

## **Legislative Updates of interest for Higher Education Week of Apr. 7 – Apr. 11, 2008**

### ***Budget Update –***

During the first week in April, the Senate Finance Committee adopted FY 2008-09 budget recommendations for consideration of the Senate. However, a lowering of the state revenue estimates for the current and upcoming fiscal years by the Board of Economic Advisors (BEA) resulted in a special meeting of Senate Finance Committee on April 8 at which the Senate Finance Committee adjusted its initial recommendations in light of the revised BEA state revenue estimates. What follows is a summary action taken by the Senate Finance Committee in light of the revised BEA revenue estimates and general summary information concerning the Committee's recommendations for higher education. The full Senate will begin its budget deliberations during the upcoming week (April 15 – April 17). Once the Senate adopts its recommendations, the budget bill will then be returned to the House which may amend the bill before it is sent to Conference Committee where the Senate and House will work out any differences between the House and Senate versions of the budget. From there, any Governor's vetoes, if applicable, must be considered before the budget becomes final.

**BEA Estimates and Impact on Senate Finance Committee Recommendations:** On Monday, April 7, the BEA reduced its state general fund revenue estimates for the current year, FY 2007-08, and for the upcoming year, FY 2008-09, by \$90 million dollars for each year. Additionally, BEA also reduced its estimates for funding from the Education Improvement Act (EIA) by \$30 million dollars in each fiscal year, FY 2007-08 and FY 2008-09, and agencies with programs funded through the EIA were notified that funding reductions will follow a methodology used in the past in accordance with statutory provisions. EIA funds are monies generated through the dedicated penny sales tax revenues for education.

**Senate Finance Committee Recommendations:** In adopting its initial recommendations on April 3, the Senate Finance Committee anticipated a \$50 million reduction in revenue available for FY 2008-09. Consequently, with the news from BEA, Senate Finance had to reduce its initial recommendations for appropriation of General Fund revenues by \$40 million. The Committee did so by eliminating its recommended 2% pay increase for state employees. Additionally, in order to meet the anticipated shortfall in the current year, the Committee took action to reduce its recommended appropriations under the Capital Reserve Fund Bill for FY 2008-09 by \$90 million. A copy of this bill including the Senate Finance Committee recommendations is available at [http://www.scstatehouse.net/sess117\\_2007-2008/bills/4801.htm](http://www.scstatehouse.net/sess117_2007-2008/bills/4801.htm) . The Capital Reserve Fund is one of the state's constitutional reserve accounts. Funds may be appropriated from this account each year by the General Assembly for use in the upcoming year. However, funds from the Capital Reserve Fund must be used first to cover any anticipated shortfalls in the current year.

### **Highlights for Higher Education from the Senate Finance Committee FY 2008-09 budget recommendations:**

Like the House budget recommendations (see report from Week of Mar. 10-14, [http://www.che.sc.gov/CHE\\_Docs/InfoCntr/Legis/LegisUpdate\\_Mar10toMar14\\_08.pdf](http://www.che.sc.gov/CHE_Docs/InfoCntr/Legis/LegisUpdate_Mar10toMar14_08.pdf)), Senate Finance recommends base cuts and "travel and CIO" reductions across institutions and higher education agencies. The "travel and CIO" reductions are the same as the House. The Senate Finance Committee recommended agency base cuts are slightly less for each institution than those recommended by the House. Across higher education (including CHE, Institutions, State Tech and Tuition Grants), the Senate recommendations for the recurring FY 2008-09 funds are down approximately 3% compared to FY 2007-08. In regard to the one-time or non-recurring funds being recommended for FY 2008-09, the House budget includes a total of \$23.5 million in non-recurring higher education projects. In light of the reductions in this year's revenue estimates and impact to the available monies from the Capital Reserve Fund, the Senate Finance Committee had to reduce considerably its desired non-recurring appropriations. For higher education, the Senate Finance Committee has recommended only \$4.3 million in non-recurring projects across higher education.

**The following provides other highlights regarding specific higher education projects included in Senate Finance Recommendations for FY 2009-10:**

**Scholarships and Grants:** House and Senate Finance recommendations fully fund Palmetto Fellows, LIFE and HOPE scholarship programs. However, the approach differs. While the House recommends additional general funds to meet the needs for these programs, the Senate Finance Committee funds the necessary increases using lottery revenues. Both the House and Senate Finance include Lottery Tuition Assistance at the same level as last year. In regard to Need-based, neither the House nor Senate Finance provide a dedicated increase. Both provide the balance of unclaimed prize funds after dedicated expenditures. The House provides the balance after \$8.4 million is expended. Senate Finance provides the balance after \$13.4 million is expended. Historically, the total unclaimed prize funds have averaged roughly \$15 million each year. The number may vary widely and the amount is unknown until the end of the fiscal year.

**PASCAL Higher Education Electronic Library** – Each year since 2004-05, this statewide project has been funded with \$2,000,000 in non-recurring funds. Senate Finance has recommended \$200,000 in recurring funds. The House does not recommend funding for this project.

**Centers of Economic Excellence** – The House recommended funding CoEE with \$30 million in lottery funds and removing the spending cap of \$200 million specified in legislation. The program has received \$180 million to date. Senate Finance recommends retaining the spending cap and funding the program at \$10 million in lottery funds. The Senate Finance Committee also approved legislation to authorize the CoEE Board to spend interest which is retained in the CoEE fund on program proposals. The Committee indicated that the interest would result in approximately \$13-\$14 million dollars which would bring total program support to a level above the cap.

**Higher Education Lottery-Funded Projects, Other Than Scholarships or CoEE**, are funded at the same level of lottery funding in House and Senate Finance budget recommendations. These include the National Guard Tuition Assistance program (\$1,700,000), Tuition Grants (\$7,766,604), SC State (\$2,500,000), and Higher Education Technology for 4-year and two-year public institutions (\$12,000,000 including \$8.4 million in certified unclaimed prize funds). Note, the Tuition Grant program and SC State are also funded with other state general funds. As described above, Senate Finance recommendations also differ from the House recommendations in regard to the unclaimed prize fund allocations. Senate Finance recommends unclaimed prize revenues in excess of the certified funds be allocated for the Technical College Allied Health Initiative (\$4,000,000), Technology Simulation for the Critical Needs Nursing Initiative (\$1,000,000), and any remaining balance for Need-based Grants).

**SC LightRail** – The House has recommended funding under the Capital Reserve Fund of \$4.5 million. While Senate Finance initially included such funding, it cut the funding in its recommendations with the news from BEA. Therefore, Senate Finance includes \$0 for SC Light Rail.

Detailed information on the FY 2008-09 budget bills is available on the General Assembly's website at [http://www.scstatehouse.net/sess117\\_2007-2008/appropriations2008/gab4800.htm](http://www.scstatehouse.net/sess117_2007-2008/appropriations2008/gab4800.htm)

***In the House*** –

The K-12 Subcommittee of House Education and Public Works met on Tuesday. Two bills were considered and received favorable reports that related to Higher Education. These included [H.4451](#) relating to state scholarship programs and citizenship requirements and [H.4368](#) relating to garnishment of wages for outstanding educational benefits at public colleges and universities. The subcommittee voted to include an amendment to [H.4368](#) that would include private postsecondary institutions.

Several Ways and Means Subcommittees also met. One such committee voted to give favorable report to [H.4953](#) relating to SC LightRail and adjourned debate on a bill, [H.3096](#), which would enable USC Sumter to transition to a four-year college.

Also during the week, the House gave third reading to several CHE proposed regulations including: one relating to licensing criteria for nonpublic postsecondary institutions ([Document #3129](#)); another relating to nonpublic postsecondary institution licensing and the use of surety bonds ([Document #3170](#)); and a third relating to free tuition for residents sixty years of age and older ([Document #3143](#)).

On Thursday, [H.5008](#) relating to Athletic Bonds for Francis Marion, was also introduced and placed on the House Calendar without reference. Also on Thursday, [S.1077](#) relating to a procurement exemption for FCC licenses authorizing use of educational broadband service spectrum granted to Greenville and Trident Technical Colleges was received from the Senate and introduced in the House.

### ***In the Senate –***

The full Senate Education Committee met on Wednesday and took up several bills reported from its Higher Education Subcommittee. The Committee voted to report out favorably with amendments the following bills: [S.1207](#) relating to the composition of the SC State Board of Trustees; [S.1233](#) relating to the waiver of the out-of-state tuition differential for those establishing residency in South Carolina but working full-time in adjoining NC or GA counties; and [H.4680](#) relating to the make-up of the Spartanburg Technical and Community College Area Commission. Time constraints resulted in the Committee carrying over until its next meeting several other bills that were on the agenda. These included: [S.1239](#) relating to the establishment of a loan repayment program for chiropractic medicine, [S.1115](#) relating to a residency exception for tuition and fee purposes for certain military dependents; [H.4408](#) relating to the course eligibility requirements for science and math enhancements for LIFE and Palmetto Fellows, and [H.4316](#) relating to eligibility requirements for Palmetto Fellows for certain magnet school students.

[S.1252](#) relating to the CoEE program and expenditure of CoEE fund interest earnings was introduced on Tuesday and received third reading by Thursday. The Senate receive the Committee reports for [S.1207](#) (SC State Board of Trustees), the budget bills ([H.4800 and H.4801](#)), and also a codification bill, [S.530](#). Another bill, [S.1282](#) that provides for the establishment of a scholarship program for medical students to train in trauma medicine at MUSC and USC schools of medicine was also introduced and referred to the Senate Transportation Committee. The Senate companion bill for H.5008 (Francis Marion Athletic Bond Revenue), [S.1224](#), received a favorable committee report from a Senate Finance Subcommittee.

See above report on the Senate's work on the budget.

***Reminder: The above report is not intended to be all inclusive. Bill numbers are linked to the SC General Assembly page. The link should go to the most recent version of the bill. For additional information on legislation referenced above and other legislation relating to higher education, see [http://www.che.sc.gov/CHE\\_Docs/InfoCntr/Legis/HigherEd\\_Legis\\_List.xls](http://www.che.sc.gov/CHE_Docs/InfoCntr/Legis/HigherEd_Legis_List.xls). Detailed information on the 2008 Session of the General Assembly may be access at [www.scstatehouse.net](http://www.scstatehouse.net) or from links included on CHE's website at <http://www.che.sc.gov/Home/CHELegislativeUpdates/LegislativeSession2008.aspx>.***