Technology - Public 2- & 4-yr Higher Education	\$5,470,093
3) State Library - Aid to County Libraries	\$2,000,000
4) Higher Education Excellence Enhancement Program	\$1,000,000
5) Technical College Allied Health	\$4,000,000
6) Critical Needs Nursing Initiative	\$1,000,000
7) Balance to Higher Educ Merit-Based Scholarships*	tbd
<b>Subtotal Excess</b>	<b>\$14,970,093</b>

\*Includes Palmetto Fellows, LIFE and SC HOPE programs

**General Fund and Lottery Appropriations for the State Undergraduate Scholarship/Grant Programs  
FYs 2002-03 and FYs 2010-11, 2011-12**

	<i>initial yr. of lottery</i>				As of FY 2011-12	<u>Change FY03 to FY12</u>	
	<u>FY2002-03</u>	<u>FY 2010-11*</u>	<u>FY 2011-12*</u>	<u>% by Fund Source</u>	<u>Difference</u>	<u>% Change</u>	
(1) <b>Palmetto Fellows</b> <sup>(1)</sup> <b>Total</b>	<b>\$21,310,658</b>	<b>\$49,386,667</b>	<b>\$49,386,667</b>		<b>\$28,076,009</b>	<b>131.7%</b>	
<i>portion from State General Funds</i>	\$5,989,059	\$17,895,639	\$19,109,427	38.7%			
<i>portion from Barnwell Revenues</i>	\$6,270,560	\$1,213,788	\$0	0.0%			
<i>portion from Lottery Revenues</i>	\$9,051,040	\$30,277,240	\$30,277,240	61.3%			
(1) <b>LIFE</b> <sup>(1)</sup> <b>Total</b>	<b>\$107,220,481</b>	<b>\$170,081,627</b>	<b>\$171,890,285</b>		<b>\$64,669,804</b>	<b>60.3%</b>	
<i>portion from State General Funds</i>	\$54,610,414	\$76,900,892	\$65,335,669	38.0%			
<i>portion from Lottery Revenues</i>	\$52,610,067	\$93,180,735 <sup>(5)</sup>	\$106,554,616	62.0%			
(2) <b>HOPE</b> <sup>(2)</sup> <b>Total</b>	<b>\$5,787,600</b>	<b>\$8,255,201</b>	<b>\$8,255,201</b>		<b>\$2,467,601</b>	<b>42.6%</b>	
<i>portion from State General Funds</i>	\$0	\$431,727	\$431,727	5.2%			
<i>portion from Lottery Revenues</i>	\$5,787,600	\$7,823,474	\$7,823,474	94.8%			
<b>Sutotal Merit Programs</b>	<b>\$134,318,739</b>	<b>\$227,723,495</b>	<b>\$229,532,153</b>		<b>\$95,213,414</b>	<b>70.9%</b>	
<i>portion from State General Funds</i>	\$60,599,473	\$95,228,258	\$84,876,823	37.0%			
<i>portion from Barnwell Revenues</i>	\$6,270,560	\$1,213,788	\$0	0.0%			
<i>portion from Lottery Revenues</i>	\$67,448,707	\$131,281,449	\$144,655,330	63.0%			
(2) <b>Lottery Tuition Assistance (2-yr)</b> <sup>(2)</sup> <b>Total</b>	<b>\$34,000,000</b>	<b>\$47,000,000</b>	<b>\$47,000,000</b>		<b>\$13,000,000</b>	<b>38.2%</b>	
(3) <b>Need-based Grants</b> <sup>(3)</sup> <b>Total</b>	<b>\$15,478,497</b>	<b>\$23,631,566</b>	<b>\$23,631,566</b>		<b>\$8,153,069</b>	<b>52.7%</b>	
<i>portion from State General Funds</i>	\$6,207,938	\$10,786,212	\$12,000,000	50.8%			
<i>portion from Barnwell Revenues</i>	\$6,270,560	\$1,213,788	\$0	0.0%			
<i>portion from Lottery Revenues</i>	\$3,000,000	\$11,631,566	\$11,631,566	49.2%			
(4) <b>Tuition Grants</b> <sup>(4)</sup> <b>Total</b>	<b>\$22,369,269</b>	<b>\$29,503,352</b>	<b>\$29,503,352</b>		<b>\$7,134,083</b>	<b>31.9%</b>	
<i>portion from State General Funds</i>	\$19,369,269	\$21,736,748	\$21,736,748	73.7%			
<i>portion from Lottery Revenues</i>	\$3,000,000	\$7,766,604	\$7,766,604	26.3%			
<b>TOTAL All Programs</b>	<b>\$206,166,505</b>	<b>\$327,858,413</b>	<b>\$329,667,071</b>		<b>\$123,500,566</b>	<b>59.9%</b>	
<i>portion from State General Funds</i>	\$86,176,679	\$127,751,218	\$118,613,571	36.0%			
<i>portion from Barnwell Revenues</i>	\$12,541,119	\$2,427,576	\$0	0.0%			
<i>portion from Lottery Revenues</i>	\$107,448,707	\$197,679,619	\$211,053,500	64.0%			

NOTE: The appropriations except as noted above represent only initial program funds as provided per the Appropriations Act. State General Funds and Lottery Funds are included. In addition, Barnwell Revenues that are appropriated for the Education Endowment are included. The Education Endowment for higher education is funded at \$24,000,000 annually (per statutory provision) through Barnwell Nuclear Waste Facility revenues and State General Funds to make up the difference if Barnwell funds aren't sufficient. As of FY 2011-12, the Education Endowment is funded wholly with State General Funds. The Education Endowment funds are split equally between the Palmetto Fellows and Need-based Grant programs.

(1) For the Palmetto Fellows and LIFE programs, additional amounts above initial appropriations may be provided since these are "open-ended" programs and qualified students are provided the awards. FYs 2002-03 - 2005-06 and FY 2009-10 (not shown here) and include surplus lottery funds for this purpose. FY 2009-10 includes for LIFE surplus funds of \$3,045,735. Note for Palmetto Fellows and LIFE the General Assembly passed legislation effective FY 2008-09 that provided additional stipends beginning in the sophomore year to recipients of Palmetto Fellows and LIFE who are majoring in identified math, science, engineering and health-related majors and increased the amount of the Palmetto Fellows award beginning in the second year for all recipients.

\* FY 2009-10 through FY 2011-12 are beginning year appropriations. Per footnote 1, additional funds may be appropriated for open-ended programs. Merit programs have been fully funded by the General Assembly with regard to anticipated program needs.

(2) HOPE and Lottery Tuition Assistance for 2-Year Institutions have been funded to date only with lottery revenues with the current year exception for HOPE which received general funds in FY2010-11 and FY2011-12.

(3) For CHE Need-based Grants program a statutory provision requires that a portion of the available Need-based Grant funds each year must be allocated to independent institutions based on their share of full-time, in-state undergraduate enrollment in the prior fall. In fall 2008, the percentage enrollment for the independents is 18.3%. See also note 4 regarding Tuition Grants.

(4) Tuition Grants is a program managed by the South Carolina Tuition Grants Commission and provides need-based grants to qualified students at SC's Independent Colleges and Universities. The program receives funding from the Need-based Grant program as described in footnote 3.

(5) FY 2010-11 includes excess unclaimed prize funds of \$5,809,819 for merit scholarships which are included in LIFE lottery appropriations.

Other: Not reflected here is information concerning student financial aid incentive programs for SC National Guard members. As of 2007, a college assistance program was made available to Guard members in lieu of a prior loan repayment program for Guard members. The loan repayment program is being phased out as of 2007 and was closed to new participants with the passage of the college tuition assistance program. The college assistance program is appropriated \$1.7 million in lottery funds in FY 2011-12.

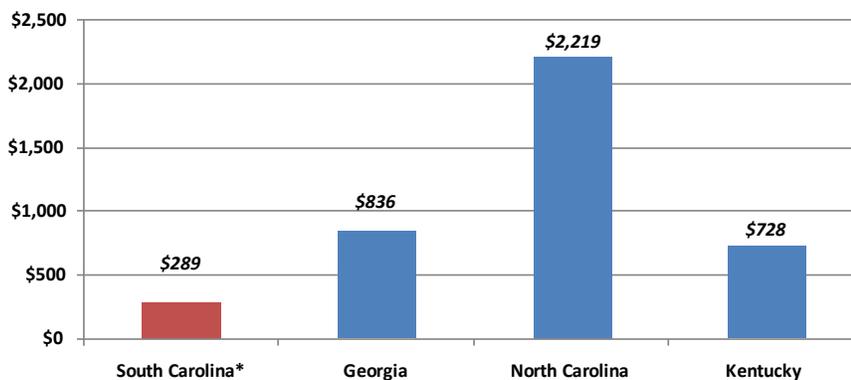
Source: Data are from appropriation acts and [www.budget.sc.gov](http://www.budget.sc.gov) for balance of excess unclaimed prize funds at year-end. Note FY 2008-09 includes the 2008 Rescission Bill (H.5300, Act 414) enacted 11/7/08.

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- In SC, higher education has received almost nothing for its capital project needs since 2000 which puts increased pressure on resources and the need for increased tuition and fees.
- Capital is a normal operating cost – not an exceptional or unusual one.
- Good comparative data on higher education funding should include capital, and when this is done we fall much farther behind others than where we are now.
  - A state comparison of capital appropriations for South Carolina, North Carolina, Georgia, and Kentucky is found below.
- The latest data reflect nearly \$1 billion in maintenance and infrastructure repair and renovation needs across the state’s public colleges and universities
- Investing as soon as possible in urgently needed capital offers the prospect of getting interest rates at a historical low while paying the bonds off in a rising economy. A good deal!

<b>State Support for Operating and Capital Budget</b>			
<b>State</b>	<b>Average Educational Appropriation per FTE, FYs 1997-2006</b>	<b>Average Capital Support per FTE last ten years</b>	<b>Total</b>
<b>NC</b>	<b>\$6,973</b>	<b>\$2,219</b>	<b>\$9,192</b>
<b>GA</b>	<b>\$7,442</b>	<b>\$836</b>	<b>\$8,278</b>
<b>KY</b>	<b>\$6,293</b>	<b>\$728</b>	<b>\$7,021</b>
<b>SC</b>	<b>\$4,831</b>	<b>\$289</b>	<b>\$5,120</b>

**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-FUNDED SCHOLARSHIPS AND GRANTS FOR STUDENTS

The state appropriates recurring general funds, non-recurring funds, and lottery funds to support the merit-based and need-based scholarships and grants for resident SC undergraduates. **These funds are provided to students toward college costs and assist our state's students and families with college affordability.**

The merit-based undergraduate programs are Palmetto Fellows, LIFE and SC HOPE. Students meeting the required qualifications for these programs are guaranteed funding.

The need-based programs include Need-Based Grants for students at public colleges and universities and SC Tuition Grants for students enrolled in the state's independent colleges and universities. Lottery Tuition Assistance provides grants for students enrolled at SC's two-year colleges and universities. In FY 2011-12, approximately \$330 million is appropriated across the undergraduate merit- and need-based programs as detailed in the following table. Merit-based programs continue to be fully funded for anticipated growth.

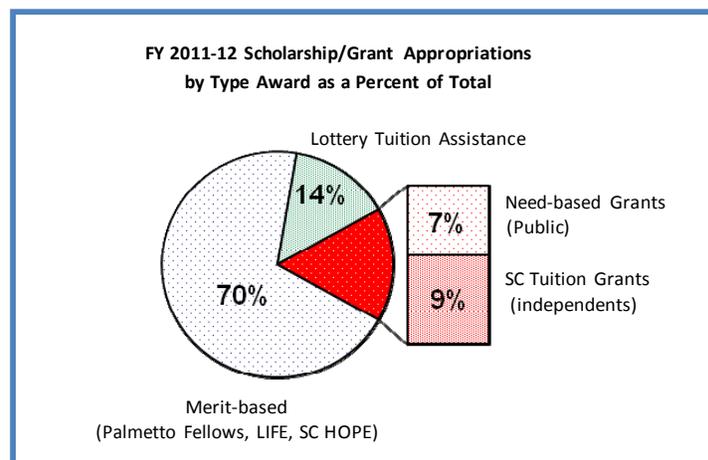
**However, the demands of keeping pace with the scholarships are placing increasing pressure on state funding which has declined and lottery funds which have remained at similar levels in recent years.**

- Of the \$330 million appropriated for FY 2011-12 for student financial aid programs, approximately 64% of the funding is from lottery funds and 36% from state general funds.
- Palmetto Fellows, LIFE and the need-based programs existed prior to the implementation of the SC Education Lottery in 2002. With the lottery, the scholarship and grant programs were expanded to include SC HOPE and Lottery Tuition Assistance.
- Appropriations (state and lottery) for all of the programs have grown from \$206 million in FY 2002-03 to \$330 million in FY 2011-12.

**Need-based student financial aid is a critical element for any state that seeks to enhance the participation in and completion of degree programs by students who have limited financial means.**

In recent years, funding for merit-based scholarship programs has grown to keep pace with increased numbers of eligible students, but funding for need-based grants has not. This creates the appearance that the appeal of merit aid has diminished the importance attached to need-based programs. As a result, a significant imbalance exists and continues to grow between merit- and need-based student aid programs.

**Need-based aid programs represent 16% of the undergraduate student financial aid appropriations, merit-based programs 70%, and lottery tuition assistance at two-year institutions 14%.**



*Affordability is a key concern in increasing South Carolina's education levels:*

- *Net cost of college—tuition minus financial aid—is a big factor in participation.*

*Change in our education levels will have to come overwhelmingly from the lowest income groups of our society.*

- *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.*
- *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.*

## **Program Awards and Dollars Awarded for the State's Undergraduate Merit-based and Need-based Programs, FYs 2006-07 to 2010-11**

### **South Carolina State-Funded Undergraduate Merit- and Need-Based Scholarships and Grants**

#### **Number of Awards**

	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Palmetto Fellows	4,846	5,218	5,590	5,971	6,231
LIFE	29,838	30,641	31,004	33,271	33,851
HOPE	2,605	2,804	2,724	2,888	3,058
Lottery Tuition Assistance	42,033	42,017	45,628	40,445	37,789
Need-Based Grants	14,854	14,787	15,263	15,486	15,938
Tuition Grants	11,735	12,461	12,801	14,200	14,451

#### **Dollars Awarded**

	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Palmetto Fellows	\$31,410,350	\$40,478,125	\$44,035,892	\$46,777,362	\$48,937,333
LIFE	\$134,337,002	\$147,916,296	\$150,595,333	\$160,977,991	\$164,368,552
HOPE	\$6,295,751	\$7,117,245	\$7,037,260	\$7,440,767	\$7,751,656
Lottery Tuition Assistance	\$48,712,469	\$43,006,457	\$47,641,997	\$43,070,124	\$40,370,257
Need-Based Grants	\$19,251,792	\$18,959,711	\$21,820,397	\$21,737,884	\$21,565,941
Tuition Grants	\$31,457,949	\$37,748,012	\$37,783,612	\$34,056,274	\$33,993,261

#### **SC also provides funding for Other State-Supported Student Assistance Programs Including:**

*SC National Guard College Assistance Program (SCNG CAP) – This program provides incentives for students to enlist in the SC National Guard. The program was passed in 2007 and replaced a loan repayment program provided previously. In FY 2011-12, the SC National Guard College Assistance Program is supported with an appropriation of \$1,791,734.*

SREB Contract Programs (Optometry and Veterinary Medicine) and Services. – South Carolina participates in SREB, consortia of 16 southeastern states. CHE pays fees and assessments for SREB participation and to contract for student slots in two professional programs not available in SC. SREB participation allows SC access to data and research resources, student programs such as the Academic Contract program which enables our students to participate in programs in other states at in-state rates, and also the SREB Student Contract Programs in Optometry (24 students) and Veterinary Medicine (104 students). CHE's appropriation for FY2011-12 totals \$3,545,837, \$2,885,908 in recurring base funds and \$591,019 in non-recurring funds. For FY2012-13 total funding required to enable SC to continue participation at the same level is \$3,539,127, a total increase requested in recurring funds of \$551,309.

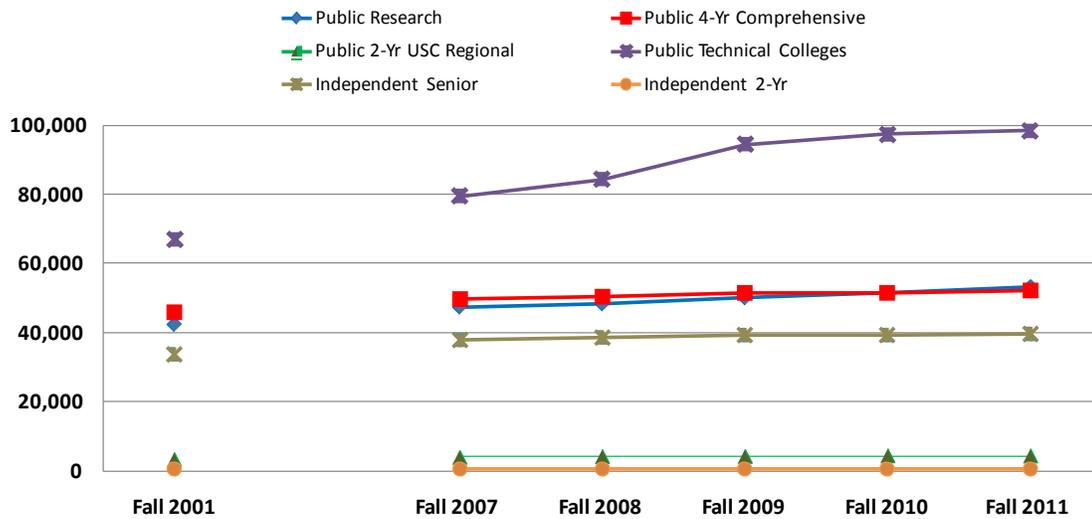
Higher Education enrollment continues to grow. This year fall enrollment at SC public institutions grew by nearly 2% with the largest growth experienced by research institutions (3% increase). Over the past ten years, enrollment at SC Public institutions has grown 31% with the largest growth (47%) in the technical colleges.

**Trend in Headcount Enrollment in South Carolina's Public and Independent Colleges**

	Fall 2001	Fall 2007	Fall 2008	Fall 2009	Fall 2010	Fall 2011	% Change over 1 Year 10 to 11	% Change over 10 Years 01 to 11
<b>Public Institutions</b>	<b>158,661</b>	<b>180,479</b>	<b>187,253</b>	<b>200,204</b>	<b>205,080</b>	<b>208,302</b>	<b>1.6%</b>	<b>31.3%</b>
Research	42,398	47,394	48,333	50,106	51,608	53,313	3.3%	25.7%
4-Yr Comprehensive	45,937	49,719	50,417	51,401	51,592	52,262	1.3%	13.8%
2-Yr USC Regional Campuses	3,335	3,983	4,233	4,263	4,460	4,409	-1.1%	32.2%
Technical Colleges	66,991	79,383	84,270	94,434	97,420	98,318	0.9%	46.8%
<b>Independent Institutions</b>	<b>34,319</b>	<b>38,632</b>	<b>39,236</b>	<b>40,217</b>	<b>40,239</b>	<b>40,263</b>	<b>0.1%</b>	<b>17.3%</b>
Independent Senior	33,684	37,835	38,486	39,409	39,449	39,460	0.0%	17.1%
Independent 2-Yr	635	797	750	808	790	830	5.1%	30.7%
<b>Statewide Total</b>	<b>192,980</b>	<b>219,111</b>	<b>226,489</b>	<b>240,421</b>	<b>245,319</b>	<b>248,565</b>	<b>1.3%</b>	<b>28.8%</b>

\*Fall 2011 enrollment data for Independents includes estimated data for three institutions, 3/21/2012

**SC Public and Independent Colleges Fall Headcount Enrollment by Sector**



**SC Public Colleges and Universities, Fall 2011 Headcount Enrollment**

	Fall 2011 Headcount	Percent of Headcount that is:		
		SC*	Under-Graduate	Full-Time
<b>Public</b>	<b>208,302</b>	<b>85%</b>	<b>91%</b>	<b>66%</b>
Research Universities	53,313	68%	72%	86%
Comprehensive Teaching	52,262	78%	91%	83%
Two-Year Regional	4,409	95%	100%	51%
Technical Colleges	98,318	97%	100%	46%
<b>Independent Institutions</b>	<b>40,263</b>	<b>**</b>	<b>88%</b>	<b>**</b>
<b>SC Total</b>	<b>248,565</b>	<b>**</b>	<b>90%</b>	<b>**</b>

\*SC residents for fee purposes, Residents 1 and Exception Categories A-E, G-H.

\*\* Data for Independents includes estimated data for three institutions. Missing data not yet available.

**Out-of-State Students**

- CHE data show conclusively that the tuition paid by out of state students more than covers the costs of their education.
- The fact is that the presence of out-of-state students substantially lowers tuition for South Carolina residents.
  - CHE’s data are statewide: individual institutions can provide detailed information.
- Out-of-state students also contribute significantly more than their in-state peers to their higher education facilities .

Statewide Cost Data – A Macro-Level Estimate

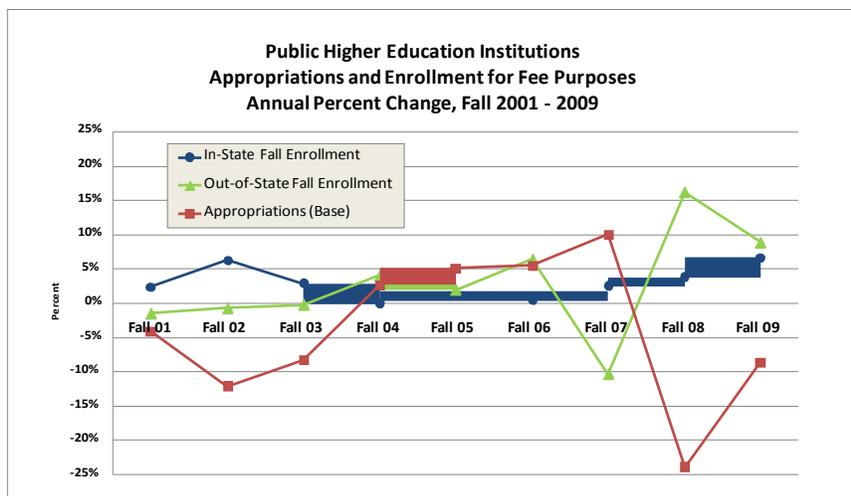
*Do Out-of-State Students Cover 100% of the Cost? YES!*

*Considering Public Research and 4-Year Institutions:*

	In-State	Out-of-State
Estimated Tuition & Fees Revenue	\$632.8M	\$325.7M
State Appropriations for Operations	478.6M	0
Total Operational Support	\$1,111.4M	\$325.7M
# Full-time Equivalent (FTE) Students	73,897	16,584
Average support per Student	\$15,039	\$19,642
<b>Difference (Out-of-State minus In-State Support)</b>		
<b>Additional Support per Out-of-State Student</b>	<b>= \$4,602</b>	
<b>Total Additional Support from Out-of-State (Difference x Out-of-State FTE)</b>		
	<b>~ &gt; \$70 M</b>	
<i>M = millions</i>		

*\*Estimate at the state level. Institutions can provide institutional-specific breakdown.*

Growth vs Change in State Support



## UNDERSTANDING THE PRICE OF HIGHER EDUCATION (TUITION) IN ECONOMIC CONTEXT

If we accept the value proposition in higher education and the State’s responsibility to ensure it, can’t we offset the need for greater state investment with management or organizational reforms?

- We should always do everything we can to improve efficiency and productivity.
- But, the assumption that there is significant existing inefficiency is wrong.
  - South Carolina’s colleges and universities are already deeply focused on the issue of efficiency and have been for years. There are many examples of innovation in our state.
    - One is certainly the joint School of Pharmacy between USC and MUSC. A true national leader. The Charleston institutions are well advanced in shared purchasing.
    - The Technical College System has some great ideas about sharing services. Coastal Carolina and Horry-Georgetown Tech are institutions in different sectors that share services, including security.
    - These are just a few examples of the many programs and actions that show efficiency is very much on the minds of South Carolina’s excellent presidents and has been for a long time.
    - As to the program duplication issue that is often cited, some duplication—e.g. all teach English composition and basic mathematics—is inherent in any higher education system. In South Carolina, CHE’s program approval process has aided in keeping in check unnecessary duplication. For details on this issue, see <http://www.che.sc.gov/AcademicAffairs/PERSPECTIVESONPROGRAMDUPLICATION-1d.pdf>

The fact is, it’s the structure of the economy that drives the cost of higher education.<sup>1</sup>

### Costs Rise Faster In Service Industries than for Goods

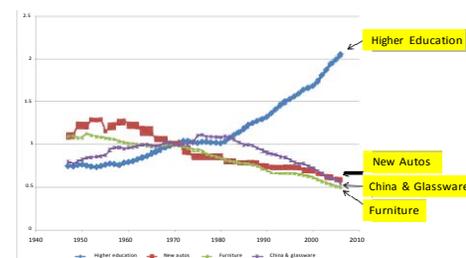
- Example: tires vs. dentists<sup>2</sup>
  - An hour of dental service costs one car tire.
  - Price of tires (a good) goes down as technology creates efficiency, mainly by replacing labor with machinery.
  - Price of a dentist’s service doesn’t go down as much because technology improves quality but has less impact on productivity—time of the dentist is still required.
  - Over time, the number of tires needed to pay for an hour of dental service will go up.
  - The idea that this is bad is wrong—everyone can still be better off and most usually are when technology increases productivity.

### Higher Education is a Service

- Cost Curve Is Typical for Services

**Figure 4**

**Higher Education is a Service  
Cost Curve Is Typical for Services**



The Real Price of Higher Education Compared to the Real Price of Selected Durable Goods, (1970=1)

Source: Archibald and Feldman (2010). *Why Does College Cost So Much?*, Figure 2.1, page 21.

<sup>1</sup>The graphics and much of the analysis used here are from *Why Does College Cost So Much?* By Robert B. Archibald and David H. Feldman (Oxford: Oxford University Press, 2011).

<sup>2</sup> Note that economists use sophisticated metrics to ensure comparability of prices. So, for example, the longer life of current tires vs. those of 50 years ago is taken into account.

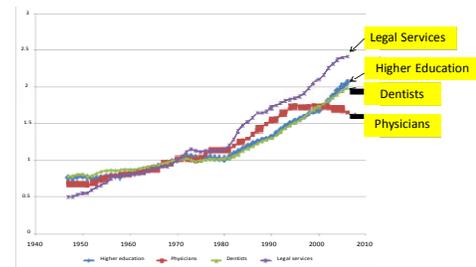
### Higher Education Uses Highly Educated People

- Cost Curve is Typical for Other Businesses that Use Highly Educated People

**Figure 5**

### Higher Education Uses Highly Educated People

Cost Curve is Typical for Other Businesses that Use Highly Educated People



The Real Price of Higher Education Compared to the Real Price of the Services of Physicians, Dentists, and Lawyers, (1970=1)

Source: Archibald and Feldman (2010). *Why Does College Cost So Much?*, Figure 2.4, page 25.

- Demand after 1980 a big problem for colleges and universities which pay about 81% of wages to highly educated people.
- Note the double leveraging effect. If most of your budget is for machines or facilities, your maintenance costs will be stable. But if most of your budget is for people, you will be spending comparatively more because the services people require to continue to operate —e.g. healthcare—are comparatively much higher than those needed for equipment and facilities.

### Three big drivers of tuition:

- Rising wages of highly educated
- Technology largely increases quality rather than efficiency and therefore adds cost
  - Advanced instruments in, for example, biology, don't lower instructional time and do add cost. If you don't buy the technology, no one will hire your graduates. A fact: the output of higher education is the input of business and industry, and our colleges and universities have to be very aware of that.
- Withdrawal of state support
  - South Carolina, like many other states, has withdrawn appropriations from higher education to fund tax reductions, Medicaid, K-12, and prisons.

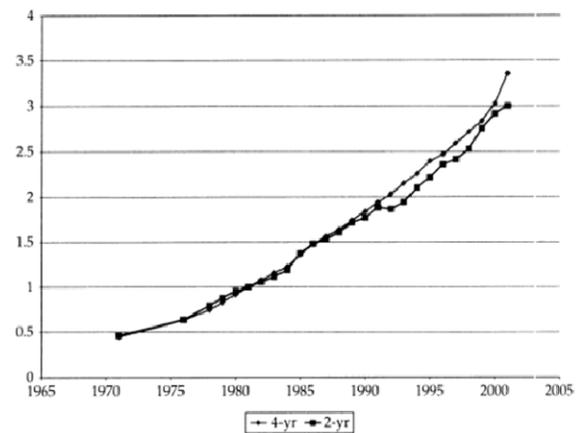
### Four-Year and Two-Year Public Institutions: a Comparison of Expenditures

**Figure 6**

#### Current Fund Expenditures. Four-Year and Two-Year Public Institutions,

**1971-2001.** If the cause of tuition growth at universities was “gold-plated dormitories,” expensive student facilities, etc. then expenditures would look different than at two-year institutions which don't have these facilities. But the curves are the same—the drivers of cost and tuition are not in waste.

Source: Archibald, R. and Feldman, D.H. (2011) *Why Does College Cost So Much?*, Figure 7.2, p.108.



### Can't Technology Lower the Price of Higher Education?

- Maybe some, but not a lot. Colleges and universities have, as with other service industries, effected the usual improvements in such areas as computerized records, ending the use of clerk typists, etc. But there is only so much you can do in these areas--most of a college or university's expenditure is in instruction and instructional support.
- There is limited potential for technology to lower costs in instruction:
  - Online courses usually take more faculty time. In the best case, they save little if done well.
  - People won't pay to be taught by machines—they perceive value in person to person contact and there's good reason to believe they're right.
  - Motivation/ self-discipline matters:
    - A 30-year old Army veteran is a good candidate for online instruction.
    - An 18-year old HS grad much less so.

### Summary

- The reason for rising tuition isn't inefficiency or duplication or the like.
- Tuition is increasing for the same reasons and at the same rate as other services that use highly educated workers and can't automate or outsource.
- The price of public higher education actually looks good when you consider the cut in state support.