

Notes on Governor's Budget Recommendations for FY 2014-15 for CHE and Higher Education

Update 1-14-2014 (rev.)

The Governor released her Executive Budget for FY2014-15 on January 13, 2014. A video of the press conference, background handouts from the press conference and a full text version of the Executive Budget (576 pages) are available on the Governor's website at

<http://www.governor.sc.gov/ExecutiveOffice/ExecutiveBudget/Pages/default.aspx> .

The Governor's budget focuses on four key themes: 1) Providing for a Better Education (K-12 funding and reforms), 2) Creating jobs and improving the business climate, 3) Making South Carolina Safer, and 4) Fixing roads without raising taxes. For an executive summary, [CLICK HERE](#)

The following highlights recommendations (budget increases/decreases) included in the Executive Budget for higher education. In total, a net increase of \$9,945,204 in recurring general funds and \$52,243,371 in non-recurring (one-time) appropriations are provided for higher education.

Recommended appropriations include the following.

Commission on Higher Education (CHE):

- Provides general fund increase requested for SREB programs (increase \$180,810)
- Supports requested increase for CHE EIA-funded Centers of Excellence (increase in EIA funds \$250,000)
- Supports PASCAL including \$500,000 in increased General Funds and as described below \$1.5 million in anticipated excess lottery proceeds.
- Includes requested proviso for SmartState drawdown authorizations.
- Adjusts other funds as requested to remove funding for the federal SLDS grant which ended in 2013 (decreases CHE other funds \$1,404,133 as requested)
- No funds were included in support of CHE's requested Affordability Initiative
- No new funds were included for SmartState

Other recommendations affecting funds that flow through CHE:

- Recommends \$2 million in non-recurring funds to hire consultants to conduct efficiency studies of our public colleges and universities with reports anticipated to identify specific, actionable recommendations to reduce costs and improve service delivery in order to mitigate the need for tuition increases.
- Recommends 20% reductions to base funding for Lowcountry Graduate Center (reduction of \$157,020), University Center of Greenville Operations (reduction of \$216,980) and Greenville Technical College – University Center (reduction of \$118,878).
- Eliminates Performance Funding line in CHE's budget which totals \$1,397,520 that no longer relates to performance funding. (NOTE: The funds from this line are directed by proviso to support EPSCOR (80% of the appropriated funds) and SC State (20%) for management programs in the School of Business.

Institutions:

- The Executive Budget supports \$41 million in requested funds from the Capital Reserve Fund for building maintenance, renovation and repair needs including \$29,288,976 in allocations based on in-state students through CHE to the research, comprehensive teaching and two-year USC regional campuses and \$11,715,591 to the State Technical College System Office for allocation to the 16 technical colleges. Accessing the funding will require a 1:1 match of non-state funds.

- A total of \$8.6 million in recurring General Fund increases for colleges and universities are provided including: 1) annualizations of non-recurring funds received in FY 2013-14: Clemson University \$1 million for student opportunity program; USC \$2.5 million for On Your Time Graduation; and for parity, \$148,400 for USC Lancaster, \$118,720 for USC Salkehatchie, \$97,520 for USC Sumter, and \$190,152 for USC Union; 2) a recurring increase of \$2.5 million for allied health and stem programs for technical colleges; and 3) \$2 million for technical college apprenticeship programs.
- Other nonrecurring funding for colleges and universities includes: \$5,438,000 for readySC, \$375,000 for WorkKeys profiles, and \$2.5 million for equipment for manufacturing, STEM and Allied Health programs for technical colleges from the Capital Reserve Fund.

Lottery:

In FY 2013-14 (this year), the General Assembly appropriated \$309 million in certified lottery proceeds, certified unclaimed prize funds, and excess or surplus lottery funds for higher education and K-12 programs with 85% to higher education and 15% to K-12. Presently, the Board of Economic Advisors has certified \$261.5 million (\$252 million in net lottery proceeds, \$1.5 million in interest earnings, and \$8 million in certified unclaimed prizes) in available lottery proceeds. The Governor's FY 2014-15 budget allocates the certified lottery proceeds (i.e., \$261.5 million), provides for \$29.7 million in additional appropriations of anticipated lottery proceeds, and \$8 million from excess unclaimed prize funds for a total of \$299.2 million, of which higher education appropriations are 84%.

Higher Education lottery appropriations from the certified lottery proceeds included level funding for Palmetto Fellows, LIFE, HOPE, Lottery Tuition Assistance, Need-based Grants, SC National Guard, and SC State University. And from certified unclaimed prize funds an increase of \$7,766,604 for Tuition Grants. Funds from anticipated proceeds support \$12,771,909 for technology for public four-year and two-year colleges, which approaches annual historical levels of funding provided for this program and represents an increase of \$3,195,093 million over anticipated FY 2013-14 funding. Anticipated lottery proceeds also include level funding for the Higher Education Excellence Enhancement Program and \$1,500,000 for PASCAL. The balance of any remaining surplus funds is directed to the merit scholarship programs. Excess unclaimed prize funds are dedicated to school buses for K-12 (\$8 million) and the balance to K-12 public school building fund.

Scholarship and Grant Programs:

Scholarship and grant programs include funding from lottery, general fund and nonrecurring budget sources. The Executive Budget

- Supports requested full-funding of merit-based scholarship programs; however, but projections of the increased need for the merit programs were not available at the time of the release of the budget and so increases were not factored in to the lottery recommendations.
- Includes an increase of \$3,425,804 from non-recurring funds to implement summer awards for LIFE and Palmetto Fellows scholarship programs
- Increases CHE Need-Based Grants by providing the requested increase of \$2.6 million in recurring general funds to return to FY 2012-13 levels
- Supports requested level funding for SC National Guard College Assistance Program (\$4,545,000 in lottery and \$89,968 in recurring funds)
- Supports requested level funding for Lottery Tuition Assistance (\$49.1 million in lottery funds)
- Increases SC Tuition Grants funding by \$258,764 in recurring funds and \$7,766,604 in certified unclaimed prize funds (SC Tuition Grants requested an increase of \$1,275,866 in its budget submission in order to maintain a per student grant of \$3000)