

Overview of Higher Education Budget Request FY 2005-06

The Commission staff has worked with the Funding Advisory Committee to develop the following budget request for South Carolina's public institutions of higher education. Provided below in priority order are the proposed budget request items as recommended by the Commission staff and endorsed by the Funding Advisory Committee.

Request # 1 - \$50 million -- Operating Funds

Higher Education's greatest need is for increases in operating funds. One of the direct results of the budget reductions in recent years has been a corresponding increase in tuition levels across all sectors of institutions. Institutions have reduced programs, implemented efficiencies, and eliminated unnecessary expenditures. Further, institutions have been held accountable for the past eight years through performance funding measures and standards. While the higher education community recognizes the fiscal constraints of the state's economy, there remains a significant need for increases in higher education operational funding. This requested increase will allow for institutions to mitigate the need for further tuition increases. As a related issue, disparity in funding levels has evolved that is not related to institutional performance or accountability for state resources. The requested funds would be used to address a portion of the current disparity provided institutions continue to maintain acceptable performance levels.

Recommendation – The staff recommends a request of \$50 million for operating funds to address parity needs, provided that institutions continue to maintain acceptable performance levels.

Request # 2 - \$242,226,105 – Lottery Funded Programs

Lottery funds currently provide funding for a variety of programs including scholarships and grants, Research Centers of Economic Excellence, technology, and an electronic library. The Commission is requesting continued funding of these programs due to their successes in their respective areas. Scholarships and grants are providing incentives and support for deserving students pursuing post-secondary education. The Research Centers of Economic Excellence program is investing in long term research and economic development activity designed to promote the expansion of the state's economy. Technology funds are ensuring up-to-date college campuses. The electronic library is achieving significant cost avoidance through collective purchasing of library resources.

In addition to requesting continued funding for existing programs, there exist additional needs for two scholarship and grant programs. First, the Commission has a long standing position of pursuing increases in need-based grant funds. These funds make a post-secondary education a possibility for many students who are solid college students, but are not able to take advantage of merit-based aid. Based on institutional data, there are unmet needs in excess of \$10 million for this program. Second, the State

Technical College System has submitted a request to increase funding for the Lottery Tuition Assistance Program to a level of \$52 million to ensure the capability to fund 75% of required tuition and fees. A summary of lottery related programs follows:

Summary of Lottery Appropriations Request

| <u>Items funded in Fiscal Year 2004-05</u> | <u>Amount</u> |
|---|-------------------|
| Palmetto Fellows Scholarships | \$ 11,176,712 |
| LIFE Scholarships | 92,727,949 |
| HOPE Scholarships | 6,183,017 |
| Lottery Tuition Assistance Program | 39,750,000 |
| Need-Based Grants | 10,438,427 |
| National Guard Loan Repayment Program | 1,500,000 |
| Teacher Grants | 2,000,000 |
| S. C. State University | 5,500,000 |
| Higher Education Excellence Enhancement Program | 4,700,000 |
| Research Centers of Excellence | 30,000,000 |
| Technology Funds | 14,000,000 |
| Statewide Electronic Library | <u>2,000,000</u> |
| Subtotal | 219,976,105 |
| <i>Additional Requested Items:</i> | |
| Increase in Need-Based Grants | 10,000,000 |
| Increase in Lottery Tuition Assistance Program | <u>12,250,000</u> |
| Total | \$ 242,226,105 |

Recommendation – The staff recommends a request of \$219,976,105 to provide continued funding for existing public higher education lottery funded programs. The staff further recommends an increase of \$10 million for the Need-Based Grants program and an increase of \$12,250,000 for the Lottery Tuition Assistance Program, for a total request of \$242,226,105.

Request #3 - \$4,555,172 – Academic Endowment Funds

In 1997, the General Assembly created the Academic Endowment Act, which creates an opportunity for institutions to have endowment earnings matched by state funds (only for those endowments created or increased subsequent to the 1997 Act). This provides a tremendous incentive for potential contributors to see their investments in higher education generate significant earnings. This program has been significantly reduced through the recent budget reductions and is currently funded at a level of \$444,828. This requested increase would fully fund the program at \$5 million, as provided in code section 59-118-60, allowing it to provide incentives to potential contributors to invest in higher education.

Recommendation – The staff recommends a request of \$4,555,172 to fully fund the Academic Endowment Act of 1997.

Request # 4 - \$14,890,382 – Institutional Below-the-Line Projects

Each year, the Commission assists the General Assembly by serving as a central clearinghouse for budget requests for institutional special (Below-the-Line) projects. There are 31 total items that vary in amount and nature. The total amount of requested is \$14,890,382. All submitted projects have been reviewed by the Commission staff.

It is noted that the projects are subject to consideration of the Finance and Facilities Committee on October 6, 2004, and Commission approval on October 7. For a detailed listing of projects and recommended dollar amounts that are being considered by the Finance and Facilities Committee for recommendation to the Commission, see Agenda Item 4.04.B included in the CHE meeting materials for the October 7 meeting.

Recommendation – The staff recommends approval of the attached listing of projects and the corresponding recommended amounts. (Note: Subject to recommendation of the Finance and Facilities Committee and approval by the Commission.)

Request #5 - \$908,855,659 – Institutional Capital Projects

The state's Capital Permanent Improvement Process includes a component for agencies to include those projects for which it is requesting funding from state bonds. The higher education institutions have a total of 96 projects included in that process with a need of a little over \$900 million. These projects have been evaluated by the Commission staff and rated based on an approved set of objective criteria.

It is noted that the projects and ratings are subject to consideration of the Finance and Facilities Committee on October 6, 2004, and Commission approval on October 7. A detailed listing of projects and ratings, along with a summary of the rating criteria and a description of the process, that are being considered by the Finance and Facilities Committee for recommendation to the Commission, is included as Agenda Item 4.04.C.3 in the CHE meeting materials for the October 7.

Recommendation – The staff recommends a request of \$908,855,659 in state bonds for capital projects. The staff further recommends that the noted rating scores be approved and provided to the General Assembly as an objective evaluation of the relative merits of each request. (Note: Subject to recommendation of the Finance and Facilities Committee and approval by the Commission.)

Summary of Changes to Previously Distributed Material

Agenda Item 4.04.A 2

(Performance Funding Indicator 1D/E)

Technical College of the Lowcountry has elected to defer measurement of Indicator 1D/E

Agenda Item 4.04.B

(Below the Line Items)

Addition of Request from the Citadel for Asbestos Abatement - \$2.8 million

Agenda Item 4.04.C 3

(Capital Projects Year 2 Ratings)

Removal of Citadel's Capital Request for Asbestos Abatement - \$5 million

Agenda Item 4.04.D

(Higher Education Budget Request)

Revised summary reflecting changes from above:

| <u>Request #</u> | <u>Description</u> | <u>Amount</u> |
|------------------|--------------------------|---------------|
| 1 | Operating Funds | \$ 50,000,000 |
| 2 | Lottery Funded Programs | \$242,226,105 |
| 3 | Academic Endowment Funds | \$ 4,555,172 |
| 4 | Below-the-Line Projects | \$ 17,690,382 |
| 5 | Capital Projects | \$903,855,659 |

Emerging Scholars Program

Many bright South Carolina students, capable of succeeding in college, don't always make it to the world of higher education. The reasons vary from financial obligations to lack of motivation to just not knowing college is a real possibility. There is a dramatic correlation between the educational and the economic climate of a town or county. And in South Carolina, many counties suffering economically also have a higher minority population. Clemson University's Emerging Scholars Program will be a key player in closing the education gap.

The goal of the Emerging Scholars Program is to increase the college attendance rate of economically at-risk and minority students. Through activities that lead to enhanced orientation, motivation and preparation, at-risk students will be better prepared to pursue college degrees. The program also seeks to engage parents and emphasize that they are essential members of the partnership that the University has established.

Research shows that the college participation rate is dramatically higher for the children of parents who went to college than for those of parents who did not go to college. Accordingly, the impact of programs that enhance the college participation of economically at-risk students can ultimately extend beyond the participating students and affect entire families and communities.

The three-year, multiphase program initiated in 2002 brings in a new cohort of 50-55 students each year. Rising high school sophomores take part in the first phase, one-week residential program at Clemson. Participating students return to Clemson for a two-week program the summer before their 11th-grade school year. As rising seniors, they take part in a three-week college freshman simulation. After three years of training and orientation, the students can apply to the school of their choice.

In addition, Clemson conducts a series of meetings, workshops and seminars for participating students and their parents throughout the year. While students maintain regular contact with University mentors, parents learn how to complete financial aid forms and how to keep their son or daughter interested in school.

Schools in Hampton, Bamberg and Allendale counties as well as Southside High School in Greenville County are participating in the program. The schools were selected based on their relatively low annual per capita income, racial demographics, high unemployment rate and relatively low average SAT scores.

The summer of 2004 was the first year that all three phases of the program were delivered. A total of 110 students participated.

Of the total, 32 students were from the 41 with whom the program was inaugurated in the summer of 2002.

For the 32 rising seniors, the three-week residential program was a college simulation model. The students were "enrolled" in 5 courses – English, math, science, history and art. As expected, some of the students were more involved and attentive than others; but the faculty and staff unanimously concur that, overall, the program was enormously successful.

Clemson's Director of Admissions has received the Provost's approval to waive the admission application fee for Emerging Scholar students, and to allow the Office of Access and Equity to append to the application a summary of the student's three-year involvement in the Emerging Scholars program.

The 43 new students who successfully completed the first phase of the program this summer are the best behaved, most serious, and most anxious to learn of any of the three cohorts now in the pipeline.

Anecdotal data:

The rising seniors have designed and submitted for our consideration a special stole identifying them as Emerging Scholars students. They have asked the university to approve the design so that the stole could be worn with their high school graduation cap and gown.

Three families have moved from the areas served by the participating schools. In each case the parents have pleaded with us to allow their children to remain in the program. We have agreed to do so.

I can tell which students have participated in the Emerging Scholars program without even knowing their name. They come back with a much different and more serious attitude about school." ... a high school counselor

"The Emerging Scholars t-shirt has become the status symbol in our high school." ... a high school counselor

"I don't know what you people did to my son this summer but I hope you keep on doing it." ... parent of a participating student

Program modifications:

The original design called for visits to the participating students in their respective high schools once each semester. Effective this year, these visits will be conducted once each *quarter*.

Heretofore, completion of the projects (primarily math problems) that were sent to the students by mail was optional. Effective this year completion will be mandatory. If the student is unable complete the problem, he/she must provide marginal notes identifying what part of the problem they could not figure out.

Commencing in the summer of 2005, the amount of contact with Clemson's School of Nursing will be increased in an effort to broaden the students' exposure to health science courses and professions.

A better predictor is being designed in an effort to more accurately enroll the target number of 50 students in each new entering cohort. We received 69 applications for the entering class of 2004. This was reduced to 58 in an effort not to exceed our capacity. However, only 43 participated.