



South Carolina Commission on Higher Education

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Executive Director

TO: Members of the Commission on Higher Education
FROM: John L. Finan, Chair
DATE: 24 September 2014
SUBJECT: **Consideration of the Commission's FY 2015-16 Budget Request**

At its meeting today, the Executive Committee unanimously approved the FY 2015-16 budget request that was developed during our strategic planning retreat on September 3-4, 2014. The draft of the budget request was sent to all Commissioners earlier this month for review and comment. The budget request was then further refined based on feedback from Commissioners and others. A copy of the final version is attached. The Committee's recommendation is presented to the full Commission as a motion for consideration and approval.

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION (CHE)
FY 2015-16 BUDGET PRIORITIES FOR GREATER AFFORDABILITY AND SUSTAINABILITY

Investing in knowledge now is crucial to our success. It requires a steady commitment to our public higher education system to assist SC's citizens in realizing educational goals and our public higher education institutions in providing the necessary quality.

SC is an under-educated state; ranking 36th in adults with an associate's degree or higher and 39th for adults with a bachelor's degree or higher according to 2013 survey estimates. To advance, we must compete through knowledge and dramatically increase SC's educational attainment levels and ensure that SC prepares a broadly educated and occupationally trained workforce.

Ensuring high-quality, affordable higher education opportunities that serve all of our citizens is critical to that success. The value and purpose in doing so extends well beyond the individual benefits that accrue to those who pursue higher education. The strong relationship between a person's education level and earnings is well documented. People with with associate's and bachelor's degrees have lifetime earnings nearly \$500,000 to more than \$1 million greater than high school graduates. A more educated populace has lower unemployment, less poverty, better health, more productive labor force participation, more civic engagement, and less incarceration. As our citizens become better educated, businesses will produce more and better jobs in our state, and they will innovate for future growth.

CHE continues to support strongly the imperative to recover lost ground in SC higher education investment since the Great Recession. We urge the General Assembly to make higher education a priority and begin working over the next several years to restore core state support for public institutions. Progressively increasing support as our economy recovers will mitigate the tuition and fee burden on students and their families and will support our institutions as they enroll increasing numbers of students and continue to improve quality and student outcomes.

CHE understands that there will be many demands on the state's anticipated revenues as our economy gradually continues to recover. CHE is advancing a robust but realistic set of proposals for higher education investments in FY 2015-16 (FY16) that align with the Commission's strategic plan. Funding proposals include:

SCHOLARSHIP PROGRAM COMPLIANCE **\$85,000 Recurring Increase**

CHE is requesting an increase in recurring funds to fill a vacant staff position to support the administration of state scholarship and student aid programs funded through CHE. The requested funds will be used to support a program auditor charged with auditing the state-funded scholarship and grant programs under CHE's purview to ensure that students receiving such awards meet all eligibility requirements. In FY15, SC appropriated over \$374M for students through scholarships and grants. Of these funds over \$300M flows through CHE to institutions for the recipients. Routine auditing is a best practice and requested funds will re-establish the audit function that CHE performed until 2008 but discontinued due to the significant budget cuts experienced during the Great Recession.

AGENCY DATA SECURITY NEEDS **\$95,000 Recurring Increase**

CHE is seeking additional funds to support its data security program and initiatives. The request is to add \$30,000 for Other Personal Services for contracted staff to facilitate efforts to ensure security of data. The activities performed include the installation and monitoring of firewalls, encryption software, and other efforts to ensure data are protected. The request also includes an increase of \$65,000 to Other Operating Expense to cover additional licenses, maintenance, and procurement of security based hardware and software.

INNOVATIONS FOR STUDENT AFFORDABILITY **\$3,000,000 Recurring Increase**

A primary challenge facing SC students and their families is the increasing cost of attending and completing post-secondary education. CHE proposes an initiative that funds institutions for innovations in course delivery in the form of dual enrollment programs and other cost-efficient strategies to accelerate college credit completion. The requested funding is to be awarded and permanently transferred to institutions on a competitive basis. The process for award will recognize efficient and innovative delivery methods and strategies for reaching underserved areas of the state in recognition that opportunities for dual enrollment and other initiatives to accelerate college completion are not available equally across SC.

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NEED-BASED GRANTS **\$3,483,200 Recurring Increase**

Student financial aid programs provide incentives for our students to enroll in and complete higher education in our state. Need-based aid is a critical element for any state seeking to enhance participation in and completion of degree programs for those with limited means. The requested increase annualizes \$2.6M in increased support provided in FY15 in non-recurring funds and provides an additional increase of \$883,200 to compensate for tuition and fee increases in FY15 of approximately 3.2%.

Other State-supported Student Financial Aid Programs:

Continuation of full support for anticipated growth of merit-based financial aid programs (Palmetto Fellows, LIFE, & HOPE) and continued support for the state's other grant programs including the lottery-funded Lottery Tuition Assistance program at two-year institutions and the SC National Guard College Assistance Program, which also receives lottery funds.

SOUTHERN REGIONAL EDUCATION BOARD (SREB) PROGRAMS AND SERVICES **\$229,340 Recurring Increase**

SREB contract programs offer students pursuing professional health degrees admission to schools in other states for the price of in-state tuition and fees. Our state participates by contracting through SREB for 24 student slots in optometry and 104 in veterinary medicine at five partner institutions. The requested increase results from a structured increase in SREB contract prices in the slots we hold for SC students. (A fact sheet on SREB programs and appropriations for SREB programs and assessments is available for more information.)

STATE ELECTRONIC LIBRARY, PASCAL **\$1,500,000 Recurring**

PASCAL, Partnership Among SC Academic Libraries (www.pascalsc.org), is a government best practice, providing cooperative sharing at greatly reduced rates of physical and electronic resources among the state's public and private academic institutions. The state began investing in PASCAL in FY05 at \$2M annually. With the economic downturn, funding was reduced to less than \$200,000 in FY09. Since FY11, PASCAL has been included at \$1.5M on the priority list for excess unclaimed lottery prize funds. These non-recurring funds have not been predictable or fully available. On-going support of \$1.5M is requested to stabilize the state's support. These recurring funds will enhance PASCAL's ability to leverage better group purchasing power in seeking shared resources that are more costly if procured separately by each institution.

MAINTENANCE, EQUIPMENT, AND OTHER FACILITIES NEEDS **\$40,000,000 Nonrecurring or Lottery**

Capital investment is a normal business operating cost—not an exceptional or unusual one. The lack of a statewide bond bill since 2000, as well as the lack of a predictable source of funding for higher education E&G facilities has created pressure to increase tuition and fees as institutions maintain and develop needed infrastructure. With recovering revenues since 2011, the General Assembly has begun assisting our colleges and universities by providing support from one-time sources for construction, equipment, and on-going repair and maintenance needs for E&G facilities. Support from FY12 – FY15 has ranged from \$32M to \$68M annually. We encourage the General Assembly to continue providing these much needed resources while working with higher education to address funding needs and regulatory constraints for facilities. Recognizing that a bond bill is not likely in FY16, CHE is requesting a *minimum* of \$40M (and an amount greater to the extent possible) in nonrecurring support toward campus repair, refurbishment, and maintenance needs to help reduce costs that must otherwise be supported by students and families through tuition and fees.

GOVERNOR'S PROFESSOR OF THE YEAR PROGRAM **\$15,000 Recurring**

Established in 1988, SC Code of Laws, §59-104-220 provides for the Governor's Office in conjunction with CHE to select two Professors of the Year, one chosen from the public and independent 4-yr sector and one from the 2-year sector. The legislation requires an award of \$5,000 for each of the two Professors of the Year and allows the option of an award of \$500 each for up to ten finalists. It also calls for the awards to be presented at an appropriate ceremony. This line item was cut during the recession and funding has not been restored nor requested. The program has continued with support of the SC Higher Education Foundation until last year when the program was funded solely by agency carry-over which provided only for the monetary awards for the two winners. CHE is requesting annual state appropriations for the award as required in statute. The awards have been made in March during the past several years and will be moved to the fall pending available appropriations.

OTHER REQUESTS

CHE has one new proviso request relating to SmartState® and several other requests that are technical in nature and include changes to fund authorizations, a budget adjustment per proviso, and technical changes to two provisos. The changes are outlined on the attached page.

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION (CHE)
FY 2015-16 BUDGET PRIORITIES FOR GREATER AFFORDABILITY AND SUSTAINABILITY

PROVISO AND OTHER TECHNICAL REQUESTS

PROVISO REQUESTS

ADD NEW: (CHE: SmartState Draw Down) The Commission on Higher Education, upon receipt of the dollar-for-dollar non-state match for a SmartState “South Carolina Center of Economic Excellence” as required by Section 2-75-50 of the 1976 Code, and after State Budget Division approval, shall be authorized to draw down previously appropriated lottery funds that had been held in trust until matching funds were on hand. The Commission shall submit required documentation to the State Budget Division for approval of such draw downs, including proof that the required match is on hand, and the State Budget Division shall notify the Other Funds Oversight Committee of an authorization approved for this purpose. The requirements of proviso 91.20 contained in this act shall not apply to circumstances described in this proviso.

Explanation: SmartState® funds for program operations and matching funds for Centers have been previously appropriated from lottery funds and held in trust per §2-75-10, *et seq.* While authorization for operating funds is recognized, authorization for matching funds is not. Once institutions have the requisite \$1-for-\$1 non-state match, CHE must request authorization to draw down the state matching funds through the Other Funds Oversight Committee. The proviso, which was advanced by the Senate initially in FY14 and again in FY15, would reduce regulatory burden without compromising accountability. (SmartState has not received new funding since 2008. CHE and the institutions remain supportive of restored funding for this highly successful and innovative program that is strengthening SC’s economic competitiveness.)

DELETE: Proviso 11.14 (CHE: SC National Guard College Access Program) was enacted to exclude these funds from mid-year reductions and enable unexpended program funds to be carried forward. In 2014, the proviso was codified in §59-114-65. As a result, the proviso may be deleted.

AMEND: Proviso 11.7 (CHE: Performance Improvement Pool Allocation) includes an incorrect budgetary section reference due to the realignment of CHE’s budget in FY13. The proviso request updates the section reference.

TECHNICAL BUDGET REQUESTS

Other Funds

- College Goal Sunday: CHE is requesting the addition of \$6,000 in other funds authorization for this program to enable the expenditure of a non-state grant.
- Need-based Grants: CHE is requesting the deletion of \$4M in other funds authorization for this program that was provided in error in FY13 and for which funds have never existed.
- Statewide Electronic Library (PASCAL): CHE is requesting on behalf of PASCAL a net decrease of \$500,000 in other funds authorization. The request reflects an increase in other funds operating revenue of \$1,000,000 and a decrease in other funds restricted funds of \$1,500,000. The requested adjustment corrects an allocation of \$1,500,000 for other funds that did not receive funding and for growth in PASCAL’s fee-for-service (opt-in) program.

Federal Funds

- College Access Challenge Grant: CHE is requesting the deletion of authorization of \$1,942,116 for this federal grant. CHE is no longer eligible for the grant as SC does not meet the required maintenance of effort for sustaining higher education funding. The available grant funds will be expended in FY15 and authorization will not be needed in FY16.

General Funds

- College Transition Connection: CHE requests a correction to realign CHE’s Part 1A budget in accordance with the direction of proviso 11.16 (CHE: College Transition Need-based Grants). The request will bring CHE’s budget into alignment with a proviso passed in FY14, which continues in FY15, by deleting the Charleston Transition Connection line in Section III of CHEs budget and moving the general funds from that line to the Need-based Grant line in Section X of CHE’s budget. There is \$0 impact, and per the proviso, the funds once transferred continue to be dedicated to need-based grants for students with intellectual disabilities in recognized college transition programs.

FTEs

- CHE is not requesting any changes in FTEs.

SOUTH CAROLINA PARTICIPATION IN SREB PROGRAMS AND SERVICES

- The Southern Regional Education Board (SREB) was founded in 1948 by the Governors of the member states specifically to help states share resources and improve higher education.
- Today, SREB continues to organize and administer regional arrangements to avoid costly duplication and expensive development of programs that provide access to undergraduate and graduate programs in specialized areas by waiving out-of-state tuition.
- SREB data collection, SREB policy documents, comparative research and publications on K-20 issues as well as participation in several other programs are benefits of SC's membership in this sixteen state consortium.
- The SREB operates through state support provided by the member states. SREB's 16 member states are AL, AR, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, and WV.
- Each year, the Governors of the member states receive an invoice for their share of SREB general operations and regional education programs and for contracts-for-services. The Commission on Higher Education (CHE) coordinates SC's participation in higher education programs under the SREB. Funding for SREB participation and programs flows through CHE.
- Over the years, state support has enabled numerous South Carolinians to benefit directly through access to programs at rates not available without SC's participation in SREB. SC benefits as a state from timely policy information and access to other regional programs.

SREB General Operation and Regional Education Programs offer benefits by enabling access to student programs such as the *Academic Common Market*, which provides access to undergraduate and graduate programs in specialized areas, and the *Electronic Campus*, which is an “electronic marketplace” for courses, programs and services. In addition, SC benefits from access to a wealth of SREB publications and data sharing resources and ability to participate in other regional programs. SREB works with higher education and K-12 agencies in the 16 member states to collect and share timely comparative information and data and to produce policy reports used extensively by state leaders.

SREB Higher Education Contract Programs offer students pursuing professional health degrees admission to schools in other states for the price of in-state tuition and fees at public institutions and reduced tuition at private institutions. Participating states pay schools to maintain spots in their professional programs and save the expense of building and staffing these schools. SC participates in Veterinary Medicine at Tuskegee University, the University of Georgia, and Mississippi State University and in Optometry at Southern College in Tennessee and the University of Alabama Birmingham. SREB serves as the fiscal agent and handles the administrative duties for participating states. SC has participated in veterinary medicine programs since 1958 and optometry since 1973. Funding supports a total of 104 veterinary medicine and 24 optometry students.

Academic Common Market (ACM) was established in 1974 by SREB to share among member states specified degree programs located at public colleges and universities through an exchange of students across borders at in-state rates. As a cooperative agreement, the ACM seeks to eliminate unnecessary duplication of degree programs while supporting programs which are able to serve additional students. The ACM allows residents of the 16 member states to pay in-state tuition rates while enrolled in certain degree programs at participating SREB out-of-state colleges and universities. In accordance with SREB policy, eligible programs are those undergraduate and graduate programs which are at least 50 percent different in course content from programs offered in the home state. Currently, SC institutions have made just over 130 programs available through the Academic Common Market, and SC residents have access to nearly 400 out-of-state programs. Last year (2013), 100 South Carolinians were certified to access programs in other SREB states.

Doctoral Scholars Program provides financial assistance and academic support to minority students who are admitted to doctoral programs. Started in 1993, the program aims to produce more minority PhDs and encourage them to seek faculty positions. Last year 15 new and continuing SC students participated. Since its inception, the Doctoral Scholars program has graduated in total across the region 733 PhD's and 80% are employed in education; SC has supported 60 of those graduates.

Tuition Aid Program (Arts Program) provides tuition assistance to SC residents to attend the NC School of the Arts, a conservatory-based high school program in Winston-Salem to train professionals in the arts. The amount per student is determined by the amount appropriated divided by the number of SC residents who attend. Last year, three SC students received support.

SREB Funding and FY 2015-16 Request

In FY 2014-15, the appropriations for SREB are found across two lines in CHE's base budget – SREB Contract Program and Assessments (\$3,667,610) and SREB Arts Program (\$7,177) for a total of \$3,674,787.

For FY 2015-16, CHE is requesting increased funding needed to maintain level participation in the SREB programs. The increase needed in recurring funds is \$229,340.

FY 2015-16, SREB program costs and requested funding are outlined as follows:

SREB Contract Programs	\$3,427,200 ¹
Veterinary Medicine at University of Georgia, Mississippi State University and Tuskegee (104 students at \$29,100 per student, totaling \$3,026,400) and Optometry at Southern College of Optometry and University of Alabama (24 students at \$16,700 per student totaling \$400,800).	
Doctoral Scholars Program (12 students at \$25,000 per student)	\$300,000
Tuition Aid Program (Arts Program)	\$7,177
SREB General Appropriations and Regional Education Programs Including Technology Initiative	\$207,360 ²
Total FY 2015-16 Need	\$3,941,737

Current available funding sources:

FY 2014-15 Recurring General Fund Appropriation	(\$3,674,787)
<i>Anticipated unexpended SREB funds carried forward from FY2014-15</i> ³	(\$37,610)

Resulting FY 2014-15 request after consideration of recurring funds and estimated carry forward:

Recurring Increase of \$229,340

- 1 For FY 2015-16, per student rates for Optometry and Veterinary Medicine increase by 5% over FY 2014-15 contract rates per SREB scheduled increases. Veterinary Medicine increases by \$1,400 per student and Optometry by \$800 per student for an overall increase of \$164,800 (104 x \$1,400=\$145,600 plus 24 x \$800=\$19,200).
- 2 To support core operations and regional education programs for FY 2015-16, SREB set the requested appropriations payment at \$199,360 which is a 3% (\$5,810) increase over FY 2014-15. The balance of \$8,000 supports participation in the SREB Technology Initiative.
- 3 CHE is authorized by budget proviso (FY 2014-15, Part 1B 11.6) to carry forward funds appropriated for SREB programs and expend such funds for the same purpose. Carry forward funds may result in any year if all available funded SC contract seats are not filled due to occasional student stop-outs which may occur during the year. The request for FY 2015-16 anticipates all seats being filled and factors in estimated carry forward from any seats not filled in the current year.