

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 programming.

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 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 our 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 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 funds to support its data security program and initiatives to comply with State IT security mandates. The request includes \$30,000 for Other Personal Services for contracted staff to facilitate efforts to ensure data security. The activities performed include the maintenance and monitoring associated with the installation of equipment and software and other efforts to ensure data and the network are protected. The request also includes an increase of \$65,000 to Other Operating Expense to cover 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 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 lottery-funded grant programs including the Lottery Tuition Assistance program at two-year institutions and the SC National Guard College Assistance Program.

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.pascal.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® to streamline the process for authorization of drawdowns of state matching funds. CHE also has several other requests that are technical in nature and include changes to federal and other fund authorizations, a budget adjustment per proviso, and technical updates to two provisos.

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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.
- FY15 Pay/Health Insurance Plan Allocation: \$49,108 in funds allocated by the Budget and Control Board to CHE in August 2014 for purposes of the FY15 pay/health insurance plan increases are apportioned in CHE’s FY15 budget and should be reflected in the FY16 base. The funds are allocated as follows \$30,895 under Section I Administration Personnel, \$2,010 under Section V Licensing Personnel and \$16,203 under Section IX Employer Contributions.

FTEs

- CHE is not requesting any changes in FTEs.