

# SC Commission on Higher Education

Dr. Garrison Walters, Executive Director

*Information on Higher Education Budget and Priorities*

## Senate Finance Committee Appropriations Bill Higher Education Subcommittee

Senator John Courson, Chairman

Senator Dick Elliott / Senator Darrell Jackson / Senator Danny Verdin

**March 19, 2010**

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### Overview

#### $\frac{3}{4}$ Update on Higher Education and the Action Plan – Moving Forward

#### $\frac{3}{4}$ FY 2010-11 Priorities

- 9 Maintain higher education funding to the greatest extent possible and provide for equitable treatment of higher education in the event additional state funding cuts are necessary.
    - Federal education stimulus funds for higher education in FY 2009-10 and anticipated in FY 2010-11 are helping but have not made up for the shortfalls experienced to date.
    - Continuation of lottery funding for higher education programs including level funding for lottery tuition assistance for students at two-year colleges and also technology funding for public two-year and four-year colleges and universities.
  - 9 Enact Regulatory Reform (H.3365 and H.3841) in 2010 passed by the House in 2009.
  - 9 Provide for special requests for key statewide collaborations that assist students in successfully achieving a degree and advance the state's economic position
    - Restoration of funding for PASCAL, the state's higher education virtual library
    - Provide for anticipated SREB programs and service needs
    - Continued support for Need-based Aid
    - Restoration of funding for Centers of Economic Excellence
  - 9 Provide Bond Funding for Institutional Facilities Needs
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### Context - Update on Higher Education and the Action Plan

The Higher Education Study Committee (HESC) released its final report, ***Leveraging Higher Education for a Stronger South Carolina: Action Plan Implementation***, on April 2, 2009.

(For a copy,

<http://www.che.sc.gov/AboutCHE/OurResponsibilities/HigherEducationActionPlan.aspx>)

CHE is actively engaging in the implementation of Action Plan recommendations for higher education that are aimed at increasing significantly South Carolina's educational attainment levels, research and innovation, and workforce training and educational services.

In this difficult economic climate, CHE is focusing on those activities identified as having a high priority and is moving forward on those items that were identified as having little to no costs as well as working on laying the groundwork and making progress where possible on high priority initiatives that were identified as having costs.

*Activity is moving forward on the following items identified as having little to no cost:*

**Higher Education Regulatory Relief:** Bills introduced last year, H.3365 and H.3841, were passed by the House and are under Senate consideration. CHE will continue to work with institutions to see the passage of these bills and to identify other areas where regulatory amendments may be of assistance in ensuring appropriate accountability while enabling efficient and effective operations in these economically challenging times.

**FOUR GOALS FOR HIGHER EDUCATION TO ENSURE THE FUTURE SUCCESS AND COMPETITIVENESS OF SC**

**Goal 1: Making SC One of the Most Educated States – 30% by 2030!**

The economy has shifted from reliance on cheap natural resources, inexpensive energy, and unskilled labor to knowledge—the ability to create and adapt to rapidly changing situations. Overwhelming evidence, nationally and internationally, supports higher levels of education lead to greater prosperity and competitiveness in the knowledge economy. Although SC exceeds the national average in the number of associate degrees holders, it is still well behind leading states. What’s more, SC falls well short of the national average and very far behind national leaders in the proportion of adults (25 and older) who hold baccalaureate and graduate/professional degrees.

**Goal 2: Increasing Research and Innovation in SC**

Highly educated people are at the core of economic competitiveness. As new markets and competitors are created, science and innovation are increasingly leading the global economy. To fully engage in this new economy, SC must develop an infrastructure that supports the transfer of technology from academia to industry as well as provide a foundation so the best innovators and entrepreneurs can build and grow their enterprises.

**Goal 3: Increasing Workforce Training and Educational Services in SC**

The availability of a highly skilled workforce is the key to economic prosperity for any city, state, region or nation. However, as noted in the *2007 SC Labor Market and Economic Analysis Report*, the labor force participation rate (the percentage of the population in the labor force) has been consistently lower in SC than in the United States over the past several years.

**Goal 4: Realizing SC’s Potential Resources and Effectiveness**

The state has not historically provided adequate funding for colleges and universities. In fact, SC’s support for higher education has declined over the past five years compared to average support nationally which has increased significantly. Without appropriate funding, SC will continue to trail its neighboring states, and efforts to increase the competitiveness of the state will further weaken.

**Forum to Promote Cost Reductions**

**through Collaborations:** CHE is working to develop a committee of commissioners and institutional leadership to meet routinely for the purpose of identifying opportunities for shared resources and promoting collaborations.

**Alignment with State Needs:** Several recommendations are related to promoting alignment of higher education programs to support state cluster areas and needs. Over the past two years, CHE has approved a number of new institutional programs that support clusters in the areas of Advanced Manufacturing and Technologies, Energy, Healthcare, Tourism and Creative Industries, and Education. CHE continues to engage in conversations with institutions and other constituencies (e.g., K-12, SC Council on Competitiveness, Chamber, etc.) to identify opportunities.

**Promote Technology Transfer:** It was recommended that a network be developed to encourage and promote statewide technology transfer of South Carolina derived technologies and patents. CHE staff, through the Centers of Economic Excellence (CoEE) Research Review Board facilitated, the convening of the CoEE Council of Chairs for the purpose of promoting conversation and cross-pollination of ideas across the CoEE researchers. An inaugural meeting was held in October 2009 and future meetings are planned. In February, Health Sciences South Carolina (HSSC) hosted a conference devoted to “the discovery, development, and delivery of new concepts, new sciences, and new products emanating from the endowed chairs and CoEE scientific research of the HSSC-sponsored programs.”

*Several items of note in the Action Plan which have associated costs are underway through on-going or new initiatives that are being supported or can be supported within existing available resources or outside support.*

Of the many recommendations focused on the alignment of curriculum and the promotion of pathways for student success in transitioning from K-12 to higher education and beyond, a number of initiatives are moving forward including the following items of note –

**SC Course Alignment Project** – Supported through the EEDA, CHE is working with institutions and K-12 on two exciting projects for the benefit of students. The SC Course Alignment Project, which is supported with funding provided for EEDA initiatives and led by CHE, is bringing together K-12 and higher education faculty for the purpose of improving the alignment of exit-level high school courses with entry-level college courses in English, mathematics, and science and to make students aware of the contextual skills and behaviors necessary for success in college.

**SC TRAC** – Another project that will assist college students in navigating college programs in a more efficient manner is the development of SC TRAC, a web-based course articulation and transfer system. SC TRAC will facilitate student transitions and the portability of academic credits between and among South Carolina's higher education institutions. System development is well underway and SC TRAC will go live shortly.

**New Front Door** – This project is focused on increasing educational levels of South Carolina's adult population who lack college or have only completed some college. The concept involves creating an accessible system, or entryway back to education, for our many adults who lack needed education and training. Work to develop stackable certificates that can lead directly to work and advanced education are in the planning stages as efforts to provide for a more coherent navigable system of adult education.

**DegreeSC** – Recommendations in the Action Plan focused on ensuring and promoting alternative delivery methods. A committee known as DegreeSC has been formed and is meeting to discuss ways in

Other high priority Action Plan recommendations are focused on needed funding and resources for the state's colleges and universities to assure successful attainment of Action Plan goals that will lead to improving South Carolina's competitiveness in the knowledge economy. CHE is engaging colleges in planning and discussions to develop a statewide plan regarding needed resources to meet current and future state needs.

### ***What's the Benefit in Succeeding?***

**Return on Educational Investment is Huge.** USC's Darla Moore School of Business, Division of Research investigated the benefits of higher education and the costs in achieving the Action Plan goal of becoming a more educated state.

- 9 Benefits to the Individual – Lifetime income of the average full-time worker in S.C. with a bachelor's degree is \$2.5 million—other degrees provide similar benefits.
- 9 Striking pay-off for South Carolina's Economy.

<sup>3</sup>/<sub>4</sub> *During the next twenty years, while we work toward the goal (from 2010-2030), there is an average annual benefit of \$11 for every \$1 invested.*

which we can expand delivery methods such as the development of shared statewide online degree programs.

**SC Graduate Professional Alliance (SCGPA)** – The purpose of SCGPA is to identify and explore ways in which we can promote graduate education and attract, retain and graduate more graduate-level students. An SC GPA committee has been established and is meeting to identify and work on implementing opportunities. A task force recommended by SCGPA that is made up of institutional representation, the Lowcountry Graduate Center, CHE, and others will work to complete a comprehensive needs assessment for graduate programs in the Lowcountry – beyond those currently offered by Charleston-based universities. SCGPA is also working on a proposal known as, *The Best and Brightest Program*, to identify and retain exceptional undergraduates for graduate studies.

**SC College Access** – Several recommendations focused on increasing activities to encourage and promote enrollment in and completion of higher education. Presently, CHE is leading work on the state's federal College Access Challenge Grant. The grant is supporting activities such as the development of resource materials for high school guidance counselors and activities to assist high school students in successfully navigating the college application process. The grant has also made possible the development of a web portal for students, [www.sccango.org](http://www.sccango.org). Work on establishing an SC College Access Network is underway to assist local communities in engaging in activities to promote and assist students in successfully attending and completing college.

- ¾ After reaching the goal in 2030: Annual Gain for the South Carolina –
  - \$6.9 billion in total personal income
  - \$7.8 billion in gross state product
  - 44,514 additional permanent jobs

**Each \$1 invested boosts S.C.'s annual gross state product by \$25**

- 9 Benefits of higher education extend beyond raising income for South Carolinians.
  - ¾ Individuals who earn college degrees are much more likely to achieve a higher socioeconomic status compared with less-educated citizens.
  - ¾ Educated individuals pay substantially more taxes and place significantly lower burdens on government programs.
  - ¾ Positive impacts that add to the return are associated with lower unemployment, less poverty, better health, higher labor force participation, and less incarceration.

*Investing in higher education is the best path to economic growth and stability.*

*Investment in higher education produces economic benefits. It pays for itself and brings in additional revenue for the state over time.*

(For the full ROEI report - [http://www.che.sc.gov/CHE\\_Docs/InfoCntr/HESC\\_Files/EconReturnHigherEdAugust09.pdf](http://www.che.sc.gov/CHE_Docs/InfoCntr/HESC_Files/EconReturnHigherEdAugust09.pdf))

**Where we are – the impact of budget cuts**

*SC public colleges and universities have experienced over 30% in state general fund cuts this past year.*

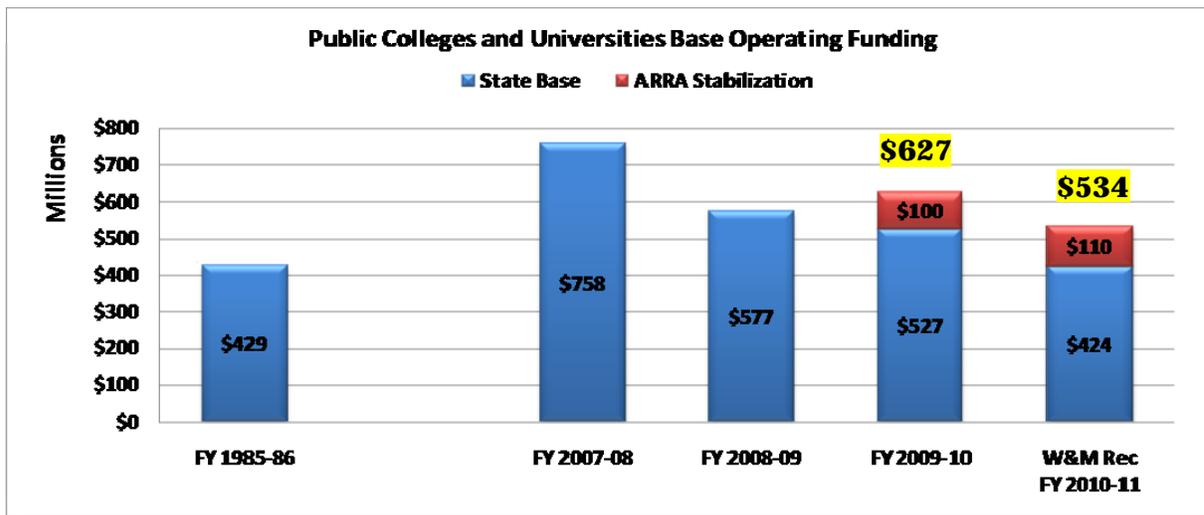
*Recommendations passed by the House for FY 2010-11 reduce base operating funding for colleges and universities by almost \$104 million, a 20% decrease compared to this year, FY 2009-10.*

*At \$424 million, recommended FY 2010-11 base funds are below the level received 25 years ago.*

\*FY10 = \$527 million  
 FY08 = \$758 million  
 Drop = (\$231) million

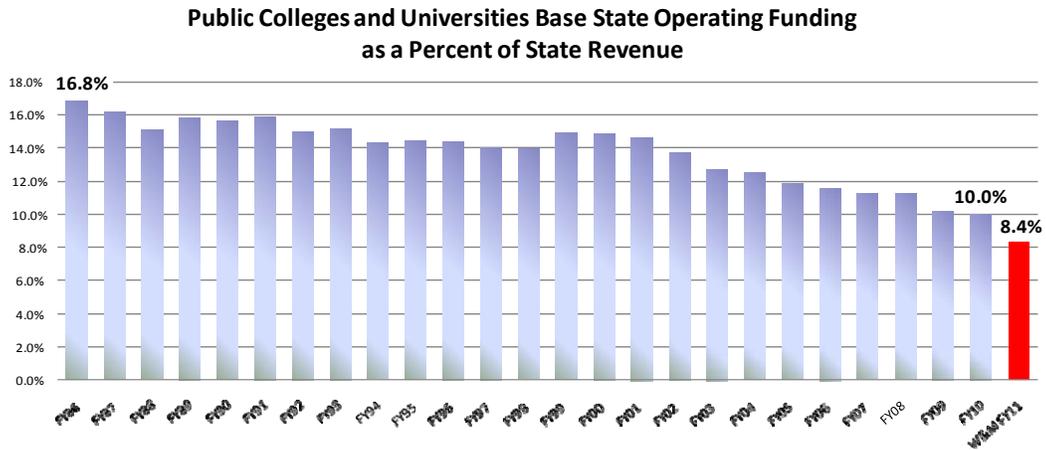
House Recommendations would further reduce base funding by almost \$104 million.

*Inclusive of the second and last year of the federal ARRA Stabilization Funds, recommended FY 2010-11 funds at \$534 million are \$93 million less than FY 2009-10 levels, a 15% decline. The total is just below funding received seventeen years ago in 1993.*

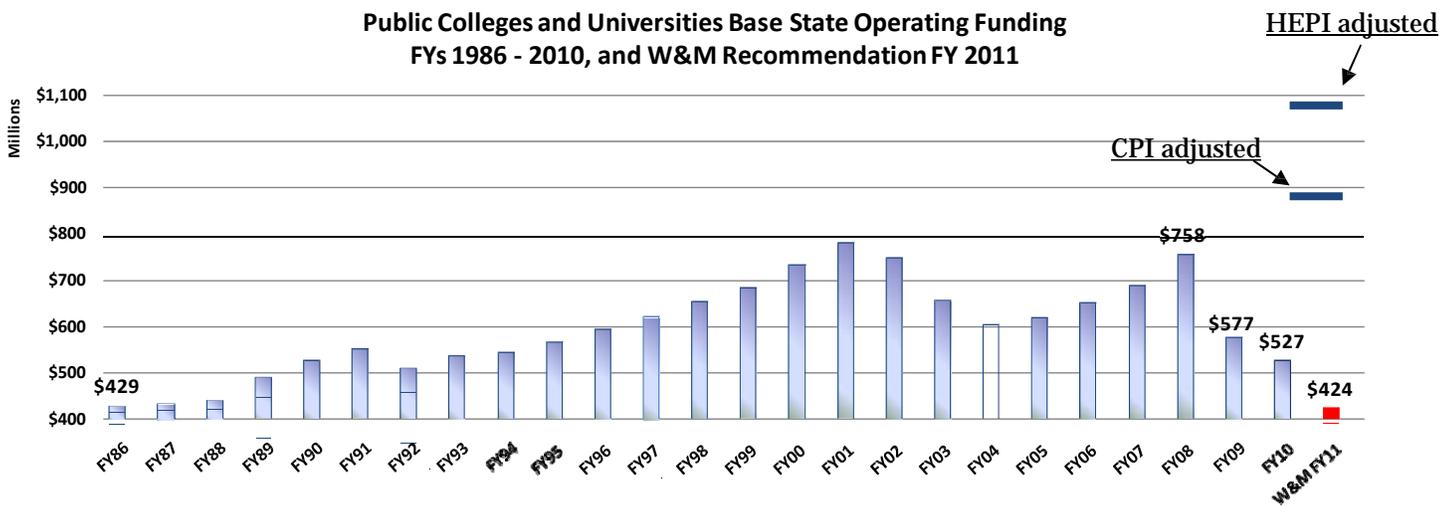


*Dollars rounded to nearest million.*

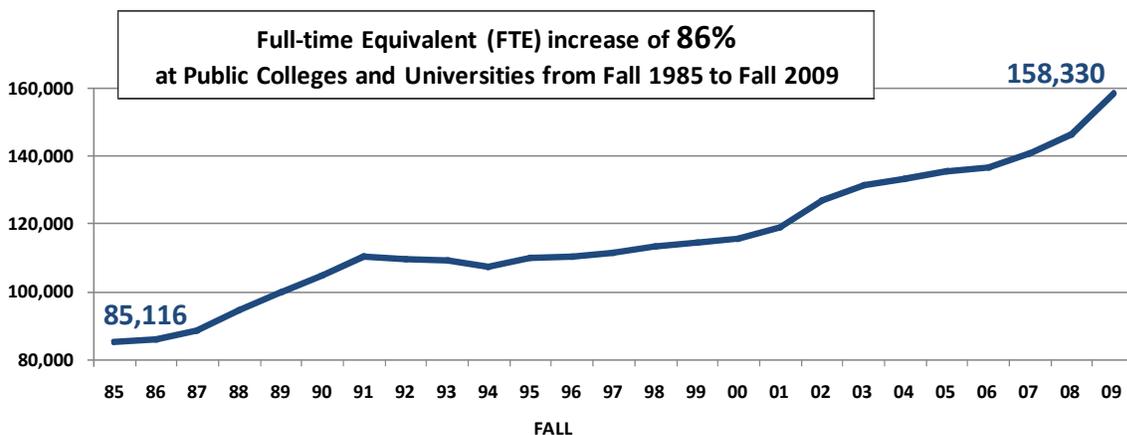
*Higher Education as a share of the state's general fund budget continues to fall:*

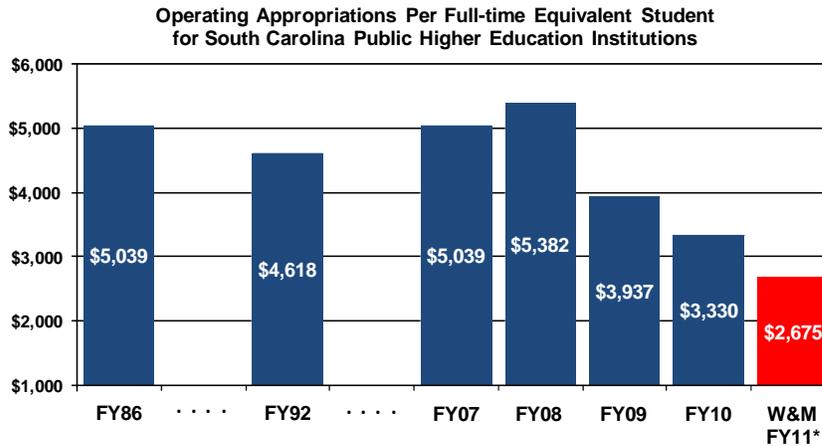


*Higher Education operating funding is lower than funding received 25 years ago in actual dollars. If appropriations for operating had kept pace with inflation, they would stand at \$870 million (CPI adjusted) or \$1,068 million (HEPI adjusted).*



*Enrollment Continues to Climb* – To put the growth in context, since 1985, we’ve added the equivalent of four universities the size of USC Columbia with a 50% reduction in state support (adjusted for inflation).





College and university FY appropriations including AHEC and FY fall FTE. \*FY 11 includes recommended funding under consideration for FY 2010-11 as of 3/9/10.

A couple of overarching points based on the simple question:

***Why does it matter what the state spends?***

State support affects quality and range of services.

In a complex economy, need to prepare people in a wide array of specialized fields:

BioTechnology – Greenville Technical College

BioInformatics – College of Charleston

Information Design – Winthrop

Senior Smart – joint COEE focused on independent living for seniors: increasing quality of life while keeping costs down

And more . . .

Colleges and universities are working hard to protect quality, but can't lose over 30%—on top of a relatively weak base—and see no consequence.

Also, we shouldn't overlook the importance of services—for example, our relatively high graduation rate reflects investment in programs for student support. These critical services are oftentimes the first activities impacted.

Affordability and accessibility

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

Accessibility—proximity of institutions to where people live and work—is a key factor in keeping higher education affordable.

**Budget cuts have also significantly affected the Commission on Higher Education.**

***What does the Commission on Higher Education (CHE) do?***

CHE provides for statewide policy direction and equity:

- 9 **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.

- 9 **Maintains funding system and data/ accountability systems**—essential for understanding performance and productivity/source of required national data
- 9 **Approves all higher education capital projects, leases, and land purchases and collects and reports building data** – assists in determining state priorities
- 9 **Oversees administration of student financial aid**—requires a staff that is knowledgeable about higher education to provide statewide consistency of administration
- 9 **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.
- 9 **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

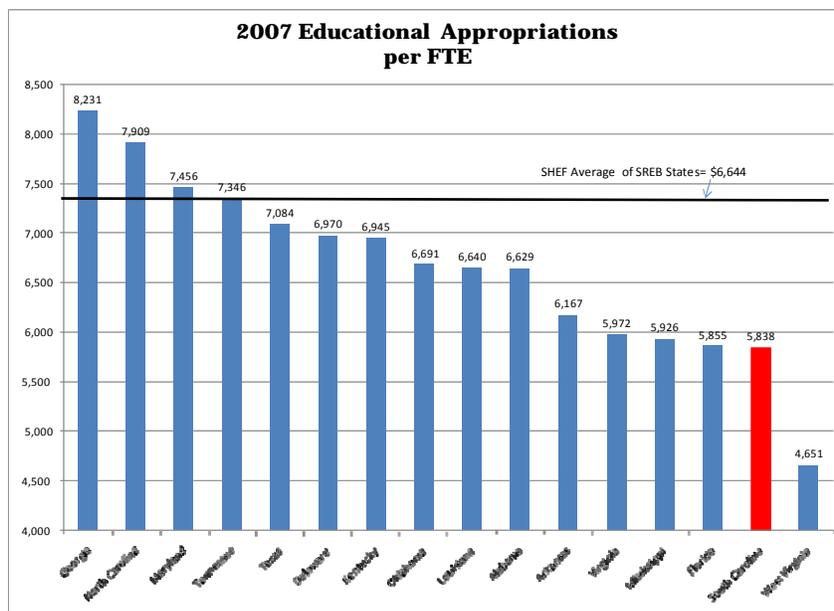
**Like the colleges and universities, CHE is doing more with less:**

- ¾ CHE has sustained sizeable cuts. Administrative reductions in recurring funds are now on the order of 30% since FY 2007-08.
- ¾ Management of cuts to date –focus has been to protect staffing of critical agency and higher education programs, particularly those aimed at increasing preparation, enrollment and success in higher education, protecting programs providing student support, and serving the core mission of higher education.

**Additional Context on the Overall Higher Education Budget**

We invest less than other states –

- ¾ In FY 2007-08, South Carolina ranked 38<sup>th</sup> nationally and 15<sup>th</sup> out of the 16 SREB states on support per full-time equivalent (FTE) student. South Carolina, at \$5,838, was below the national average of \$6,774 and the SREB states’ average of \$6,644.
- ¾ South Carolina’s higher education cuts are among the largest cuts nationally



2007 Educational Appropriations per FTE by SREB states. (Source: SHEEO, FY 2007 State Higher Education Finance(SHEF) Report, with calculation derived by dividing educational appropriations by FTE.

**Conclusion:**

**Investing in Higher Education is the Best Path to Economic Growth and Stability**

The critical needs advanced in recent years and those now highlighted in the statewide Action Plan remain critical, especially core funding of operating budget, but we recognize that the global economy will control the timing any added support for higher education. Still, we urge you to remember that:

- Investing as soon as possible in higher education will help speed South Carolina out of this recession and build an infrastructure for future prosperity and stability; and
- Since almost all states and nations are setting higher education as a priority in the changed economy, not investing in highly educated people will be a decision not to compete.

Economic and Social Benefits of Higher Education			
		Higher Education as a Public Benefit	Higher Education as an Individual Benefit
<b>Economic</b>	¾	Increased tax revenues	¾ Higher salaries and benefits
	¾	Greater productivity	¾ More stable employment
	¾	Increased consumption	¾ Higher savings
	¾	Increased workforce flexibility	¾ Improved working conditions
	¾	Decreased reliance on government financial support	¾ Personal/professional mobility
<b>Social</b>	¾	Reduced crime rates	¾ Improved health/ life expectancy
	¾	Increased charitable giving/ service	¾ Improved quality of life for children
	¾	Increased quality of civic life	¾ Better consumer decision making
	¾	Social cohesion/ Appreciation of diversity	¾ Increased personal status
	¾	Improved ability to adapt to and use Technology	¾ More hobbies/ leisure activities

*Source: The Investment Payoff, Institute for Higher Education Policy (2005)*

## **FY 2010-11 Priorities**

We recognize that the world has changed since last year—our priorities are still priorities, but we understand that the timeline will be substantially different. CHE wishes to signal four key points for consideration this year:

### **#1- While we are not requesting additional funding for the colleges and universities in light of the state's economic circumstances, maintaining and increasing higher education funding when the opportunity appears is critical to South Carolina's success.**

#### *Key Considerations:*

- 9 Higher Education is a core state function and we cannot afford to cut it disproportionately in the event any further funding reductions for state government are necessary.
- 9 The federal ARRA Education Stimulus funds were allocated relative to budget shortfalls and are helping to mitigate the impact of cuts this year and next year. Colleges will present details to you as to the importance of these funds, but these monies have not made up for the cuts. Including the stimulus funds and considering recurring appropriations for colleges and universities, funding is still down \$132 million (17%) since FY 2007-08.
- 9 Consideration for maintenance of funding includes support for continuation of lottery funding for higher education programs including, in particular, (1) level funding for lottery tuition assistance for students at two-year colleges and (2) technology funding for public two-year and four-year colleges and universities.

**#2-Regulatory Reform** -- Passage of bills, H.3365 and H.3841, advanced and passed by the House in 2009, will ensure higher education activities are accomplished in the most efficient and effective way.

### **#3- Special requests for key statewide collaborations that assist students in successfully achieving a degree and advance the state's economic position –**

#### ***Restoration of \$2 million in funding for the statewide virtual library—PASCAL***

PASCAL (Partnership Among SC Academic Libraries) 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.

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.

PASCAL must be sustained in order to maintain regional competitiveness; nearly all southeastern states, including Georgia and North Carolina, maintain a virtual academic library.

#### **Provide for anticipated SREB programs and services need – Increase \$413,929**

Present appropriations for the state's participation in SREB programs and services are not sufficient to meet the current need or anticipated SREB contract fees for FY 2010-11.

The funds provided for SREB enable South Carolina's and its students to access programs and services of the Southern Regional Education Board (SREB). Participation in SREB provides students access to out-of state programs not available in South Carolina at in-state tuition and fee rates through contract programs for veterinary medicine and optometry and for programs available through the SREB Academic Common Market and provides for participation in student financial assistance programs including the Doctoral Scholars Program.

#### ***Need-based aid remains a priority – Level Funding***

Critical component for any state that seeks to enhance participation in and completion of degree programs by students who have limited financial means.

Current portfolio is not balanced – merit programs (Palmetto Fellows, LIFE, SC HOPE) in FY 2009-10 represent 67% of approximately \$308 million in appropriated dollars, whereas state need-based programs (CHE Need-based and Tuition Grants) represent 17% and lottery tuition assistance at 2-year colleges represents 15%.

Ensuring sufficient support for need-based aid remains a priority although we need to assess the impact of significant increases in federal Pell Grant allocations that are now beginning to flow to students. We encourage continued state support at least at current levels.

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.

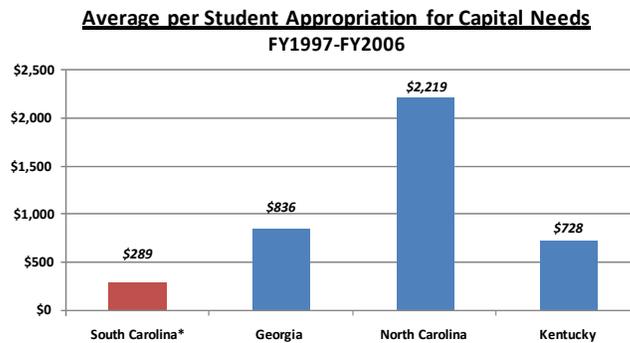
**Restoration to the extent possible of Centers of Economic Excellence (CoEE) funding**

The CoEE (endowed chairs) program to date has attracted a quarter of a billion dollars of private and federal funding that would otherwise not have come to the state and has created about 3,200 new jobs, most of them well paying.

No funding has been allocated to the program for the last two years. If momentum is to be sustained in this important program of economic development, some funding needs to be restored, even if it falls short of the \$30 million appropriation established in statute.

**#4-There is a critical need for a Bond Bill**

- 9 Higher education has received almost nothing for its capital needs since 2000.
- 9 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.
- 9 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!



\*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.

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