



SC Commission on Higher Education

Dr. Garrison Walters, Executive Director

Information on Higher Education and FY 2012-13 Priorities

for presentation to

SC Senate Education Committee

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January 18, 2012

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BRIEFING OVERVIEW

These brief remarks will touch on four key areas:

- 1) why higher education needs to be a long-term priority for South Carolina;
- 2) what rising tuition really means;
- 3) where we stand in higher education funding in South Carolina; and
- 4) higher education's priorities for the upcoming budget.

An Appendix with additional information on key topics of interest is attached.

1) WHY HIGHER EDUCATION NEEDS TO BE A LONG-TERM PRIORITY FOR SOUTH CAROLINA: THE SOARING VALUE OF HIGHLY EDUCATED PEOPLE IN TODAY'S KNOWLEDGE ECONOMY

Investing More In Higher Education As Soon As Practicable Is A Choice We Have To Make.

- Back in the 1960s, South Carolina was a leader in adjusting to the economy's need for more workers with advanced technical skills—the South Carolina Technical College System became a national model.
- Unfortunately, from the perspective of investment, South Carolina has not been leading in the next economic shift, the one to knowledge.
 - Our institutions have the right focus:
 - For example, the technical colleges have long since changed their teaching. They are no longer just imparting static skills; instead they collaborate with industry and partner with communities to focus on instruction in understanding the principles and purposes of systems because they know their graduates won't be working with the same equipment for more than a few years. Our technical colleges know that their graduates must be prepared to adjust to continuous, rapid change.
 - Our universities have also evolved and are leading the way into the knowledge economy. The research universities are creating new knowledge and preparing those who will continue to advance learning. The much under-appreciated comprehensive universities are educating people who have the analytical and critical thinking abilities to manage and lead in an environment of continual change. (The comprehensives are also contributing to the research emphasis, as they prepare many students for graduate school in an array of disciplines).
 - The process of continual change began in the 1980s. The federal Bureau of Labor Statistics (BLS) projected this decade as a time of growth in durable goods manufacturing. Instead it was

one of rapid expansion of services, with computer-based technology leading the way. In 1980, there were no personal computers in the U.S. In 1990, there were on the order of 50 million. Pervasive computing led to a huge growth in productivity in the US. The change was fueled not by the technology itself but by people who knew how to use it. PCs were available around the world but the US, with a much greater supply of highly educated people, far outstripped other nations in using them to increase productivity. To illustrate the nature of change, whole industries restructured from traditional vertical integration to vastly more efficient horizontal integration (an example is the rise in supplier networks vs. in-house divisions in automobile manufacturing).

- A key point is that the rapid expansion in knowledge-based business created a shortage of highly educated people, therefore driving up their salaries vs. those of others. The shortage persisted until the beginning of the Great Recession and is expected to resume as the economy picks up momentum. This fact explains much of the increase in the price of higher education (tuition). We'll come back to that. But next let's look at some indicators of the increasing importance of higher education.

Higher Education's Return on Investment

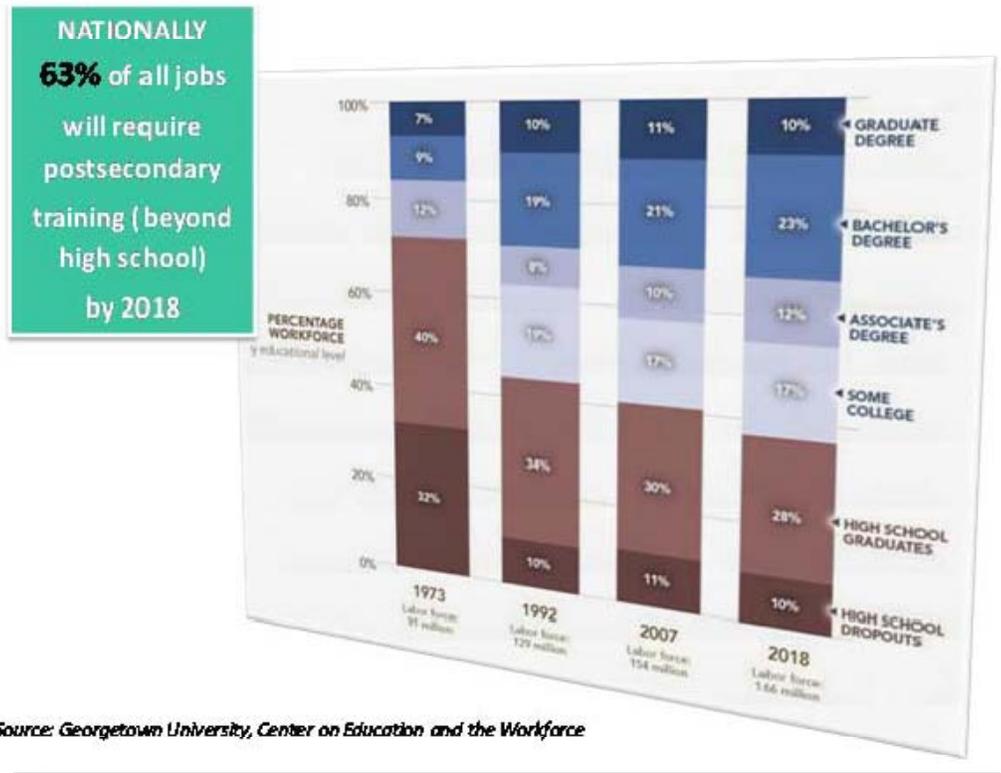
HESC's Action Plan and the ROEI

- The return on investment in education is huge. In 2009, the South Carolina Higher Education Study Committee (HESC) asked USC's Darla Moore School of Business to investigate the economic benefits of higher education, as expressed in the HESC's Action Plan goal of South Carolina becoming one of the 15 most educated states. The results of the study demonstrate striking benefits for South Carolina's Economy.
 - During the next twenty years, while we work toward the goal (from 2010-2030), there will be an average annual benefit of \$11 for every \$1 invested. That's net of all government and personal expenditures.
 - After reaching the goal in 2030: The difference between highly educated South Carolina in comparison to South Carolina on the path it's on now:
 - \$6.9 billion increase in total personal income
 - \$7.8 billion increase in gross state product
 - Each \$1 invested in higher education in 2030 boosts South Carolina's annual gross state product by \$25
 - All these numbers will continue to increase each year.
- There are also powerful benefits to the individual – the lifetime income of the average full-time worker in SC with a bachelor's degree (after subtracting for the costs of higher education is \$2.5 million vs. \$1.2 million for high school graduates—other degrees provide similar benefits.
- The benefits of higher education extend beyond raising income for South Carolinians.
 - Educated individuals pay substantially more taxes and place significantly lower burdens on government programs.
 - Positive impacts that increase the return are associated with lower unemployment, less poverty, better health, higher labor force participation, and less incarceration.
- Texas and Virginia have recently completed return on educational investment studies similar to that done by the Moore School and have nearly identical results. (The Virginia study was commissioned by business leaders.)

Has the Great Recession changed these projections?

- No. See graphic.

Figure 1



- There are two reasons why the demand for highly educated people (this includes people with two-year degrees and certificates) will continue to increase: 1) the shortage is still there, it's just less visible with the decline in the economy; and 2) the shortage will be exacerbated as the highly educated Baby Boom generation finally starts to retire.
- Note that higher education has become a highly competitive environment—nearly all states are focusing on their colleges and universities as key drivers of an economic growth strategy.
 - North Carolina is certainly a model. This state has invested far above the national average in higher education and has seen corresponding benefits.

North Carolina in Per Capita Income

State	Rank in Per Capita Income			Per Capita Income			Percent of US average in 2010
	1960	2000	2010	1960	2000	2010	
Kentucky	47	41	45	\$1,618	\$24,786	\$33,348	82.2%
North Carolina	46	31	36	\$1,621	\$27,914	\$35,638	87.8%
South Carolina	49	40	46	\$1,428	\$25,081	\$33,163	81.7%

Source: SREB Postsecondary Education Fact Book online resources, FB11_09.xls, accessed 12/20/11. US and rank includes DC.

- Does North Carolina’s Success Correlate to its Increasing Levels of Higher Education?
North Carolina in education levels

Figure 3

State	Population 25 years and over with a Bachelor’s Degree of Higher					
	Percent			Rank		
	1960	2000	2009	1960	2000	2009
Kentucky	4.9%	17.1%	20.4%	49	48	48
North Carolina	6.3%	22.5%	26.2%	39	29	27
South Carolina	6.9%	20.4%	23.8%	31	41	40
United States	7.7%	24.4%	27.8%	-	-	-

SREB Postsecondary Education Fact Book online resources, FB11_02_06.xls, accessed 12/20/11.
US and rank includes DC.

The Bottom Line on States and Higher Education

- The value of unskilled and low-skilled labor in today’s market has fallen sharply and will continue to fall.
 - That least-educated segment of the workforce will see further declines in wages and ever higher unemployment.
 - Any state or region basing its economic strategy on anything other than highly educated people is going to be hammered in the same way as those low-skilled individuals. It will not be possible to offset the structural problem of an undereducated workforce with low taxes or high relocation incentives.

2) 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/CHE_Docs/AcademicAffairs/PERSPECTIVESONPROGRAMDUPLICATION-1d.pdf

The fact is, it's the structure of the economy that drives the cost of higher education.¹

Costs Rise Faster In Service Industries than for Goods

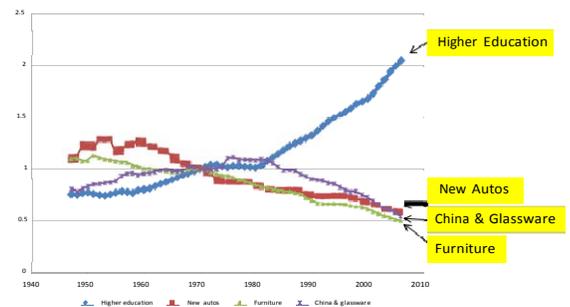
- Example: tires vs. dentists²
 - An hour of dental service costs one car tire.
 - Price of tires (a good) goes down as technology creates efficiency, mainly by replacing labor with machinery.
 - Price of a dentist's service doesn't go down as much because technology improves quality but has less impact 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)

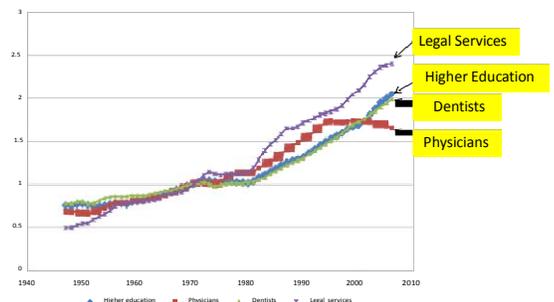
Source: Archibald and Feldman (2010). *Why Does College Cost So Much?*, Figure 2.1, page 21.

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.

¹The 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).

² 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.

- 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:

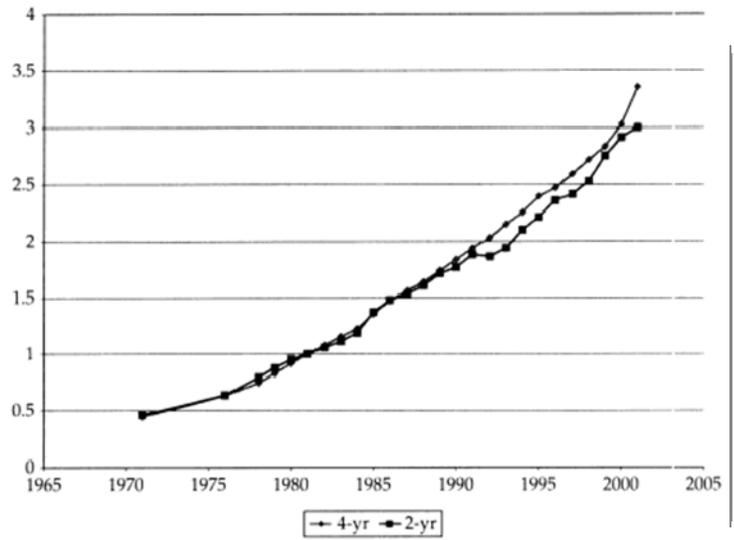
- Rising wages of highly educated
- Technology largely increases quality rather than efficiency and therefore adds cost
 - Advanced instruments in, for example, biology, don't lower instructional time and do add cost. If you don't buy the technology, no one will hire your graduates. A fact: the output 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

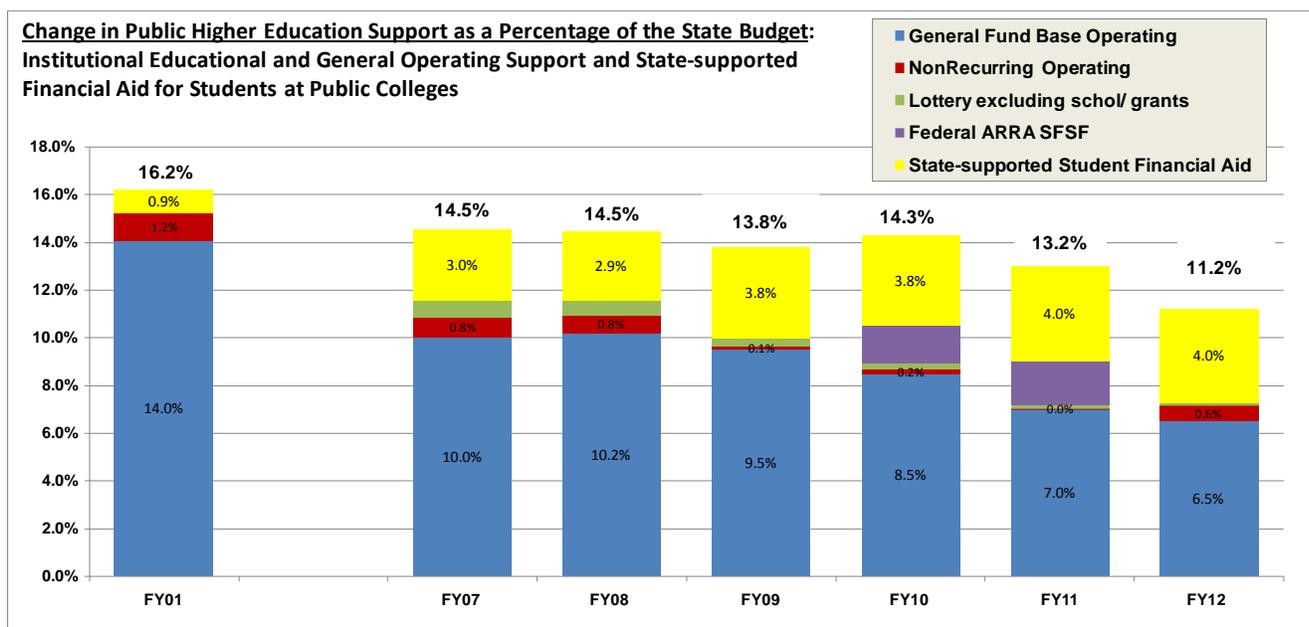
- The reason for rising tuition isn't inefficiency or duplication or the like.
- Tuition is increasing for the same reasons and at the same rate as other services that use highly educated workers and can't automate or outsource.
- The price of public higher education actually looks good when you consider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

3) THE STATUS OF HIGHER EDUCATION FUNDING IN SOUTH CAROLINA

The idea that cuts to higher education are comparable to recession-driven reductions affecting other sectors of state government is not consistent with the facts. The cuts to higher education have been going on longer and have had a far greater impact.

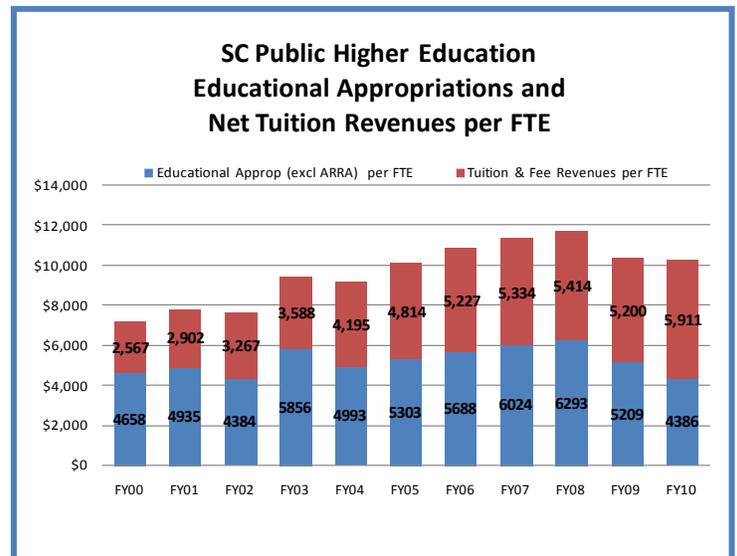
As illustrated in Figure 7 below, higher education support for public institutions and South Carolina students attending our institutions has fallen over the past 20 years to 11.2% inclusive of funds provided to students through the state-supported merit- and needs-based scholarships and grants.

Figure 7



Despite the continued loss of funds again this year, our public colleges and universities kept tuition increases to a minimum with the average increase for in-state students less than 4%. While the decreases in state support have shifted a larger burden to students over the past decade, jeopardizing affordability and access, recent increases in tuition and fees have not made up for the reductions in state funding. The graphic at right illustrates that the total of tuition revenues (net of state supported student financial aid) and educational appropriations (including state-supported financial aid) in actual dollars remain below levels of FY 2007-08 and is only slightly higher than FY 1999-2000. During this timeframe, FTE enrollment increased by nearly 39,000 or 30%.

Figure 8



Source: State Higher Education Executive Officers (SHEEO), State Higher Education Finance, FY2010

The idea that South Carolina’s investment in higher education is comparable to the nation’s leaders is not consistent with the facts—indeed we are at best below average.

A longstanding annual national survey on State Fiscal Support of Higher Education shows SC with the greatest decline in state support for higher education funding over 5 years (FY06 - FY11). The survey considers state support for higher education and includes all state tax appropriations and other state monies (inclusive of ARRA SFSF funds in FYs 09-11) for colleges and universities, state boards, and state-supported scholarships and grants.*

SC ranked 50th with a percent change of minus 11.3% compared to average change for US of plus 12.3% for the period of FY06 to FY11. Over this timeframe, NC’s state support grew plus 5.2% and GA’s by plus 13.1%. SC at minus 1.8% also showed the largest decline when considering the average annual percent change from FY06 to FY11; the US average annual percent change was plus 2.4%.

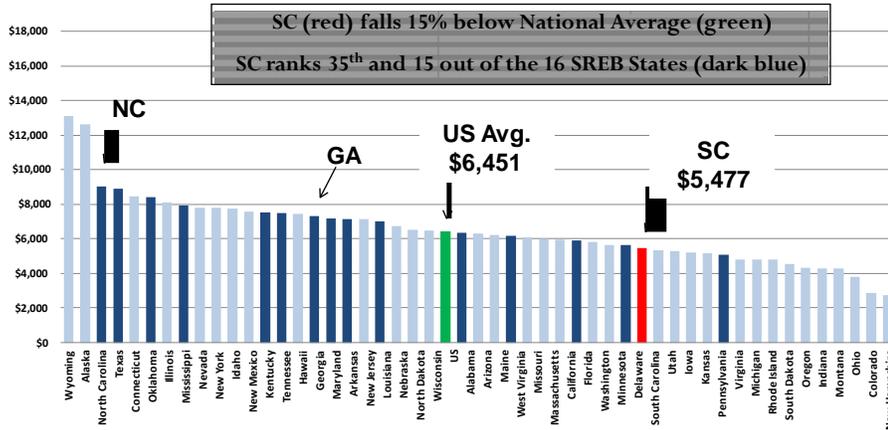
**A note about the data source:*

The data source is the Grapevine Survey: Annual Compilation of Data on State Fiscal Support for Higher Education. This survey has been conducted by the University of Illinois since the 1960s and recently in coordination with the State Higher Education Executive Officers (SHEEO) State Higher Education Finance (SHEF) Survey. The data reported above are accessible at http://grapevine.illinoisstate.edu/tables/FY11/Grapevine_Table1.xls, 12/20/11) The Grapevine data are foundational to the more detailed SHEEO Finance Survey Data that are reported annually.

Figures 9-12 on the following pages detail SC’s standing in comparison to other states in educational appropriations and tuition and fee revenues for public colleges and universities based on the annual SHEEO SHEF Survey.

Figure 9

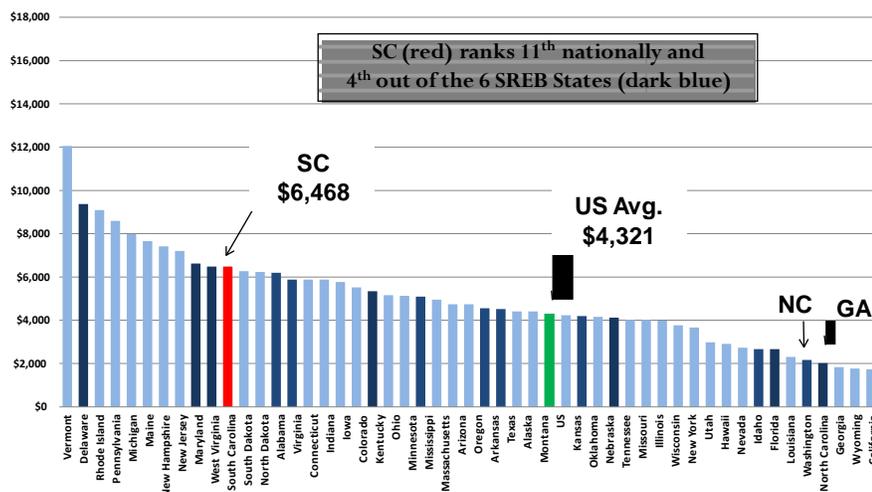
Educational Appropriations per FTE FY 2010 (with state-supported scholarships/grants)



Source: SHEEO State Higher Education Finance Survey, FY2010. Educational appropriations include federal ARRA Stimulus funds.

Figure 10

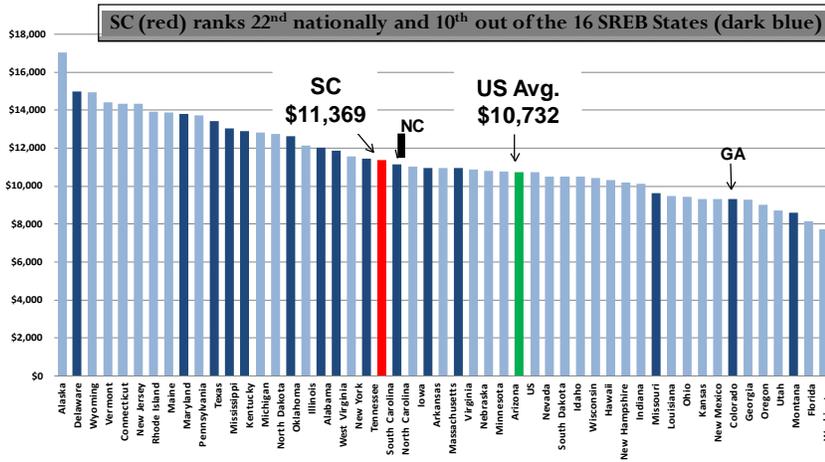
Net Tuition Revenue per FTE FY 2010



Source: SHEEO State Higher Education Finance Survey, FY2009. Net tuition revenue here is inclusive of portion of net tuition per FTE used for capital debt service.

Figure 11

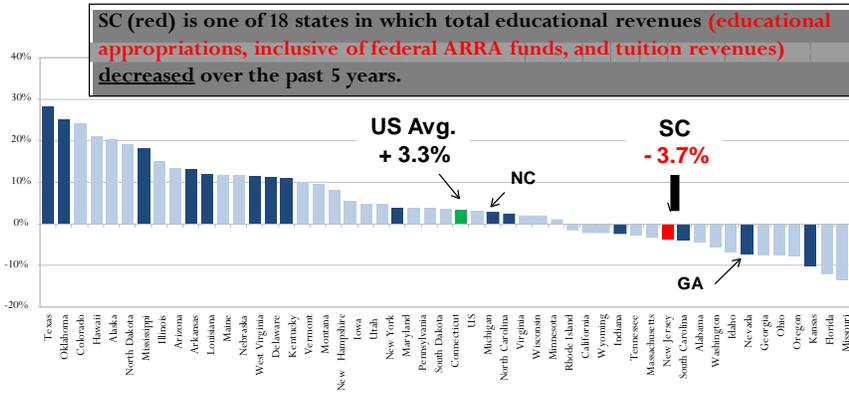
Total Educational Revenue Per FTE 2010



Source: SHEEO State Higher Education Finance Survey, FY2009. Total Educational Revenue per FTE; represents the sum of educational appropriations and net tuition is inclusive of portion of net tuition per FTE used for capital debt service.. Federal ARRA Stimulus funds are included.

Figure 12

Total Educational Revenue Per FTE 5 Year Percent Change – FY2005 to FY2010



Note: Dollars adjusted by 2010 HECA, Cost of Living Adjustment, and Enrollment Mix Index.

Source: SHEEO State Higher Education Finance Survey, FY2010. Total Educational Revenue per FTE represents the sum of educational appropriations and net tuition is inclusive of portion of net tuition per FTE used for capital debt service.. Federal ARRA Stimulus funds are included.

BOTTOM LINE:

We have to be realistic about our attitude toward higher education as a state priority, both with respect to other areas of our government and in comparison to other states.

The FY10 data show us doing a bit better than the national average, but that’s mostly due to a short-term tuition catch up. Also, as we’ll see later, these data don’t provide an accurate picture of total state support—if we really do the analysis right and include capital support states normally provide, South Carolina is much further behind.

4) HIGHER EDUCATION PRIORITIES FOR 2012-2013

BEGIN INCREASING THE STATE'S INVESTMENT IN CORE HIGHER EDUCATION FUNDING

- We understand the enormous pressures on the state budget but, in light of the beginnings of an economic recovery and in consequence of higher education's central role in sustaining and enhancing that recovery, we respectfully ask that the General Assembly begin the process of restoring the share of the state budget going to our colleges, universities, and student financial aid.
- Recognizing that the recovery will not be quick, we recommend that the state begin working over the next several years to begin to restore core state support that has been lost from our institutions and higher education programs since 2008. The institutions have lost nearly 50% of their state budgets. Many other important higher education programs have lost similar amounts. **Progressively increasing support as our economy recovers over the next four years would lessen the tuition and fee burden on students and families and support institutions as they enroll increasing numbers of students and strive to continually improve quality and student outcomes. A plan might include \$50 million in the first year, \$76 million in the second year and \$127 million in each of the next year two years – charting a course to replace lost funds and taking into account enrollment and inflation increases.**
- We recognize that there are many worthy needs in the state budget. But we also know that investment in higher education is one that will return \$11 for each invested, and that this return can help fund other public priorities over time.

CONTINUED SUPPORT OF STUDENT FINANCIAL AID PROGRAMS, WITH INCREASED EMPHASIS ON NEED-BASED AID, AND SUPPORT OF SREB STUDENT CONTRACT PROGRAMS

- Student financial aid programs are providing incentives for our students to enroll in and complete college programs in South Carolina. Need-based aid is a critical element for any state that seeks to enhance participation in and completion of degree
- The current financial aid portfolio is not balanced – as of FY12 merit programs (Palmetto Fellows, LIFE, SC HOPE) represent 70% (\$230 million) of approximately \$330 million in appropriated dollars for undergraduate scholarship and grant programs, whereas state need-based programs (CHE Need-Lottery Tuition Assistance at 2-year colleges 14% (\$47 million).
- **We request that in addition to continued support for FY13 at least at the current level and increased to the extent possible.**
- In concert with the technical colleges, **we also support funding increases to ensure LTA levels are continued at least at the current level (\$936 per semester) which the Technical College System has estimated will require an increase of \$2.1 million.** LTA 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.
- Southern Regional Education Board (SREB) contract programs offer students pursuing professional health degrees admission to schools in other states for the price of in-state tuition and fees. SC participates by contracting through SREB for seats for 24 students in Optometry and 104 students in Veterinary Medicine at 5 partner institutions. In recent years, SREB support has been provided through a combination of recurring and non-

The fact is the necessary 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.*

recurring funds. **To continue SREB participation at the current levels, base recurring dollars plus \$551,309 is requested.**

INVEST IN SMARTSTATE™ (FORMERLY THE ENDOWED CHAIRS OR CENTERS OF ECONOMIC EXCELLENCE PROGRAM)

- Funding for SmartState™, which began in FY03, was eliminated in FY09 and has not been restored. The SmartState™ Program has survived for the past four years on interest revenue accrued over the life of the program. This funding is depleting as additional centers come on line and projections are that without additional state support, the fund will be zero by the end of FY13. **CHE requests that the annual funding of \$30 million as required per §2-75-30 be restored to the greatest extent possible to continue this critical investment in South Carolina's future.**
- SmartState™ has resulted in direct investment approaching one billion non-state dollars in the South Carolina economy and the creation of approximately 7,000 jobs to date. An external evaluation by a prestigious national group cited the program 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.

SUPPORT THE LEADING EDGE OF EFFICIENCY AND PRODUCTIVITY – PASCAL ([HTTP://PASCAL.SC.ORG](http://pascal.sc.org))

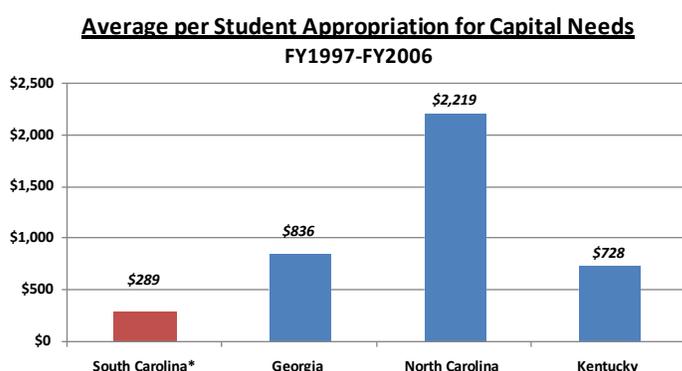
- PASCAL (Partnership Among South Carolina Academic Libraries – both public and independent colleges and universities) has enormous intrinsic value. PASCAL is a government best practice, providing at greatly reduced rates the cooperative sharing of 11.5 million academic books by courier service and millions of electronic scholarly articles by a common database to all of the state's public and private academic institutions. In FY05, the state began investing \$2 million annually in PASCAL, but with the economic downturn, funding was reduced to just under \$200,000 as of FY08. Increased institutional investment and a reduction in available electronic collections have enabled PASCAL to continue. For FY12, PASCAL was given first priority for \$1.5 million in excess unclaimed prize funds above the first \$12.4 million. Whether this funding will be realized is uncertain. **Restoration of the state's investment through recurring or one-time sources is important to PASCAL's continued success.**
- Shared licensing of electronic information resources not only provides a great return on investment for the state but also creates considerable vendor negotiation leverage for the state. To further optimize the state's investment in our libraries, PASCAL and the SC State Library are presently working collaboratively to negotiate a better deal for the state through combined purchases for the benefit of PASCAL and SC DISCUS.
- PASCAL must be sustained in order to maintain regional competitiveness; nearly all southeastern states, including GA and NC, maintain a virtual academic library.
- Failure to support PASCAL will undermine our ability to build greater synergy and efficiency in the system. If we won't support the first-class collaborative we already have, who will want to build new ones?

GIVE PRIORITY TO A BOND BILL OR NON-RECURRING FUNDS FOR CAPITAL NEEDS

- Higher education has received almost nothing for its capital projects 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 state 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. (See Figure 13.)
- Investing as soon as possible in urgently needed capital offers the prospect of getting interest rates at an historical low while paying the bonds off in a rising economy. A good deal!
- The latest data reflect nearly \$1 billion in maintenance and infrastructure repair and renovation needs across the state’s public colleges and universities. **Higher education greatly appreciated the General Assembly’s investment of one-time Capital Reserve Funding of \$39 million in FY12 for deferred maintenance needs. Recognizing that a bond bill is not likely for FY13, an investment of \$100 million in Capital Reserve Funds and other one-time funds in FY13 for our 33 public colleges and universities toward campus deferred maintenance will help meet needs and reduce costs that must otherwise be supported by students and families through tuition and fees.**

Figure 13



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

CONTINUE PROGRESS IN REGULATORY REFORM

- Higher Education greatly appreciates the regulatory reforms granted during 2011 with the passage of the Higher Education Administrative Procedures and Efficiencies Act. These reforms were a positive step forward; however, continued progress in reforming regulatory provisions for higher education remains an area of focus.
- CHE and our public colleges and universities will continue to work together and with the state’s leadership to identify and implement additional opportunities that continue the gains in improved operational efficiency and flexibility while also ensuring increased accountability to the state and its citizens.

A MORE STRATEGIC CHE OVERSIGHT ROLE

- During the many meetings the Higher Education Study Committee had around the state to discuss the Action Plan, CHE heard frequent concerns that there was insufficient coordination of higher education—that the public lacked a clear view of how the pieces fit together and why all are necessary. Building on these and on recent conversations with Presidents and others, CHE agrees it should take a stronger role in helping the public be sure that college and university plans create a coherent whole that effectively and efficiently meets the needs of the state, especially as stated in the Action Plan of March 2009.
- Steps to accomplish this include:
 - Consideration of revisions to CHE regulatory authority within the context of a strengthened or revitalized planning framework such that colleges and universities can move with confidence to implement approved plans.

-
- To ensure greater system coherence, effectiveness and efficiency in statewide planning, CHE working in close collaboration with a revitalized Council of Presidents should:
 - Use existing authority to provide the Governor, General Assembly, and public with an annual report that outlines recommendations, both statewide and by institution, on progress toward the goals of CHE's Action Plan for Higher Education. This should include specific comments on such issues as: success in serving South Carolinians, increasing participation and success of under-represented populations, enrollment growth, tuition policy, new academic program priorities, facilities needs, and shared infrastructure needs (both physical and operational).
 - In this context, CHE would seek necessary regulatory revisions to enhance its coordinating authority but would not seek governing authority on any of these factors. To do so would conflict with the responsibility of institutional boards of trustees.

CONCLUSION

- The State is not making a competitive investment in higher education and, over time, we have to change that. Careful, focused investment will be essential to the future prosperity of our citizens.
- CHE recognizes, though, that dollars alone will not be enough. Unless our citizens come to a greater appreciation of the value of education, including higher education, both for economic success and a higher quality of life, no amount of state money will get us where we need to be. Changing attitudes is something government can't do and that's why CHE is working with the Higher Education Foundation on the Know2 effort to help communities take leadership in communicating the importance of education to citizens of all ages and walks of life. We'd love to come back and talk about this more at some point.
- Thank you very much for your attention. I'd be pleased to answer any questions you might have.

APPENDIX –

Higher Education Reference Materials Attached

APPENDIX

Higher Education Reference Material

- **ATTACHMENTS**

- 1) The Role of CHE
- 2) Additional Information on Higher Education Appropriations
- 3) Scholarships and Grants - The Importance of Need-Based Aid
- 4) Higher Education Enrollment
- 5) The Issue of Out of State Students

- **ADDITIONAL INFORMATION RESOURCES AVAILABLE ON-LINE – 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, 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/CHE_Docs/InfoCntr/BriefingBook_All_FINAL_031610%20\(2\).pdf](http://www.che.sc.gov/CHE_Docs/InfoCntr/BriefingBook_All_FINAL_031610%20(2).pdf)
- **CHE FY2010-11 Agency Accountability Report**
http://www.che.sc.gov/CHE_Docs/ExecutiveDirector/AgencyAcctRpt.pdf
- **Know2 - Creating a pervasive educational culture in SC**
http://www.che.sc.gov/CHE_Docs/ExecutiveDirector/Rep&Presentations/Know2Overview.pdf
- **The Issue of Unnecessary Duplication in Higher Education**
http://www.che.sc.gov/CHE_Docs/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.

Mr. Kenneth B. Wingate, Chair
 Dr. Bettie Rose Horne, Vice Chair
 Ms. Natasha M. Hanna
 Ms. Elizabeth Jackson
 Dr. Raghu Korrapati
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 Mr. Rodney A. Smolla
 Mr. Guy C. Tarrant, CCIM
 Mr. Hood Temple
 The Honorable Lewis R. Vaughn

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For More Information Visit
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

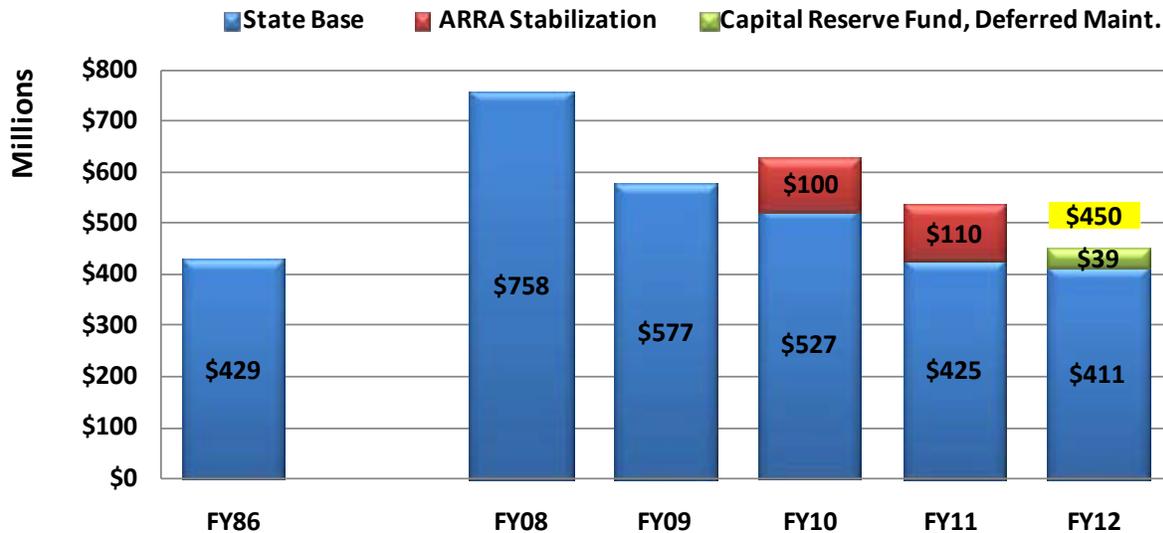
- Most functions exist at state level, but are scattered in other agencies or in separate boards and commissions

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

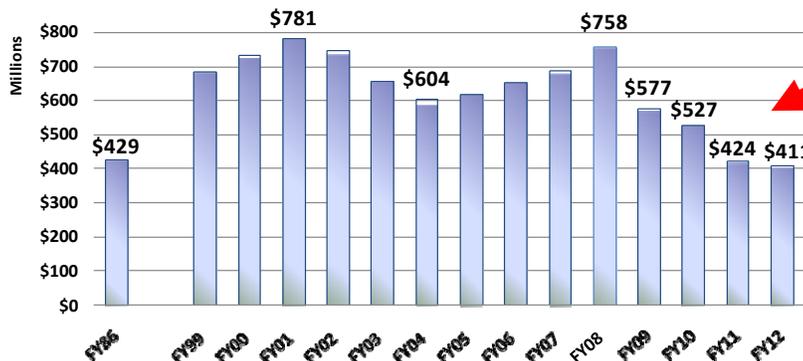
- A key function lacking in Michigan is the one hardest to give to a non-higher education agency: degree program approval and review

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

Public Colleges and Universities Operating Funding



SC Public Colleges & Universities State General Fund Appropriations

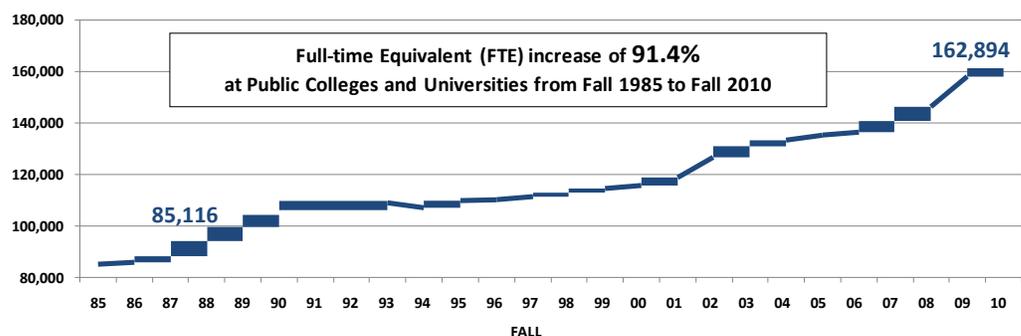


*FY12 = \$411 million
 *FY08 = \$758 million
 *Drop = (\$347 million)

*FY12 Appropriations Act including sustained vetoes, 90.20, and state pay/health plan

(Not adjusted for inflation)

Enrollment
 Continues to Climb:
 Since 1985, added equivalent of 4 universities the size of USC with 50% reduction in state support adjusted for inflation.



Full-time Equivalent (FTE) increase of 91.4% at Public Colleges and Universities from Fall 1985 to Fall 2010

Higher Education General Fund Recurring Appropriations

Institutions	2007-08	2008-09	2009-10	2010-11	2011-12*	% change, FY11 to FY12
Research Institutions						
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%
Comprehensive Teaching Institutions						
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%
Regional Campuses of USC						
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%
Technical Colleges	162,442,569	124,076,698	113,493,412	97,480,772	98,819,868	1.4%
A.H.E.C.	16,509,835	12,813,466	11,681,342	8,711,377	8,478,368	-2.7%
Subtotal Public Institutions	\$757,956,239	\$576,739,451	\$527,233,779	\$424,444,902	\$410,722,168	-3.2%
<i>Coll. & Univ. as a % of State GF Revenue</i>	<i>11.3%</i>	<i>10.2%</i>	<i>10.0%</i>	<i>8.4%</i>	<i>7.5%</i>	
Commission on Higher Education						
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%
Subtotal CHE	\$124,492,839	\$107,955,022	\$106,108,424	\$118,177,399	\$108,408,917	-8.3%
Technical College System Office						
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%
Subtotal Technical System Office	\$13,243,245	\$10,068,799	\$9,179,178	\$8,836,452	\$8,858,483	0.2%
Tuition Grants Commission	\$22,188,449	\$22,077,893	\$22,049,120	\$22,009,392	\$21,993,015	-0.1%
Higher Education Total	\$917,880,772	\$716,841,165	\$664,570,501	\$573,468,145	\$549,982,583	-4.1%
<i>Higher Education as a % of State GF Revenue</i>	<i>13.7%</i>	<i>12.7%</i>	<i>12.6%</i>	<i>11.3%</i>	<i>10.1%</i>	
Total State General Fund (GF) Revenue	\$6,723,274,385	\$5,629,267,090	\$5,275,343,200	\$5,080,373,895	\$5,453,533,140	

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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
Higher Education Undergrad Scholarship/ Grant Programs			
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
Subtotal	\$211,053,500		\$211,053,500
Other Higher Education Programs			
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
Subtotal	\$11,354,702		\$11,354,702
K-12 Programs			
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
Subtotal	\$31,691,798	\$12,350,000	\$44,041,798
State Library - Aid to County Libraries	\$733,000		\$733,000
Dept. of Alcohol and Other Drug Abuse Services (DAODAS)		\$50,000	\$50,000
TOTAL CERTIFIED LOTTERY	\$254,833,000	\$12,400,000	\$267,233,000
Higher Education Total	\$222,408,202	\$0	\$222,408,202
Higher Education as % of Total Certified	87.3%	0.0%	83.2%

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 .

	Excess Unclaimed Prize Funds
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
Subtotal Excess	\$14,970,093

*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) Palmetto Fellows ⁽¹⁾ Total	\$21,310,658	\$49,386,667	\$49,386,667		\$28,076,009	131.7%	
<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) LIFE ⁽¹⁾ Total	\$107,220,481	\$170,081,627	\$171,890,285		\$64,669,804	60.3%	
<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 ⁽⁵⁾	\$106,554,616	62.0%			
(2) HOPE ⁽²⁾ Total	\$5,787,600	\$8,255,201	\$8,255,201		\$2,467,601	42.6%	
<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%			
Sutotal Merit Programs	\$134,318,739	\$227,723,495	\$229,532,153		\$95,213,414	70.9%	
<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) Lottery Tuition Assistance (2-yr) ⁽²⁾ Total	\$34,000,000	\$47,000,000	\$47,000,000		\$13,000,000	38.2%	
(3) Need-based Grants ⁽³⁾ Total	\$15,478,497	\$23,631,566	\$23,631,566		\$8,153,069	52.7%	
<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) Tuition Grants ⁽⁴⁾ Total	\$22,369,269	\$29,503,352	\$29,503,352		\$7,134,083	31.9%	
<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%			
TOTAL All Programs	\$206,166,505	\$327,858,413	\$329,667,071		\$123,500,566	59.9%	
<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 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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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.

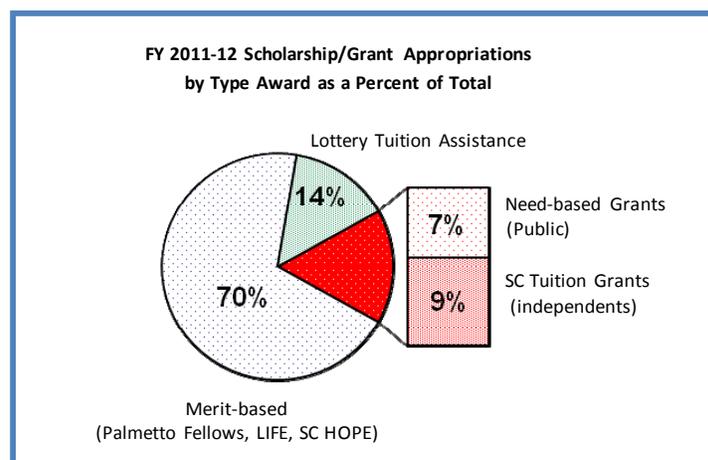
However, the demands of keeping pace with the scholarships are placing increasing pressure on state funding which has declined and lottery funds which have remained at similar levels in recent years.

- Of the \$330 million appropriated for FY 2011-12 for student financial aid programs, approximately 64% of the funding is from lottery funds, 36% from state general funds, and less than 1% from non-recurring or other 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

	2006-07	2007-08	2008-09	2009-10	2010-11
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

	2006-07	2007-08	2008-09	2009-10	2010-11
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.

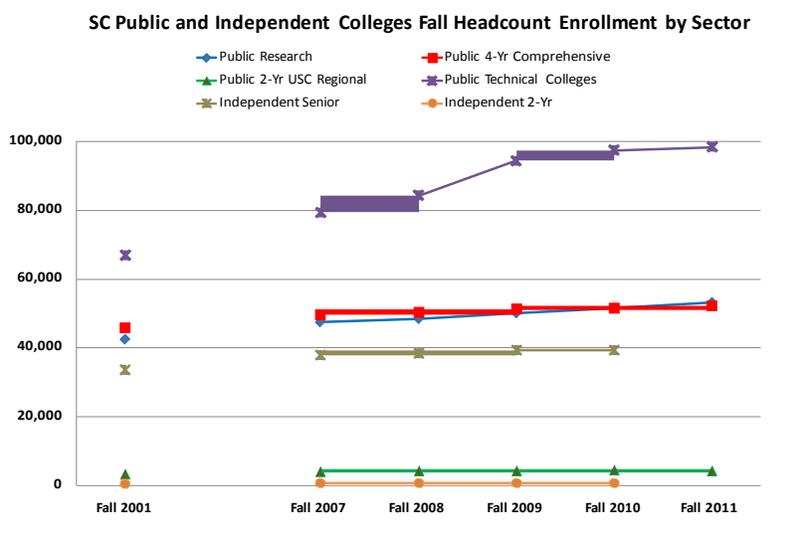
SREB Contract Programs (Optometry and Veterinary Medicine) and Services. – South Carolina participates in SREB, consortia of 16 southeastern states. CHE pays fees and assessments for SREB participation and to contract for student slots in two professional programs not available in SC. SREB participation 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
Public Institutions	158,661	180,479	187,253	200,204	205,080	208,302	1.6%	31.3%
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%
Independent Institutions	34,319	38,632	39,236	40,217	40,239	*		
Independent Senior	33,684	37,835	38,486	39,409	39,449			
Independent 2-Yr	635	797	750	808	790			
Statewide Total	192,980	219,111	226,489	240,421	245,319			

*Fall 2011 enrollment not yet available for independent colleges, 1/12/2012



SC Public Colleges and Universities, Fall 2011 Headcount Enrollment

	Fall 2011 Headcount	Percent of Headcount that is:		
		SC*	Under-Graduate	Full-Time
Public	208,302	85%	91%	66%
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%

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

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
Difference (Out-of-State minus In-State Support)		
Additional Support per Out-of-State Student	= \$4,602	
Total Additional Support from Out-of-State (Difference x Out-of-State FTE)		
	~ > \$70 M	
<i>M = millions</i>		

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

Growth vs Change in State Support

