

Update on the FY 2010-11 Budget Recommendations **4/22/2010**

On April 20, 2010, the Senate Finance Committee approved its FY 2010-11 budget recommendations. The recommendations are expected to be debated by the full Senate during the week of April 26th beginning on Tuesday (April 27) when the Senate is set to begin session at 11:00 a.m.

A spreadsheet summarizing the Committee's actions was posted on the General Assembly's website (www.scstatehouse.gov) under the "Citizens Interest" link. To directly link to the summary, [CLICK HERE](#).

It is important to note for context that the Senate Finance Committee was working with approximately \$127 million less than the House due to action of the Board of Economic Advisors at its April 14th meeting to drop the state's general fund revenue estimates for FY 2009-10 and also for FY 2010-11 by approximately \$60 million and due to another problem discovered recently with the Health and Human Services budget that affects the FY 2010-11 recommendations of the House.

To make up for the overall deficit as compared to the House budget, the committee cut about \$60 million of the needed difference from across all areas of the state's budget with the remaining amount made up primarily by doubling the amount in the House budget from \$2.5 million to \$5 million for the Department of Revenue (DOR) to enforce tax collections. The increased amount to DOR is anticipated to bring in an additional \$50 million. Under the recommendations, merit scholarship programs were exempted from reductions and continue to be fully funded for anticipated growth as was the case in the House budget. Additionally, under the Senate Finance Committee recommendations, EFA funding for K-12 was not reduced from the levels provided in the House budget.

The good news for higher education is that while additional cuts from those already included in the House budget were necessary, further cuts from the recurring base funding for higher education were mitigated at the expense of nonrecurring funds.

For higher education, the budget approved by Senate Finance includes an additional general fund cut of \$10.1 million from that approved by the House. The cut was taken by shifting general fund scholarship dollars to the lottery. This shift prevented what would have been an additional almost 2.2% recurring cut from the House budget numbers for each of the higher education entities. In order to shift the amount necessary in scholarship funds to the lottery, which is essentially level with last year, some lottery items were reduced but primarily there was a shifting of priority for items that had been recommended to be funded in excess unclaimed lottery prize funds. However, the net effect helps higher education going forward since additional recurring dollars aren't lost.

The following bullets provide an overview of the higher education recommendations:

- In terms of the recurring base general funds and the ARRA stimulus funds for colleges and universities, the Senate Finance Committee recommendations mirror the House recommendations. As a reminder, the House reduced recurring budgets for four-year and research institutions by 21% and then provided stimulus funds in the amount of the cuts and reduced technical colleges by 15% with stimulus funds also provided. In total dollars, funding for colleges and universities is reduced by \$104 million bringing the total base funds to \$424 million, a level not experienced since 1985. Recommended stimulus dollars total \$110 million bringing the net funding to \$534 million. The recommendations, inclusive of the stimulus funds, are \$93 million (or 15%) less than the FY 2009-10 as of the December statewide reductions.

(For information on the Ways & Means Recommendations [CLICK HERE](#) and a subsequent update on the House Recommendations [CLICK HERE](#)). For additional information and graphics regarding the

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- For CHE, a similar base cut (approximately 15%) as compared to that in the House is included, and like the House, ARRA funds of \$364,440 are provided as are nonrecurring funds of \$413,929 for SREB program assessments. The Senate Finance Committee recommendations replace \$10.1 million in general funds for scholarships with lottery funds. As in the House budget, the University Center of Greenville (UCG), for which funding passes through CHE's budget, receives increased recurring funds. The Senate Finance Committee increases the recurring UCG funds by \$918,414 and provides these funds in lieu of nonrecurring funds received in the past year.
- Like the House budget, the state's merit scholarship programs continue to be fully funded for anticipated growth with general and lottery funds. Needed merit scholarship dollars resulting from the reduction in general funds are provided primarily by adding just over \$2 million in certified dollars for life and \$7.6 million for scholarships as the first priority in the excess unclaimed prize funds.
- Other scholarship and grant programs (Lottery Tuition Assistance, Need-Based, Tuition Grants, National Guard College Assistance Program) remain the same as in the House recommendations which included level funding.
- Lottery Recommendations for higher education:
 - Recommendations for higher education from certified net lottery proceeds and certified unclaimed prize funds remain similar to those of the House with the exception of the increase for scholarships noted above and a reduction as noted below for the higher education excellence enhancement program.
 - The shift in scholarship dollars from general funds to the lottery resulted in changes primarily to the excess unclaimed prize funds. Keep in mind, these are the non-recurring funds beyond certified lottery proceeds and certified unclaimed prize funds that are one-time and not guaranteed. The amount of available funding from the excess unclaimed prize funds has varied each year with an average since FY 2003-04 of \$8.8 million with a range from \$5.7 million to \$14 million.

The priorities in the Senate Finance recommendations for the excess unclaimed prize funds start with \$7.6 million for merit scholarship programs and then follow with recommendations similar to the House including in priority order: \$100,000 for the Department of Alcohol and Other Drug Abuse Services (added by Senate Finance); aid to county libraries at \$2 million; PASCAL which is increased from \$1 million in House to \$1.5 million, the higher education excellence enhancement program for which certified lottery funding was reduced by \$1,700,000 at \$1,000,000 (added by Senate Finance); Technical College Allied Health at \$4,000,000, Lottery Technology for 2-yr and 4-yr at \$5.47 million; CNNI at \$1,000,000, and any additional balance to the scholarship programs. If we have a year like last year, it would be very possible that funding through the aid to county libraries would be provided with PASCAL receiving most of the recommended funding as well.

- As is the case in the House budget, the Centers of Economic Excellence (endowed chairs) remains at \$0 million and has not been funded for the past two years.

The proviso package from the Senate Finance Committee has not yet been posted and a report will be provided as soon as possible. For additional details on the budget as provided on the SC General Assembly's website, see http://www.scstatehouse.gov/sess118_2009-2010/appropriations2010/gab4657.htm