

Foundations for the Future: Higher Education in South Carolina

**A Report to the
South Carolina Commission on Higher Education**

Executive Summary

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December 4, 2003

Executive Summary

The National Center for Higher Education Management Systems (NCHEMS) and the Association of Governing Boards of Universities and Colleges (AGB) were engaged by the Commission on Higher Education (CHE) to conduct a study in two phases.

- Phase One consisted of identifying a “Public Agenda” for higher education to identify the major strategic priorities confronting the future of South Carolina in terms of population, economy, and quality of life, and then determining the link between higher education and these priorities.
- Phase Two consisted of a “Policy Audit,” including an analysis of state statutes, regulations, and policies related to governance and governance-related areas such as finance to ascertain those that support or are barriers to the capacity of higher education to contribute to the state’s strategic priorities.

Summary and Findings of Data Analysis

The process of developing the Public Agenda began with an examination of several sources of national and state data. Several major challenges emerged from the analysis and were confirmed by feedback from meetings and focus groups. They were:

- Low Education Attainment
 - Significant deficits in education levels necessary to live and work in the 21st century
 - Inadequate preparation for postsecondary education
 - Low high school completion
 - High percentages of young adults age 18-24 lack a high school diploma or GED

As a consequence, compared to other states, South Carolina’s colleges and universities serve only small percentage of the state’s population and only a fraction obtain the knowledge and skills necessary to live and work in the 21st century.

- A strong relationship between low education levels and quality of life indicators was found in South Carolina, in areas like
 - Income
 - Health
 - Environment for young children
 - Crime.

- And significant disparities in education attainment and performance, by
 - Race
 - Gender
 - Urban/Rural
 - Income.
- Furthermore, South Carolina lags in a shift from low-skill, “Old Economy” to a high skill “New Economy.” There is, or has been:
 - No growth in per capita income related to the U. S. over past decade and to neighboring states
 - A significant decline in manufacturing; slow growth in the “New Economy”
 - Low demand for an educated workforce
 - An inability to attract and retain a highly educated and skilled workforce.
- There is a low level of research competitiveness, especially related to a changing economy, shown by South Carolina’s low rankings on:
 - Total research dollars
 - Total research dollars per capita
 - Research dollars from the federal government.

A Public Agenda for Higher Education

The challenges identified in the data analysis and in the interviews and focus groups underscore the need for much stronger alignment of existing higher education capacity with the state’s major challenges – a “Public Agenda” for South Carolina higher education. The Public Agenda should align the capacity of South Carolina colleges and universities, especially for:

- Preparation for higher education and alignment of higher education with P-12 reform
- Adult education
- Workforce needs at certificate and associate degree levels related to changing economy
- Degree production in critical fields
- Competitive research and development related to the changing economy.

To be successful, the Public Agenda must:

- Be long-term, transcending terms of office, political divisions, and institutional loyalties
- Engage all South Carolina colleges and universities – public and private and two-year and four-year
- Build on current statewide efforts for education reform and on current higher education initiatives directed at the Public Agenda
- Encourage a collaborative approach to addressing problems to avoid divisive battles about turf and politics
- Have easily understood benchmarks to gauge progress.

Findings of the Policy Audit

The policy audit phase of the project was conducted to identify policies that help or impede accomplishment of the Public Agenda. The audit found considerable barriers; foremost:

- A statewide coordinating agency (CHE) that has little capacity or credibility with the state's policy leaders and higher education community in providing statewide leadership that links higher education to the future of South Carolina.
- Increasingly dysfunctional policy mechanisms for the financing and accountability of higher education.
- Insufficient capacity of the Commission to frame major issues and lead the state to constructive problem resolution.
- Lack of leadership and action on issues of system efficiency and flexibility.

The policy audit review raised serious questions about the capacity of the Commission to frame major issues and lead the state in long-term strategies related to the Public Agenda. The following are examples of these issues and challenges:

- Education pipeline: South Carolina must significantly increase the percentage of younger citizens who complete secondary education and are prepared for postsecondary education and/or employment in a knowledge-based economy.
- Affordability: South Carolina has to seriously examine student financial aid and student financing generally.
- Research competitiveness: despite recent progress, South Carolina still has a long way to go to be competitive nationally and with other southern states.
- Expanding the availability of technical and community college services.

- Expanding the postsecondary role in adult education and literacy: South Carolina must not only stem the flood of young people leaving high school before graduation but also “recover” the thousands who have left the system and now are unemployed or underemployed.

Beyond the substantive issues related to the Public Agenda, the Commission has been unable to resolve long-standing concerns about the overall efficiency of the state’s higher education system. The following are examples of such issues identified in the policy audit:

- Addressing long-standing “irritants.” Examples include:
 - Overlap, duplication, lack of coordination between teaching universities, technical colleges and 2-year branches
 - Mission creep
 - Recognizing and supporting differentiated missions
 - The need for significant deregulation of public institutions.

Conclusions and Recommendations

There is a broad consensus on the need for a state-level entity to provide strategic leadership for South Carolina’s higher education system. It is most important for this entity to link the capacity of all South Carolina colleges and universities to the state’s future, to a Public Agenda, most clearly identified by wide achievement gaps. A set of criteria in the form of questions can guide policy alternatives. Does the alternative:

- Focus on a long-term strategic goal of develop the education attainment, human resources and intellectual capital of South Carolina to levels necessary to raise the state’s per capital income from the national average or above by the year 2024?
- Provide mechanisms for sustaining step-by-step, year-by-year measurable progress across toward the long-term goal despite changes in political leadership and the ups and downs of economic cycles?
- Provide incentives for both public and private sector leaders (e.g., the Chamber of Commerce, business leaders, foundation and individual donors) and resources to be used to achieve state priorities?
- Provide for strong, effective statewide strategic leadership balanced by decentralized responsibility and accountability for effective institutional governance by boards of trustees and presidents?
- Use market mechanisms (financial policy and incentives) more than state regulations and mandates as the principal policy tools for stimulating response to state priorities?
- Provide both the formal powers and membership to ensure

- Credibility and power to shape and gain consensus around a long-term strategic agenda;
 - Sustained attention to that agenda;
 - Strategic decision-making with the engagement and support of the Governor and General Assembly, the state's business and civic leaders, trustees and presidents of the institutions, and the general public?
- Focus state-level accountability primarily on the progress toward the future of the state—its economic prosperity and quality of life, not on institutions per se; and hold institutional leaders (trustees and presidents) accountable for institutional performance consistent with state/public priorities?

Alternative Structure for Governance and Leadership

As a consequence of data gathering, extensive interviews, and focus groups, the consultants propose the following alternative structure.

A Public Corporation

Create a new state-level public corporation with a primary mission of linking higher education to a sustained, long-term Public Agenda of raising South Carolina's education attainment, human resources, and intellectual capital to a level necessary to raise the state's per capital income to the national average or above by the year 2024.

- Repeal the statutes authorizing the Commission on Higher Education and transfer essential core functions to the new entity.
- Organize the entity as a joint public–private entity rather than a state agency in order to engage the full-range of South Carolina's leadership as well as both public and private resources.
- Design the new entity to have the capacity and credibility to:
- Shape and gain consensus around a Public Agenda;
- Sustain attention to the Public Agenda across changes in political leadership and economic cycles;
- Gain the confidence and support of the Governor, General Assembly, and the state's higher education, business, and civic leaders.
- Lead strategic initiatives to link higher education with strategies to address the major challenges, such as:
 - Increasing the percentages of South Carolinians who move through the education pipeline from early childhood through secondary education and then to postsecondary education;

- Improving adult education and literacy;
 - Ensuring affordability;
 - Expanding the availability of technical and community college services in all regions;
 - Increasing degree production in fields critical to South Carolina’s future economy and quality of life;
 - Enhancing the distinctive missions and the contributions to South Carolina of each of the state’s colleges and universities.
 - Make strategic decisions necessary to improve the overall efficiency and responsiveness of the state’s higher education system.
- Focus the entity’s authority on a limited number of critical policy tools.
 - Ensure public accountability by emphasizing step-by-step measurable progress toward long-term goals of the Public Agenda, including holding institutions accountable for performance in relation to mission and public priorities. Measure progress around these key questions:
 - Are more South Carolinians ready for postsecondary education?
 - Are more enrolling?
 - Are we preparing South Carolinians of all ages for life and work?
 - Are South Carolina’s citizens and economy benefiting?
 - Are South Carolina’s colleges and universities being more efficient and productive-both individually and working in collaboration with each other?
 - Maintain essential core functions currently performed by the CHE, but redesign these functions to emphasize strategic direction, incentives, and delegation to institutional governing boards whenever appropriate within the framework of statewide accountability.

Alternative Higher Education Finance System

- Charge the new entity with responsibility to shape a new financing policy for higher education.
- Repeal Performance Funding but retain links between finance policy and performance and accountability

The new finance policy should:

- Emphasize incentives for institutions (individually and in collaboration with each others) to address the Public Agenda.

- Create and sustain the capacity of the state institutions in a manner consistent with their missions, including:
 - Adequacy
 - Equity
 - Stability of funding.
 - Make higher education affordable for all South Carolina students.
 - Reflect a realistic assessment of the capacity of South Carolina to fund higher education.
 - Be fair and equitable.
 - Be transparent.
- Replace the current funding formula with a “base-plus” funding system linked to mission and Public Agenda
 - Determine base funding and make adjustments for:
 - Inflation
 - Significant changes in workload
 - Removing inequities based on comparison with benchmark (peer) institutions
 - Provide for capital development.
- Establish a new framework for the student contributions to core capacity.
 - Establish a statewide tuition policy that sets reasonable shares of revenue from students while retaining institutional authority to set specific tuition rates within a statewide policy framework.
 - Increase funding for need-based student aid.
- Establish “Strategic Investment Funds” to provide incentives for institutions to respond to state priorities expressed in the Public Agenda.

Recommended next steps in creating new entity

It is recommended that an interim design committee be created to lay the groundwork for the creation of the new entity focused on the Public Agenda. The goal of the design committee would not be to undertake another study but to devise an implementation strategy over a set period of time and in preparation for the 2005 legislative session.