

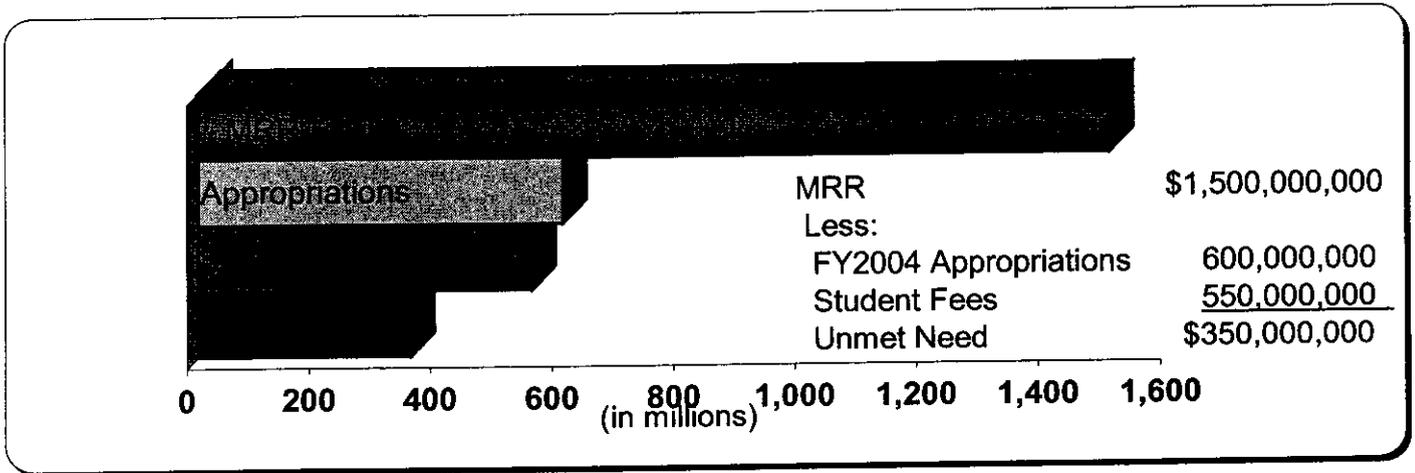
ATT II

Higher Education Operating Fund Budget Request for Fiscal Year 2004-05

Background

Each year, the S. C. Commission on Higher Education presents a budget request to the Governor and the General Assembly on behalf of the state's 33 public institutions of higher education. This budget request is a request for the operating funds of the institutions. Requests for specific items (commonly referred to as below-the-line items) and capital items are not included in this request but are submitted separately. Therefore, discussions within this text will be limited to the request for operating funds.

Illustrated below are the total needs of the colleges and universities, the amount funded from appropriations and student fees, and the unmet need. Since 1997, the Commission has used a Mission Resource Requirement (MRR) to determine those needs. Also to be considered in the development of a budget request is the budgetary outlook of the state. At this time, the state is facing severe budgetary constraints. Thus, any requested increase should be modest.



Recommendation

Based on the consideration of all of the above factors, the Committee on Finance & Facilities recommends, that the budget request amount be an increase of \$50 million, or a minimum of the projected overall percentage increase in state revenues. This request would be incorporated into "Plan 2005" as outlined below.

Plan 2005 is on behalf of the entire public higher education community and constitutes its approved funding request to be presented to the General Assembly in January 2004. The \$50 million request is over and above the current FY 2004 state appropriations, after application of last year's budget reductions of \$68 million. The establishment and the maintenance of world-class status institutions in South Carolina will continue to enhance new and existing economic development and exemplary research efforts as well as nurture and promote South Carolina's most essential resource, an educated and well-informed citizenry.

Also, **Plan 2005** will continue the effort established in 1996 under Act 359. With seven years of performance funding implementation and experience, South Carolina continues to set the standard for performance funding in this country. These funds are absolutely essential to reward high-achieving institutions and to sustain improvements achieved by other institutions.

Commission on Higher Education Budget Requests for Fiscal Year 2004-05

Background

Listed below are the budget request priorities for the 2004-05 fiscal year. These requests represent, in part, how the Commission plans to address some of the important issues facing the higher education community in South Carolina. The budget requests are part of the Commission's continuing efforts to align available resources to our stated goals and objectives. The process of identifying the resources required to advance higher education in the state is undertaken annually. If approved, these requests will be formally incorporated into the state's budget evaluation process. It should be noted that funding for these projects compete for the same dollars requested by other state agencies and are evaluated based on the services and programs required for all of our citizens. As an additional item, a request for continued and expanded lottery appropriations is also included.

Summary of Commission on Higher Education Budget Requests for FY 2004 – 2005		Requested Increase
Priority No. 1	Statewide Electronic Library <i>Wanted to be up</i>	\$ 2,500,000
Priority No. 2	Access & Equity	402,475
Priority No. 3	Teacher Education Programs Quality Assurance Review	100,000
Priority No. 4	Southern Regional Education Board <i>Wanted to be up</i>	577,411
Priority No. 5	a. Higher Education Awareness Program	402,250
	b. Gaining Early Awareness and Readiness for Undergraduate Programs (GearUP) Matching Funds <i>See Seed Match</i>	1,000,000
Priority No. 6	Academic Endowment Incentive	4,550,679
Subtotal:		\$9,532,815
Request for Lottery Appropriations		150,000,000
Total:		\$159,532,815

These amounts represent either new requests or increases from the current year's appropriated amounts. On the following pages are descriptions of these items, along with current funding amounts and requested increases.

Recommendation

The Committee on Finance & Facilities recommends that Items 1-6 and the Lottery Item be approved.

Priority No. 1
Statewide Electronic Library

There is a compelling reason for South Carolina to promote a multi-year effort to increase the effectiveness of its higher education academic libraries by investing in their capacities to assure their users fast and far-reaching access to electronic databases, full-text retrieval and collection sharing through uniform cataloguing. Without this effort, South Carolina will fall further behind its neighbors in the Southeast, a fact which will imperil the State's ability to realize the vision found in Act 359 of 1996 of having a globally competitive higher education system.

Specifically, the project will implement a statewide electronic library with the following components:

Replace failing on-line catalogs at eight institutions with new library management software.

Provide on-line connectivity among all public academic libraries for the creation of a "virtual library."

Secure license agreements for and implement needed high-level databases for academic libraries, allowing the smallest of libraries to have equal access to vast stores of electronic journals and e-books.

Create access to library resources through high-speed delivery using scanning software and delivery courier services.

Provide the infrastructure to coordinate library sharing and cooperative purchasing so the State can realize major cost avoidance from duplicate library purchases. An executive director to manage and coordinate the effort and two technical experts to maintain the systems will be the core of the infrastructure.

The request for funding of this project represents the costs for the first year of the program's operations only. Every state that has engaged in a statewide virtual library has done so on a multi-year, continuous cycle. The purpose of statewide funding is to level the playing field so that institutional financial constraints and limited local library resources are not barriers to accessing information for users of these libraries. Through this cooperative effort, users of the smallest academic libraries in the most remote areas of the state will have access to the same sophisticated electronic databases and other traditional library materials currently available only at the state's largest universities.

Current Funding – FY 04	Requested Increase for FY 05	Total Funding Requested
\$0	2,500,000	\$ 2,500,000

Priority No. 2
Access & Equity

Responsible states in the Southeast and throughout the country have recognized that the task of providing full Access & Equity has yet to be completed. The SC Commission on Higher Education is requesting an increase of \$402,475 for Access & Equity for FY 2004-05.

Given that South Carolina has not achieved parity in the percentage of minority students who attend and graduate from public colleges and universities in comparison with the composition of the state population, the higher education program for Access & Equity is essential. The contributions of minority citizens are paramount in order to avoid future compromises in the quality of life and lower standards of living for South Carolinians and other Americans. The status of minorities in higher education still reflects a condition where African Americans are underrepresented in undergraduate and graduate enrollments and in professional positions of employment.

Current Funding – FY 04	Requested Increase for FY 05	Total Funding Requested
\$718,801	402,475	\$ 1,121,276

Priority No. 3
Teacher Education Programs Quality Assurance Review

Existing academic review is a long-standing Commission activity that serves as an ongoing check on the quality and efficiency of the state's instructional programming. By gauging the health of teacher education at the public institutions in the state on an eight-year cycle, program review is an effective tool in helping the Commission and the institutions to plan better the state's academic program array.

The review of existing teacher education programs is a critical component of the Commission's statewide mission of ensuring quality and integrity of degree programs; identifying exemplary programs as well as programs in need of strengthening; ensuring appropriate program productivity and availability; and serving as a strategic planning device for determining present and future need of specific discipline areas (i.e., new program development), including resources such as facilities and equipment, providing a comparative analysis of the level of development and overall quality of programs measured against programs external to the State. The evaluation process is both formative and summative. It involves the preparation of institutional self-studies; site visits conducted by external peer reviewers; and a final report for each discipline area, visited once every eight years assuming this budget request is honored, in which reviewers make recommendations for change; place programs on probation with stipulation for improvement; or terminate programs. Programs scheduled for review during 2004-05 are undergraduate and graduate programs in education.

Current Funding – FY 04	Requested Increase for FY 05	Total Funding Requested
\$0	100,000	\$ 100,000

Priority No. 4
Southern Regional Education Board (SREB)

These funds will cover the contract fee increases for students in specified degree programs not offered in South Carolina and the required increase in SREB membership dues for the State. The SREB's contract program offers students pursuing professional health degrees admission in other state institutions of higher learning at the same costs of in-state tuition and at a reduced tuition rate for private institutions.

This program helps South Carolina resident students access graduate programs in the fields of optometry and veterinary medicine, which are not offered in the State. Participating states pay colleges and universities the differential between in-state and out-of-state tuition for a designated number of reserved slots to guarantee student access to programs not available in the home state; meanwhile the State avoids the expense of building and staffing these professional schools.

Current Funding – FY 04	Requested Increase for FY 05	Total Funding Requested
\$1,433,544	577,411	\$ 2,010,955

Priority No. 5
 Higher Education Awareness Program (HEAP)
 and
 Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)
 Matching Funds

Note: These programs are presented together because they are programmatically linked as components of our overall higher education information and awareness outreach programs.

HEAP

The SC Commission on Higher Education is requesting a total of \$402,250 in recurring funds for the Higher Education Awareness Program (HEAP) for FY 2004-05. Funds appropriated for this program are used to provide every 8th grade student in the state with information and materials about the importance of higher education and how to prepare for college during their high school years.

This program's funding during FY 2003-04 was from non-recurring funds and therefore must be requested again to ensure continuation of the program.

GEAR-UP

The SC Commission on Higher Education is requesting a total of \$1,000,000 in recurring funds for the GEAR UP Program for FY 2004-05. Funds appropriated for the State GEAR UP shall be used for state grants programs to reach disadvantaged middle school students to improve their preparation for college. The funds will be used to match Federal GEAR Up funds awarded to the State for FY 2004-2005.

The SC GEAR Up program helps disadvantaged children, beginning in the middle grades, to prepare for and get on the pathway to achieving success in college. This program is designed to develop partnerships with businesses, middle schools, high schools, and higher education institutions to assist middle school students prepare for college. Building on research and proven practices, the GEAR UP program will help sixth and seventh graders and their families plan and prepare for college by offering comprehensive strategies including counseling, tutoring and mentoring to help students achieve in higher mathematics and other gateway college preparation courses, and by offering scholarships as well as information about college and financial aid options.

Current Funding – FY 04	Requested Increase for FY 05	Total Funding Requested
a. \$402,250 (non-recurring)	402,250	\$ 402,250
b. \$600,000 (non-recurring)	1,000,000	\$ 1,000,000

Priority No. 6
Academic Endowment Incentive

The purpose of this Endowment is to further the State's efforts to promote the intellectual development of its citizens and to enhance statewide economic development through initiatives in higher education. This request is to bring the amount of funding to the state-targeted amount of \$5 million.

This program was created by the South Carolina Academic Endowment Incentive Act of 1997, and requires the Commission to administer the program. Commission responsibilities include the establishment of the South Carolina Higher Education Matching Gift Fund and institutional endowments for purposes of this program, program oversight, policies and procedures for provision of matching funds to qualified colleges and universities, submission and documentation of requests for matching State funds, disbursements to qualified colleges and universities, applications to receive matching State funds, transfer of funds to qualified institutions, reports on earnings, gifts or donations used for the purposes of this program, and forwarding and retaining unused funds and earnings to the next fiscal year. The program provides incentives to individuals, corporations, or private funding organizations to create endowments to support teaching and learning, academic research, and academic student scholarships in South Carolina's public colleges and universities. The incentive is that earnings from the created endowments will be matched from appropriations to this program.

Current Funding – FY 04	Requested Increase for FY 05	Total Funding Requested
\$449,321	4,550,679	\$ 5,000,000

Request for Lottery Appropriations

With the establishment of the S. C. Education Lottery, the General Assembly has begun appropriating lottery proceeds among various education related programs across both the K-12 and higher education sectors. Several higher education programs have received funding for the previous two years. Each year, the General Assembly reviews the distribution of lottery proceeds. Based on the success of the existing lottery funded programs, the staff recommends that all currently funded programs be recommended for continued funding. As an additional item, and in recognition of the Commission's commitment to increasing funds available for need-based programs, the staff recommends that an additional request be submitted in the amount of \$10,000,000 for need-based grants.

Items Funded from Lottery Proceeds:

Lottery Tuition Assistance	\$ 34,000,000
LIFE Scholarships	40,000,000
Lottery HOPE Scholarships	6,500,000
Palmetto Fellows	5,000,000
National Guard Loan Repayment Program	1,500,000
Research Centers of Excellence	30,000,000
Technology Grants	12,000,000
SC State University	3,000,000
Need-Based Grants	3,000,000
Teacher Grants	2,000,000
Excellence Enhancement Program	<u>3,000,000</u>
subtotal:	<u>\$140,000,000</u>

Additional Item being Requested:

Additional Funding for Need-Based Grants	<u>\$ 10,000,000</u>
Total:	<u>\$150,000,000</u>

Discussion of Need-Based Grants Request:

Since 1998, the state of South Carolina has increased its commitment to higher education by funding merit-based scholarships for students attending South Carolina public and independent colleges and universities. However, the state has not increased funding for the SC Need-based Grant Program since the program was initiated in 1998. Each year increasing numbers of low income students graduate from South Carolina high schools prepared to enter college. The recent Miles to Go Report from the Southern Regional Educational Board cited that 46% of South Carolina's K-12 students live at poverty or near poverty levels. These low income students from both rural and urban counties are confronted by significant financial barriers that limit access to higher education - including the steadily rising costs for higher education.

This unmet need, which is the cost of college attendance after all aid including loans is awarded, has caused lower income students to borrow heavily or abandon plans of college attendance. Unless reversed, the current pattern of funding merit based scholarships at much greater levels than need-based grants, will lead to an inevitable widening in college participation, persistence and completion gaps over the next decade. In order to assure that South Carolina does not fall behind in the competitive global market and to assure that South Carolina's young people are prepared to succeed in tomorrow's workforce, it is critical to support a balance of merit-based scholarships and need-based grants.

In the past year, \$15.5 million was appropriated for need-based grants, inclusive of \$3 million from lottery proceeds. The Commission estimates that there is a total need of at least \$35 million for need-based grants. Therefore, the Commission is requesting that the amount provided in lottery proceeds be increased by \$17 million to a total of \$20 million of lottery proceeds being dedicated to Need-based Grants.