

Notes on Governor's Budget Recommendations for FY 2015-16 for CHE and Higher Education

CHE Staff Review, 1-18-2015

The Governor released her Executive Budget for FY 2015-16 (FY16) on January 12, 2015. A video of the press conference, background handouts from the press conference and a full text version of the Executive Budget (666 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) Educational Success – Year 2, 2) Social Services Reform 3) Building Safe Communities, and 4) Effective and Sustainable Health Services. (See Executive Budget, pages 24-35.)

The following highlights recommendations (budget increases/decreases) included in the Executive Budget for higher education. In total, for the colleges and universities, a net increase of \$3 million in recurring general funds is allocated to the technical colleges only and \$36.2 million in non-recurring (one-time) funds is provided including \$3 million to technical colleges for STEM and manufacturing equipment and facility needs, \$30 million in non-recurring (one-time) appropriations primarily for maintenance/facilities' needs to be matched 3:1 with non-state dollars for the universities, and \$3.2 million for maintenance/facilities needs for the technical colleges. Also recommended is an annualization of \$2.8 million and non-recurring funds of \$3,014,881 to support *readySC*. Other increased funding for higher education includes an increase of \$409,340 in recurring General Funds in support of CHE requests. Undergraduate scholarship and grant programs continue to be supported and information regarding these appropriations and lottery appropriations for higher education are provided below.

Commission on Higher Education (CHE):

(For a summary of CHE's Proposed FY16 Budget Requests, [Click Here](#))

- Provides requested General Fund increase for Scholarship Program Compliance Auditor (increase \$85,000)
- Provides requested General Fund increase for Agency Data Security (increase \$95,000)
- Provides requested General Fund increase for SREB programs (increase \$229,340)
- Does not provide requested new funds of \$3 million to support CHE's Innovations for Student Affordability Initiative
- Does not provide the requested increase of \$3,484,200 for Need-based Grants. Need-based Grants are included in the FY16 Executive Budget at the base level of \$25 million which is \$2.6 million below the total appropriated FY15 level of \$27.6 million. Adjustments are included as requested to correct an error in Other Funds authorization for Need-based and to transfer College Transition Connection funds to Need-based Grants as required by proviso.
- Supports PASCAL with uncertified excess lottery proceeds (i.e., funds that come in above the current BEA revenue estimate for the lottery). PASCAL is included at \$1.5 million after the first \$29,202,292 of expenditures in excess of the certified lottery proceeds and unclaimed prize total of \$298,925,000. An adjustment to PASCAL Other Funds is included as requested.
- Does not support CHE's request to re-establish funding for Governor's Professor of the Year Program.
- Includes requested proviso for SmartState drawdown authorizations.
- Adjusts CHE Other Funds as requested for College Goal Sunday by an increase of \$6,000
- Removes federal funding authorization as requested for the federal College Access Challenge Grant that is no longer available to SC due to the inability to meet the requisite Maintenance of Effort for higher education funding as required by the federal grant program. (decreases CHE federal funds by \$1,942,116 as requested)
- Incorporates authorization of FY15 pay/health insurance plan funds
- No new funds were included for SmartState
- Provides level funds for EIA-funded Centers of Excellence and Teacher Recruitment and for other programs funded through CHE's general fund budget

Other recommendations affecting funds that flow through CHE:

- Redirects the Performance Improvement Pool funding line in CHE's budget which totals \$1,397,520 to support Accountability Based Funding for the state's colleges and universities. Presently, funding on this line supports by proviso EPSCOR (80% of the appropriated funds) and SC State (20%) for management programs in the School of Business.

Institutions:

- The Executive Budget supports \$30 million in funds from the Capital Reserve Fund allocated to the state's research universities, comprehensive teaching universities, and two-year USC branches. The funds are allocated across the universities with \$3 million allocated to MUSC and the remainder allocated according to the respective share of full-time equivalent in-state undergraduate students. The funds must be matched on a 3:1 basis with non-state resources. Additionally, \$3.2 million in one-time funding from the Capital Reserve Fund is directed to maintenance needs at the technical colleges.
- A total of \$6 million is provided to the technical colleges for programs supporting manufacturing, STEM and healthcare – of these funds, \$3 million is recurring for faculty and staffing and \$3 million in non-recurring from the Capital Reserve Fund for equipment and facility needs.
- For *readySC* (technical college system workforce training), \$2.8 million is annualized in base recurring funds and \$3,014,881 in non-recurring funds from the Capital Reserve Fund is recommended.

Other –

The Governor recommends the establishment of a new proviso, Employment Training Outcomes Data Sharing to direct the State Department of Education, institutions of higher education, and other state agencies providing training for employment outcomes to enter into a Memorandum of Agreement with SC DEW to share student data to determine employment outcomes following training.

Lottery:

In FY 2014-15 (this year), the budget authorization for the lottery was approximately \$345.1 million and for FY16, the BEA estimate includes \$298.925 in certified lottery and unclaimed prize funds. The Governor's FY16 budget allocates the certified \$298.925 million and provides for another \$30.7 million in appropriations in excess of the anticipated lottery proceeds.

Higher Education lottery appropriations from the certified lottery proceeds include essentially level funding for Palmetto Fellows, LIFE, HOPE, Lottery Tuition Assistance, Need-based Grants, SC National Guard, and SC State University; an increase of funds in the lottery for Tuition Grants with a net program increase overall of zero as described below; and support from excess uncertified funds of \$10 million for technology for public four-year and two-year colleges, \$2 million for the Higher Education Excellence Enhancement Program and \$1.5 million for PASCAL. The balance of any remaining surplus funds is directed to the Department of Education for school bus lease or purchase.

Scholarship and Grant Programs:

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

- Supports funding of merit-based scholarship programs; however, it is noted that 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. Of note, a significant portion of the recommended FY16 funds (\$19 million) for the merit programs are made available from un-certified proceeds and it is not clear if the year-round scholarships initiative for Palmetto Fellows and LIFE are included.
 - Palmetto Fellows is supported at \$57,915,598. (Appropriation for FY15 is \$58,087,598)
 - LIFE supported at a total of \$189,679,790 including General Fund, Lottery, and Uncertified Lottery. (Appropriation for FY15 at \$189,680,420 and an additional \$1,718,902 for summer eligibility for LIFE and Palmetto Fellows.)
 - HOPE is supported at \$8,707,972. (Appropriation for FY15 is \$8,707,972)
- Lottery Tuition Assistance is supported at \$49.1 million (Appropriation for FY15 is \$49.1 million)
- Need-based Grants is supported at \$25 million of the requested \$28,483,200. (Appropriation for FY15 is \$27,600,000).
- Tuition Grants is supported at \$31,617,387. For this program, the Governor's recommendation shifts the entirety of General Fund Support of \$23,358,622 to the Lottery. (Appropriation for FY15 for grants is \$31,617,386)
- SC National Guard College Assistance is supported at requested level funding of \$4,634,968 (Appropriation for FY15 is \$4,634,968)