



## ***A Closer Look: Appropriations to Higher Education (1982-2006)***

*Winter 2007*

Public institutions of higher education have traditionally depended on state appropriations to subsidize the cost of educating students. States vary somewhat in their methods for determining the amount of appropriations, but the majority of states rely upon a formula that allows for consistency across types of institutions and programs of study.

The second “Closer Look” report is a longitudinal analysis of higher education appropriations in South Carolina and corresponding relationships to tuition and fee trends. Data were obtained from the SC Budget and Control Board for 1982-83 through 2006-07, and state data were gathered from the Southern Regional Education Board for the same years. Other data sources are noted as appropriate. For our purposes, Lottery Scholarships are considered part of the general fund appropriations under education, but are not considered in analyses of appropriations to institutions. Because lottery awards are distributed directly to students, they are part of the tuition and fee revenue figures.

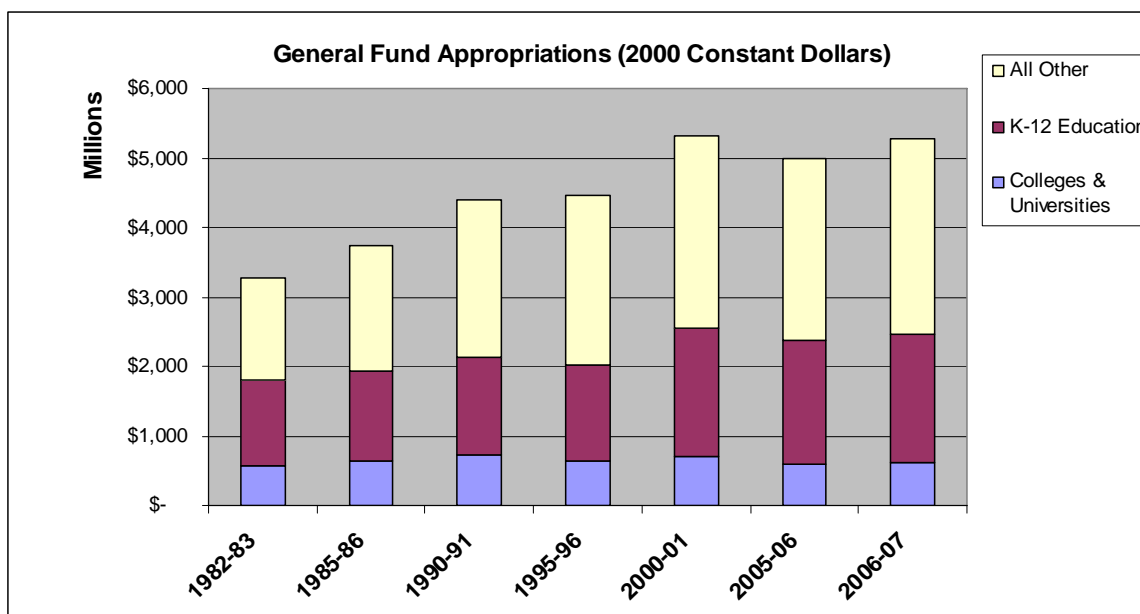
### **Summary Points:**

- In constant 2000 dollars, general fund appropriations to two- and four-year public institutions have increased 20 percent from 1983-84 to 2006-07. In 1983-84, institutions received 17 percent of the State’s total general funds; for 2006-07, the percentage is 11.6 percent.
- Full-time equivalent (FTE) enrollment has increased 66.5 percent from 1983 to 2006. Therefore, in constant 2000 dollars, general fund appropriations per FTE have changed from \$5,762 in 1983-84 to \$4,154 in 2006-07, a decrease of 28 percent.
- As of 2006-07, only one of 13 four-year institutions receives more than 30 percent of its total budget from general fund appropriations (Francis Marion University, 36.1%). The State Board for Technical and Comprehensive Education receives only 32 percent of its total budget from general funds.
- In 2005-06, South Carolina four-year institutions have the second lowest appropriation per FTE (\$4,767) among the 16 southeastern states. The average per FTE appropriation is \$6,810 as reported by the Southern Regional Education Board (SREB).
- In 2005-06, South Carolina two-year institutions have the lowest appropriations per FTE (\$3,081) among the 16 southeastern states. SREB reported an average per FTE appropriation of \$4,071.
- From 1995-96 to 2005-06, South Carolina’s median in-state tuition and fees for four-year institutions increased 71.9 percent when adjusted for inflation, and five southeastern states log greater tuition and fee increases over the same time period.
- As of 2005-06 in-state tuition and fees represent 16.6 percent of the median household income for South Carolinians. This is the highest median income proportion among the 16 southeastern states, as reported to SREB.

## Fund Sources & Appropriation Trends in South Carolina:

South Carolina's State Budget has two overarching categories, **General Funds** and **Total Funds**. General Funds are those dollars from taxes and other state revenues. Total Fund dollars include General Funds *plus* funds brought into state agencies from other sources, which for higher education includes sponsored research grants, contracts, and even tuition and fees. For colleges and universities, the General Fund amount represents Education & General (E&G) appropriations, exclusive of below the line items. The Total Fund amount typically represents the overall institution budget, excluding items such as foundation revenues, endowments, and auxiliaries (e.g. housing, parking).

**TABLE 1:**



Appropriations from the State Budget were obtained from the SC Budget and Control Board for 1982-83 through 2006-07. This longitudinal dataset encompasses periods of recession, changes in political power, and shifting priorities. Funds were transposed into constant 2000 dollars to improve evaluation of changes over time. In constant dollars, the General Fund has increased 62 percent, from approximately \$3.3 billion to \$5.3 billion.

For the specific state budget category of education, general fund appropriations have increased 39 percent, again in constant 2000 dollars. When this category is broken out into the three primary components of appropriations to institutions, to K-12 education, and other (e.g. CHE, School for Deaf & Blind), the changes over time are as follows (selected years):

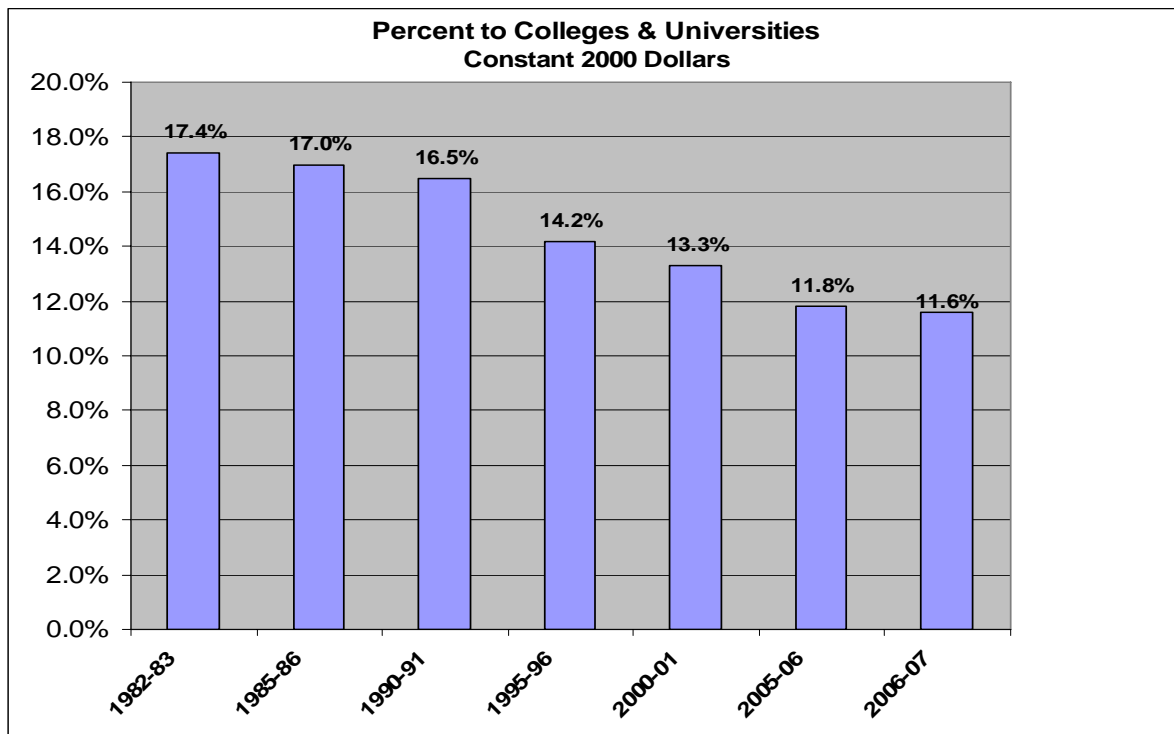
**TABLE 2:**

	1982-83	1995-96	2000-01	2006-07	Percent Change
To Institutions	\$ 569,074,545	\$ 634,020,233	\$ 707,426,770	\$ 611,973,166	7.54%
K-12 Education	\$ 1,234,012,441	\$ 1,391,407,830	\$ 1,846,083,904	\$ 1,843,652,709	49.40%
Other Education	\$ 87,532,427	\$ 118,059,127	\$ 206,432,566	\$ 169,053,467	93.13%
<b>Total State</b>					
<b>General Funds</b>	<b>\$ 3,263,976,754</b>	<b>\$ 4,458,439,469</b>	<b>\$ 5,316,901,837</b>	<b>\$ 5,276,346,747</b>	<b>61.65%</b>

Note: All figures in constant 2000 dollars.

Appropriations for 2006-07 to higher education institutions from *General Funds* represent 11.6 percent of the total general state funds (see chart below), and includes funding for Public Service Activities. It has been stated that 17 percent of the State’s total funds are appropriated to higher education, and that this amount is significantly above that of our neighboring states and the country. It is important to note that publications citing the 17 percent figure are accurate when the *Total Funds* category from all higher education budgets is summed as a percent of total budgets. For example, Clemson University received \$84.7 million in educational appropriations from state general funds, but the total educational funds budget was \$471 million, inclusive of federal funds, tuition and fee revenues, and other revenue sources. The general educational appropriation (\$84.7 million) excludes PSA funds and lottery scholarship dollars.

**TABLE 3: Percent of Total General Funds Appropriated to Colleges and Universities over time:**



For all institution budget figures, the state general appropriations are only a percentage of the total funds. Use of the Total Fund dollars as suggestive of what the state “gives” to higher education takes advantage of those citizens who do not realize the variety of revenue streams from which institutions draw, and leads many to believe that institutions operate primarily from state appropriated tax revenues. The source of the statements that SC contributes 17 percent of its budget to higher education comes from the Association of State Budget Officers’ annual report ([www.nasbo.org](http://www.nasbo.org)). A review of this report finds that the organization specifically cautions that state to state comparisons should not be made because of variations in reporting methodologies across states.

Changes in general appropriations per Full-Time Equivalent (FTE) student have not kept up with either inflation or with increases in enrollment. From 1983 through 2006, enrollment at South Carolina public colleges and universities has increased 66.5 percent. In constant 2000 dollars, general fund appropriations per FTE have changed from \$5,762 in 1983-84 to \$4,154 in 2006-07 (enrollment approximated for 2006-07), a decrease of 28 percent. FTE enrollment figures were not available for 1982-83.

**TABLE 4:**

	1983-84	1995-96	2000-01	2005-06	2006-07	Percent Change
General Approp. to Institutions	\$509,898,540	\$634,020,233	\$707,426,770	\$588,094,311	\$611,973,166	20.0%
FTE Enrollment	88,487	117,781	129,658	146,527	147,314	66.5%
<b>General Approp. per FTE</b>	<b>\$ 5,762</b>	<b>\$ 5,383</b>	<b>\$ 5,456</b>	<b>\$ 4,014</b>	<b>\$ 4,154</b>	<b>-27.9%</b>

NOTE: All figures in constant 2000 dollars. 2006-07 enrollment is estimated.

Perhaps most interesting to observe over the time period is the changes that have occurred in the proportion of institutional budgets provided for by the General Fund appropriations. In 1982-83 all institutions received more than 40 percent of their operating budgets from general state appropriations, and eight institutions received more than 60 percent of their operating funds from state support. As of 2006-07, only Francis Marion University (36.1%) and the State Board for Technical and Comprehensive Education (31.6%) have more than 30 percent of their budgets provided by general fund appropriations. Coastal Carolina obtains less than 12 percent of its budget from general funds. A former president of the University of Michigan stated that his institution had gone from being state supported to being state assisted to being state located. South Carolina is not alone in questioning how to balance the role of higher education as a public good to be supported by the state or a private good supported by individuals.

**TABLE 5:**

Agency Title	1982- 83 % Gen Fund Support	2000- 01 % Gen Fund Support	2006- 07 % Gen Fund Support
CLEMSON UNIVIVERSITY (non-PSA)	46.6%	28.2%	18.2%
COASTAL CAROLINA UNIVERSITY		24.0%	11.6%
FRANCIS MARION UNIVERSITY	68.7%	38.1%	36.1%
LANDER UNIVERSITY	52.9%	37.5%	28.4%
MEDICAL UNIVERSITY OF SOUTH CAROLINA (non-hospital)	42.7%	22.7%	16.2%
SOUTH CAROLINA STATE UNIVERSITY (non- PSA)	55.2%	33.6%	19.1%
STATE BOARD FOR TECHNICAL & COMPRE ED	54.6%	45.3%	31.6%
THE CITADEL	42.0%	21.1%	13.4%
UNIV. OF SOUTH CAROLINA-MAIN	54.1%	34.6%	20.9%
UNIVERSITY OF CHARLESTON	61.5%	20.8%	17.6%
USC-AIKEN CAMPUS	64.9%	29.9%	20.3%
USC-BEAUFORT CAMPUS	61.8%	34.0%	16.8%
USC-LANCASTER CAMPUS	62.2%	40.1%	20.5%
USC-SALKEHATCHIE CAMPUS	55.1%	41.7%	25.9%
USC-SPARTANBURG CAMPUS	60.9%	33.4%	16.8%
USC-SUMTER CAMPUS	61.9%	46.2%	29.9%
USC-UNION CAMPUS	62.1%	42.7%	24.5%
WINTHROP UNIVERSITY	52.7%	28.6%	16.9%
<b>TOTAL TO INSTITUTIONS</b>	<b>51.1%</b>	<b>32.6%</b>	<b>21.5%</b>

Note: All calculations based on constant 2000 dollars.

## Southeastern Appropriation Comparisons:

Data from the Southern Regional Education Board (SREB), a well known data bank with standard definitions, was used to compare South Carolina's appropriations with the 16 southeastern states.

Nationally, states have suffered from changing economic times and have also tried to manage competition among agencies for limited state funds. According to information from *The Chronicle of Higher Education*, December 17, 2004, only two states, West Virginia (-10.6 percent) and Colorado (-13.7 percent) have suffered greater percentage changes in state appropriations from 2002-03 through 2004-05. South Carolina logs a change over the same period of -9.7 percent. After funding declines across all southern states, states are now showing signs of recovery, and appropriations have increased across the southeastern states.

In 1985-86, the first year comparable information is available, South Carolina appropriations to four-year institutions exceeded the SREB average, \$4,525 to \$3,971. A sample of years and data are as follows:

**TABLE 6:**

### General & Special Purpose Appropriations per FTE

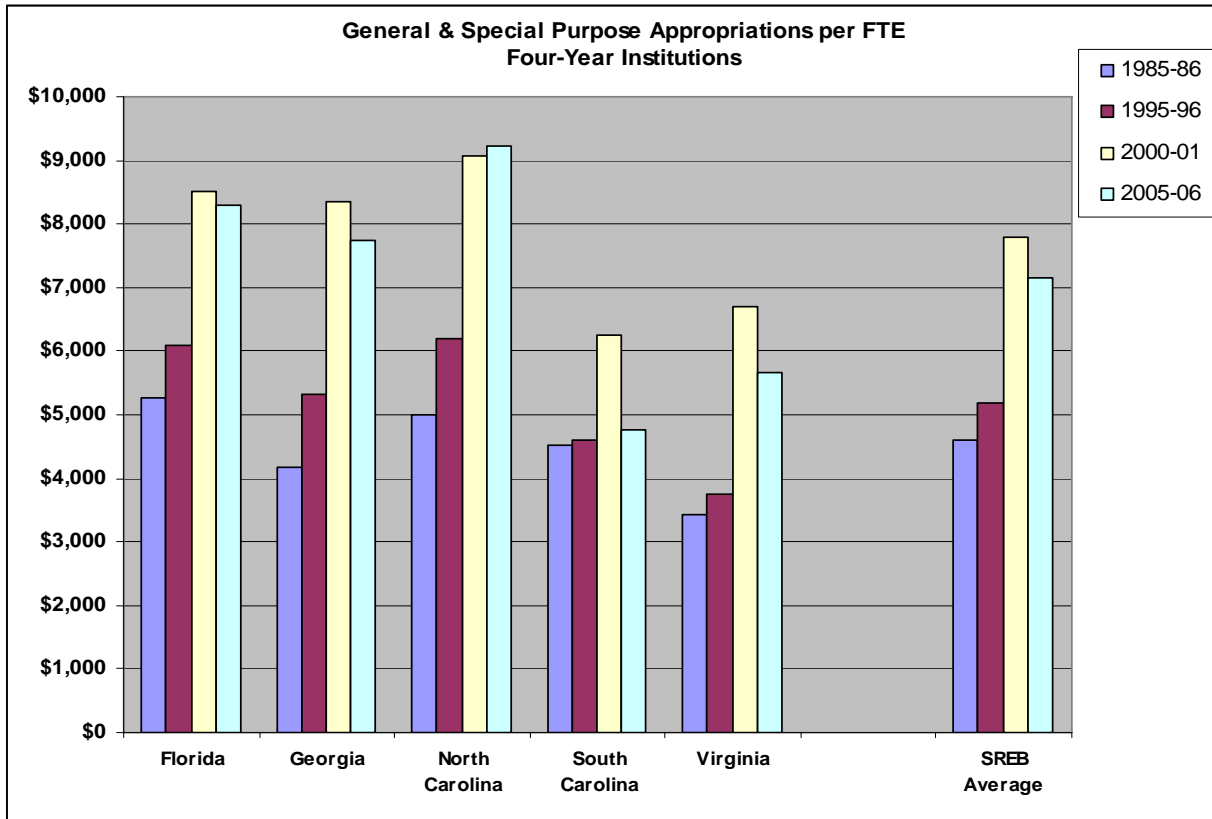
<b>All Four Year Institutions</b>	<b>Two-Year Institutions</b>
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	1985-86	1995-96	2000-01	2005-06	1988-89	1995-96	2000-01	2005-06
Alabama	\$4,117	\$4,101	\$5,365	\$6,268	\$2,357	\$2,417	\$3,674	\$4,115
Arkansas	\$3,836	\$4,657	\$6,855	\$6,972	\$3,227	\$4,025	\$4,975	\$4,499
Delaware			\$6,011	\$6,770			\$5,768	\$6,312
Florida	\$5,259	\$6,086	\$8,523	\$8,307	\$3,680	\$2,752	\$3,509	\$3,393
Georgia	\$4,179	\$5,328	\$8,364	\$7,736	\$2,835	\$3,725	\$4,994	\$4,229
Kentucky	\$3,975	\$4,251	\$7,309	\$7,085	\$1,959	\$2,319	\$3,447	\$4,240
Louisiana	\$1,997	\$3,028	\$4,232	\$5,127	\$2,528	\$2,252	\$3,210	\$3,514
Maryland	\$4,224	\$6,263	\$8,557	\$7,868	\$3,281	\$3,905	\$5,705	\$5,629
Mississippi	\$3,559	\$4,762	\$7,116	\$6,500	\$2,416	\$4,329	\$4,398	\$3,468
North Carolina	\$5,012	\$6,191	\$9,066	\$9,237	\$3,654	\$4,652	\$3,797	\$3,779
Oklahoma	\$3,486	\$3,857	\$6,095	\$5,741	\$2,478	\$3,270	\$4,682	\$3,809
<b>South Carolina</b>	<b>\$4,525</b>	<b>\$4,613</b>	<b>\$6,247</b>	<b>\$4,767</b>	<b>\$3,423</b>	<b>\$3,397</b>	<b>\$4,168</b>	<b>\$3,081</b>
Tennessee	\$3,965	\$5,223	\$6,006	\$6,313	\$3,286	\$3,340	\$3,839	\$3,979
Texas	\$4,472	\$5,168	\$6,649	\$6,594	\$3,357	\$3,439	\$4,357	\$4,781
Virginia	\$3,427	\$3,751	\$6,710	\$5,665	\$3,032	\$2,485	\$3,761	\$3,431
West Virginia	\$3,537	\$3,659	\$4,777	\$3,812	\$2,505	\$2,734	\$4,184	\$3,618
<b>SREB Average</b>	<b>\$3,971</b>	<b>\$4,729</b>	<b>\$6,743</b>	<b>\$6,548</b>	<b>\$3,215</b>	<b>\$3,293</b>	<b>\$4,102</b>	<b>\$4,071</b>

Note: These figures are not in constant dollars. MUSC is excluded from SC's figures.

The chart below summarizes four-year institution state funding per FTE trends for states surrounding South Carolina:

**TABLE 7:**



Institutions find Appropriation / FTE figure useful when explaining to constituent groups the need for tuition and fee increases because the figure clearly defines how the state contributes to the cost of education for its in-state students. In 1994-05, South Carolina funded institutions at close to the Southeast average. A decade later, SC institutions are funded substantially below the other states, including Georgia, which has a similar lottery state scholarship program.

### Tuition and Fees

As the total operating budgets have increased for all institutions, it is the source of revenue that has shifted across South Carolina. Since 1982, institutions across all levels have taken advantage of increased opportunities for federal, state, and private grants, supporting both research and instruction. However, tuition and fees have also risen as a proportion of institutional revenues.

According to *Measuring Up: The National Report Card on Higher Education*, South Carolina received an “F” grade for Affordability. Comments include the following:

- Net college costs for low- and middle-income students to attend community colleges represent 41% of their annual family income. (Net college costs equal tuition, room, and board after financial aid.) For these students at public four-year colleges and universities, net college costs

represent 54% of their annual family income. These families earn on average \$17,708 annually. Over 80% of students in the state attend public two- and four-year institutions.

- The state makes a very low investment in need-based financial aid compared with top-performing states, and the state offers no low-tuition college opportunities.

NOTE: Report available at <http://measuringup.highereducation.org/>

Beginning in 2004-05, South Carolina's four-year institutions had the highest median in-state tuition and required fees, as reported to the SREB.

**TABLE 8:**

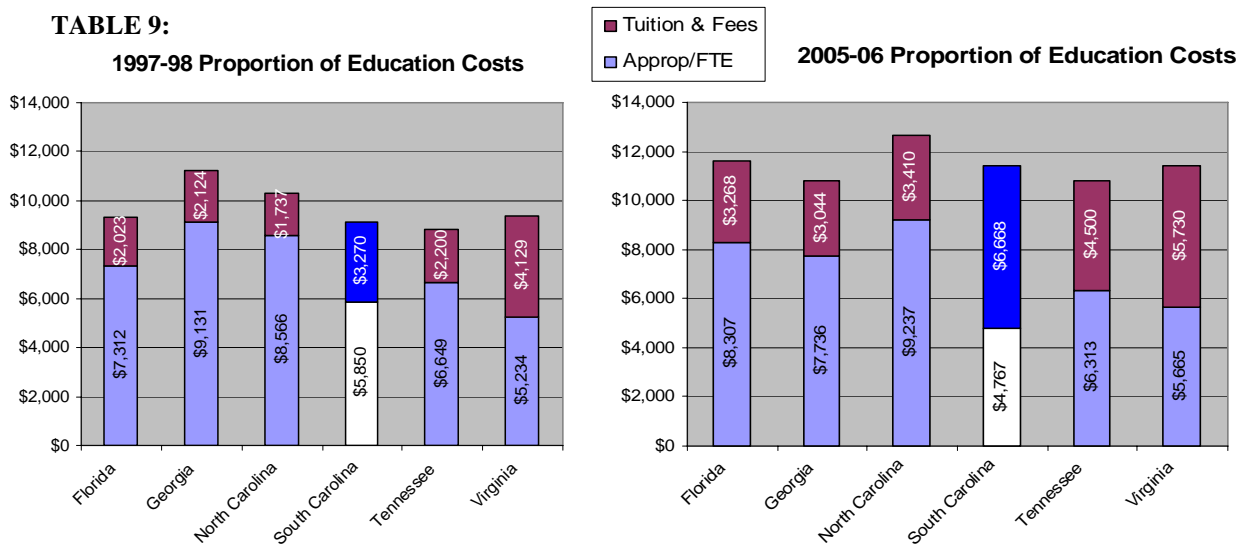
**Median Tuition and Required Fees  
All Four-year Institutions**

	<b>1985-86</b>	<b>1995-96</b>	<b>2000-01</b>	<b>2005-06</b>
Alabama	\$1,018	\$2,024	\$3,007	\$4,466
Arkansas	\$830	\$1,970	\$3,046	\$4,700
Delaware	\$1,247	\$3,268	\$4,237	\$6,389
Florida	\$775	\$1,798	\$2,392	\$3,268
Georgia	\$1,212	\$1,884	\$2,410	\$3,044
Kentucky	\$964	\$1,970	\$2,549	\$4,814
Louisiana	\$1,014	\$2,017	\$2,368	\$3,346
Maryland	\$1,498	\$3,260	\$4,312	\$6,376
Mississippi	\$1,161	\$2,385	\$2,787	\$3,994
North Carolina	\$780	\$1,618	\$1,993	\$3,410
Oklahoma	\$615	\$1,666	\$1,993	\$3,270
<b>South Carolina</b>	<b>\$1,270</b>	<b>\$3,060</b>	<b>\$3,624</b>	<b>\$6,668</b>
Tennessee	\$990	\$1,932	\$2,813	\$4,500
Texas	\$720	\$1,790	\$2,692	\$4,788
Virginia	\$1,762	\$4,022	\$3,645	\$5,730
West Virginia	\$840	\$2,050	\$2,486	\$3,922

Another aspect to review is the cost of education across the southeast. One method for calculating this for comparisons is to use the SREB appropriations per FTE plus the *median* tuition and fees charged. The assumption is that the appropriations per student plus the in-state tuition and fees charged should approximate the cost of education per student. For out-of-state students, they are paying the actual cost of education.

When utilizing the Cost of Education concept, the cost proportions have changed as shown in the charts below, for the four-year public institutions:

**TABLE 9:**



The above chart is not in constant dollars and uses only data from four-year institutions. One of the items to notice is that while all states have experienced increases in the Cost of Education, South Carolina's shift in the proportion coming from general appropriations is significant.

For four-year institutions:

- In 1997-98, the average Cost of Education among SREB states was \$7,385, and South Carolina was above the average at \$9,120 (see Table 8 above).
- In 2005-06, the average Cost of Education among SREB states was \$11,090, and South Carolina was only slightly above that average at \$11,435. The overall average has increased 50 percent, but only 41 percent among SC institutions (see Table 8 above).
- Of the neighboring states, the percentage of cost accounted for by appropriations has shifted downward slightly. Among all 16 SREB states, SC relies most heavily on tuition and fees to cover the costs of higher education.

**TABLE 10:**

**Changes in Proportion of State Support, Selected Years**

	1997-98		1999-00		2001-02		2003-04		2005-06	
	Approp/ FTE	T&F	Approp/ FTE	T&F	Approp/ FTE	T&F	Approp/ FTE	T&F	Approp/ FTE	T&F
Florida	78.3%	21.7%	76.7%	23.3%	74.6%	25.4%	72.8%	27.2%	71.8%	28.2%
Georgia	81.1%	18.9%	80.8%	19.2%	77.0%	23.0%	72.4%	27.6%	71.8%	28.2%
North Carolina	83.1%	16.9%	83.3%	16.7%	78.7%	21.3%	73.9%	26.1%	73.0%	27.0%
South Carolina	64.1%	35.9%	65.7%	34.3%	60.2%	39.8%	45.5%	54.5%	41.7%	58.3%
Tennessee	75.1%	24.9%	70.6%	29.4%	65.7%	34.3%	60.8%	39.2%	58.4%	41.6%
Virginia	55.9%	44.1%	63.2%	36.8%	64.1%	35.9%	49.9%	50.1%	49.7%	50.3%



## **Suggestions for Future Policy Discussions:**

Discussions surrounding the costs of higher education in South Carolina cannot take place without consideration of the policy environment in which the State operates. History, government oversight, and institutional visions all affect the cost structure. What is clear through this analysis is that there is a significant difference in how South Carolina funds education when compared with other southeastern states, and that difference has only increased over time. Additional study is needed to evaluate how the goals set forth in other states have directed their policies regarding higher education, and how South Carolina can do the same.

An analysis of the effects that the Lottery Scholarships have had on costs and access will contribute much to the discussion of actual costs paid by students. Similar to buying a car, not all students pay the tuition and fee “sticker price,” and the percentage of price paid by the student can vary over years. The data needed to conduct this analysis has not been made available by the SC Commission on Higher Education, and additional information from the individual institutions would be helpful. This would be necessary because students can gain, lose, and then re-gain the Lottery Scholarships, so summary data does not provide sufficient detail to track students across institutions and through graduation.

Finally, it will be useful to analyze the tax base differences among southeastern states, their economic development policies, and other mandates that may allow them to provide greater general fund appropriations to their institutions. South Carolina has come to rely on the lottery to supplement the costs of higher education, yet the future of the lottery money availability is unclear. Methods to increase the wealth of the State must be considered, keeping more college-educated people working in SC, and broadening the overall tax base will contribute to the long-term success of higher education.

All data are available upon request from the Alliance office.