

**SC COMMISSION ON HIGHER EDUCATION
FY 2016-17 BUDGET PRIORITIES**

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 35th in adults with an associate's degree or higher and 39th for adults with a bachelor's degree or higher according to 2014 American Community 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. CHE understands that there will be many demands on the state's anticipated revenues as our economy gradually continues to recover. 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 is advancing the following requests for FY 2016-17 in support of agency needs for carrying out its mission and other higher education programs.

SUPPORT OF CHE AGENCY NEEDS IN MEETING CORE MISSION CRITICAL FUNCTIONS:

AGENCY LEGAL STAFFING SUPPORT

\$250,000 Recurring Increase

CHE is seeking funds to support needs for the assistance of a general counsel. CHE has not had general counsel on staff and has recently contracted for assistance. CHE anticipates the continued need for such legal assistance and is requesting \$250,000 in recurring funds to support the anticipated need on an on-going basis.

AGENCY OPERATING SUPPORT FOR CORE MISSION FUNCTIONS

\$494,100 Recurring Increase

CHE is seeking funds to meet agency needs that will enhance operations in support of core mission functions. Requested funds will support staffing and operational expenses for the following: two positions totaling \$176,000 for personnel and operating expenses needed to re-establish academic program review and to support the State Authorization Reciprocity Agreement (SARA) with CHE serving as the portal agency; one position totaling \$120,500 for personnel and operating expense to enhance its work in fiscal affairs; and one position totaling \$142,600 for personnel and operating expense to improve communication with all stakeholders in enhancing the work of the agency. In addition, increased agency operating support of \$55,000 is included to provide for on-site Commission meetings and to bring together stakeholders including institutional trustees and the presidents and their staff to work on issues of import such as distance learning and other items for consideration of the future of higher education in South Carolina.

AGENCY TECHNOLOGY NEEDS

\$120,000 Recurring Increase and \$130,000 Non-Recurring

CHE is seeking funds to meet agency technology needs that will enhance operations in support of core mission functions. The requested funds will support upgrades to CHE's database and end-user capabilities and continue improvements to the agency's website to provide for a more user-friendly and accessible system and to facilitate more efficient processing of data. In addition, the requested funds will enable CHE to upgrade its conference room technology to enhance digital meeting capabilities such as enabling interactive and streaming meetings so as to facilitate improved communications. Additionally, the funds will support technology needs to migrate the phone system as required to voice-over IP (internet protocol) as the legacy PBX system State contract ends in 2018.

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AGENCY DATA/INFORMATION SECURITY NEEDS

\$110,000 Recurring Increase

CHE is seeking funds to support its data security program and initiatives to comply with State IT security mandates. The request includes \$45,000 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. This support was requested but not provided for FY 2015-16.

SUPPORT OF STUDENT FINANCIAL AID AND OTHER HIGHER EDUCATION PROGRAMS:

SOUTHERN REGIONAL EDUCATION BOARD (SREB) PROGRAMS AND SERVICES

\$245,212 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 slots in veterinary medicine at five partner institutions. The requested increase results from a structured increase in SREB contract prices for FY 2016-17. A fact sheet on SREB programs and appropriations for SREB programs and assessments is available for more information.

NEED-BASED GRANTS

\$2,600,000 Annualization and \$1,937,078 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 level of need-based grants has not increased over the past two-years. Tuition and fees at public colleges and universities increased on average 3.2% in FY15 and 3.7% in FY16. The requested increase annualizes \$2.6M in increased support provided in FY16 in non-recurring funds and provides an additional increase of \$1,937,078 to compensate for average tuition and fee increases over the past two years.

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 at current levels for lottery-funded grant programs including the Lottery Tuition Assistance program at two-year institutions (\$51.1M) and the SC National Guard College Assistance Program (\$4,545,000 Lottery & \$89,968 General Fund).

COLLEGE TRANSITION NEED-BASED GRANTS

\$170,822 Recurring Increase

CHE requests an increase in the funds available to support the College Transition Need-Based Grant Program in order to meet anticipated growth of eligible South Carolina students. In FY 2013-14, the General Assembly redirected funds available to the Charleston Transition Connection Program for use in providing assistance in establishing need-based grants for South Carolina students enrolled in transition programs. These programs serve students with intellectual disabilities by providing non-degree postsecondary opportunities offering a structured curriculum to support students who want to continue their academic career and independent living instruction to prepare for gainful employment. At present, Clemson, USC, Coastal Carolina, College of Charleston, and Winthrop offer recognized College Transition programs. The requested increase of \$170,822 will bring the support from its current level of \$179,178 to \$350,000. Eligible resident South Carolina students have increased in each of the past three years: 20 students in FY 2013-14, 26 students in FY 2014-15, and 31 students in FY 2015-16. If the increase is provided for this purpose, the controlling proviso, 11.12 (CHE College Transition Need-Based Grants), will need to be adjusted to conform to funding.

STATE ELECTRONIC LIBRARY, PASCAL

\$1,500,000 Recurring (Annualization)

PASCAL, Partnership Among SC Academic Libraries (www.pascal.sc.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. In FY16, PASCAL was included at \$1.5M on the pro-rata list for surplus funds, receiving \$1,412,514 (94.17% of the appropriation). 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.

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VETERANS TUITION DIFFERENTIAL SUPPORT FOR PUBLIC INSTITUTIONS

\$1 TBD

During the 2015 Session, the General Assembly passed Act 11 of 2015 (S.391) to enable certain eligible out-of-state veterans and their dependents receiving GI bill education benefits to be assessed at the in-state tuition rate without the requirement of establishing South Carolina residency for tuition and fee purposes. The legislation was enacted in support of veterans and to bring South Carolina into compliance with federal requirements enacted in 2014. It was anticipated that the legislation could result in a loss of out-of-state tuition across the public colleges and universities of \$14M and the General Assembly provided \$3M in non-recurring funding to assist toward off-setting the anticipated impact. The legislation took effect for students enrolled in programs beginning July 1, 2015 and after. CHE will be assessing the impact of this legislation and will provide a formal request for FY 2016-17 following an analysis of the impact based on fall 2015 data.

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-year 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. The program continued with support from the SC Higher Education Foundation until FY13. The program was funded solely by agency carry-over in FY14 which provided only for the monetary awards for the two winners. CHE requested state appropriations for this award program for FY 2015-16 but the funds were not provided. The program was suspended in FY15.

MAINTENANCE, EQUIPMENT, AND OTHER FACILITIES NEEDS

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 the educational and general (E&G) facilities for our public colleges and universities has created pressure to rely on tuition and fees, local funds, and benefactor support as institutions maintain and develop needed infrastructure. Since 2011, the vast majority of state support for major E&G construction, repurposing, and renewal projects has come from one-time sources. Support for maintenance needs has also been provided through one-time funding. In FY16, funds for maintenance needs were provided from FY15 surplus lottery funds in the amount of \$2,825,028 to be allocated across the State's thirty-three public colleges and universities. We appreciate the support of the General Assembly and encourage your support of these much needed resources and consideration of institutional requests.

PROVISO AND OTHER TECHNICAL AGENCY BUDGET REQUESTS

PROVISO REQUESTS

CHE is not requesting any additions, deletions or changes to provisos.

TECHNICAL BUDGET REQUESTS

General Funds:

- FY 2015-16 Health Insurance Plan Allocation: \$9,594 in funds allocated by the Budget and Control Board to CHE in August 2015 for purposes of the FY 2015-16 health insurance plan increases are apportioned in CHE's FY15 budget and are requested to be annualized in the FY 2016-17 base under Section IX Employer Contributions.
- SREB Technical Adjustment, Combining SREB Funding Lines (SREB Arts combined into SREB Program and Assessments): As of FY 2015-16, SC is no longer participating in the contract program for SC residents enrolled in the NC School of Arts program. The controlling proviso was deleted as no students were participating during FY 2014-15. Funding of \$7,177 is included in a separate line within CHE's budget, and the request is made to move this funding to the line support the State's participation in SREB and other contract programs.

CHE is not requesting any adjustments to Other Funds or Federal Fund authorizations

CHE is not requesting any changes in the number of authorized FTEs.

