

Memorandum

March 6, 2001

To: Members of the Senate Judiciary Sub-Committee
For the review of bill 177 (Lottery Legislation):

The Honorable Thomas L. Moore, Co-Chairman
The Honorable William Mescher, Co-Chairman
The Honorable Robert Ford
The Honorable Luke Rankin
The Honorable Bradley Hutto
The Honorable Andre' Bauer
The Honorable Scott H. Richardson
The Honorable James H. Ritchie, Jr.
The Honorable Glenn F. McConnell, Ex-Officio member

From: Rayburn Barton, Executive Director
S. C. Commission on Higher Education

Re: Information on Impact of a Lottery on Higher Education Institutions

At the March 1st meeting of the Commission on Higher Education, we convened a panel of representatives from the four sectors of higher education to discuss the potential impact of a lottery on the operations of the respective institutions. Commission members asked that I summarize the major points of the discussion and share them with you.

Of course, the higher education community is supportive of any program that makes higher education more affordable and accessible to South Carolinians who wish to pursue their education past the secondary level. Our citizens can only benefit from furthering their education and correspondingly, the State benefits from an educated workforce which in turn provides an improved foundation for economic growth. Also, the proposed scholarship programs will reduce the need for students to pursue additional loans, resulting in decreased levels of indebtedness for graduates.

With these thoughts in mind, and in the spirit of constructive dialogue, please find summarized below the major observations from the panel discussion:

- The proposed plans provide aid to students. While this does have a very positive financial impact on students, it may place the institutions in a problematic position. The total costs of providing an education comes from two primary sources: tuition & fees from the students and state appropriations. If there is an increase in overall enrollment (projections range as high as 20%), there will be a corresponding increase in operating costs that will not be covered by the increase in tuition revenues.
- Providing “free” tuition at two-year institutions may shift enrollments from 4-year institutions to 2-year institutions as students take advantage of the fee structure. This shift will likely stabilize after a few years and the settling of enrollment patterns.
- The Technical college system and the two-year regional campuses of USC will likely face the greatest enrollment pressures. Enrollment increases will have significant impacts on operating budgets.
- With enrollment pressures and limited resources, there is a potential for a significant difference between the created “expectations” and the two-year sectors’ ability to provide quality instruction.
- Research Universities will likely become more selective through the use of increased admissions standards. In these cases the desire is not to exclude of prospective students, but rather the reality that the major institutions will likely be perceived as more attractive thereby causing a limited supply and increased demand scenario.
- There will undoubtedly be increased administrative costs on all campuses. For example, the proposed legislation requires all students to apply for federal financial aid. Currently, less than half of entering students complete a Free Application for Federal Student Aid (FAFSA) form. Thus the workload on admissions and financial aid offices will be significantly increased. The proposed legislation does not provide any additional resources for institutions to implement and administer the scholarship programs.
- Students currently receiving Pell Grants may not receive the full benefits of the scholarship programs depending on how these Federal grants are considered.

Additional information is provided in the attached documents, which were distributed by two of the panel members at the March 1 panel discussion.

Thank you for considering this information from the higher education community.