

**Revenue forecast revised since our last meeting**

You'll recall from my report last month that the Board of Economic Advisors (BEA) met in Oct 30 and adopted a preliminary estimate for the upcoming budget year (FY14-15) and signaled that the FY13-14 estimate could be revised. As anticipated, when the BEA met on November 18, the current year (FY13-14) estimate was revised upward.

With the revised estimate, it is anticipated based on the revised FY13-14 estimate and the preliminary FY14-15 estimates that there will be approximately \$280 million in available non-recurring funds, a number up from \$103 million reported last month. In terms of "new" recurring revenues, it is anticipated for FY14-15 that there will be about \$239 million, a number up from the estimated \$188 million reported last month.

There is also projected to be about \$17 million in new EIA revenue. The lottery is projected to be just under \$262 million. For the lottery, this includes certified lottery proceeds and unclaimed prize funds. In comparison, this year (FY13-14), there are \$309 million in appropriated expenditures, including certified unclaimed prize funds and the additional surplus funds that were made available, a difference of \$21.5 million from the initial FY 14-15 outlook.

**Reports:**

Prior to the Thanksgiving holidays, you received electronic copies of the two reports that we were required to submit on December 1.

We submitted an inventory of state-mandated reporting to the Governor and House and Senate finance committee chairs. This report was required by a proviso included in the appropriations act. The submitted report includes a comprehensive listing of institutional reports required by legislation, whether through permanent law or temporary budget provisos, reports required by policy or regulation by the Commission as well as other state agencies, and an appendix providing supporting statutory and related provisions requiring the reporting. The compilation of reports included 59 items. The items were identified through a review of the state code and review and input of the institutions.

We also submitted a report that Governor Haley requested on an assessment of feasibility and fiscal impact of year-round eligibility for Palmetto Fellows and LIFE scholarships. The report is fairly comprehensive and represents a foundational, working proposal that was developed based on discussions internally and externally with institutions. CHE staff developed an initial draft based on conversations with institutions and using enrollment and scholarship award data available through our CHEMIS system to determine an estimated fiscal impact. Feedback was then solicited from institutions and taken into account in the report that was ultimately submitted. As signaled in the report, we recognize that there are many more discussions with institutions and others necessary to work through administrative and process issues should the General Assembly amend current law to enable the award of the scholarships during the summer. CHE staff will be convening a meeting in early January to continue moving the conversation forward.

As a brief overview, the proposal provides a conceptual framework for awarding Palmetto Fellow and LIFE scholarship recipients in the summer for all those eligible and desiring to continue programs full-time in the summer so as to complete their programs on a faster track than the normal academic calendar. The proposed pilot is not limited to a particular institution and considers all merit-based recipients and all eligible institutions. It is conceptualized in keeping with the present program framework to limit to the extent possible administrative burdens and related costs in allowing summer awards.

The report is supportive of implementing the award of scholarships in the summer and stands to benefit those qualified undergraduates across the state, though there are a number of issues to work through should a pilot be implemented. Also, it was determined a reasonable one-time adjustment in funding would be needed initially to account for an additional “semester” within the academic year, and. We estimated that the fiscal impact for the awards would be in the range of about \$1.7 million to \$3.4 million based on reviewing three years of award data and patterns relating to summer enrollment data. Implementation costs were acknowledged but not quantified. Issues noted affecting implementation and possibly participation and costs related primarily to considerations of the current structure of summer sessions at institutions. Course offerings are more limited and students may face higher costs during the summer given limitations in financial aid available during the summer among other factors. Tracking eligibility of students is also a concern with the addition of summer consideration. Institutions have proposed that implementation would require a centralized system. Creating such a system would be a lengthy and costly proposition. The working proposal assumes such a system is not on the near horizon and attempts in the program proposed to mitigate to the extent possible the related concerns of not having a central tracking system.

In addition to these two reports, we have another report due in early January focused on parity funding and that report is in process.

#### **Legislation:**

At our meeting last month, you were provided a list of bills that remain on the calendar for the upcoming session and we discussed developing legislative priorities. Based on your feedback, there were several recommended for Commission support including accountability-based funding, the Clemson Enterprise Act but that it be expanded to all institutions, and summer scholarship eligibility for all students/institutions. Also mentioned for consideration were bills relating to military and provisions for in-state tuition and legislation. We are not asking for action today. We’ll move forward with developing information on these priorities to bring back to you or depending on your action, through the proposed standing committee that you’ll consider this morning. Priorities would be in addition to those you have already supported including the Commission’s budget priorities and National Guard Program College Assistance Program legislation.

The legislators have begun prefiling bills for the session. There were 53 bills filed by House members on December 3 and additional bills will be filed on December 10. The topics varied among the bills but not were specifically focused on higher education. Of interest was a bill (H4352) that would transfer the current responsibilities of the Education Oversight Committee to the State Department of Education and a couple that would affect the appropriations act process (H4379 and H4380). The Senate revised its prefile dates after we met last month and will be prefiling bills on December 10 and 17. The legislation that is prefiled will be introduced in the House and Senate when the General Assembly returns on January 14 (2<sup>nd</sup> Tuesday of January).