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ABSTRACT

The purposes of this study were twofold: (1) to examine existent tuition and fee policy in South Carolina in order to determine why these charges are high, and (2) to consider whether the practice of escrowing tuition results in undesirable consequences. The study includes close definition of the terms "tuition" and "fees" and an analysis of the uses of tuition and required fees by peer group institutions to determine whether South Carolina's relatively high charges are due to the use of such funds for debt service and capital expenditures for facilities. Comparative information is also given on the allocation of required tuition and fees to the other two uses of these funds: (1) auxiliaries, and (2) education and general categories. The analysis found that more South Carolina colleges and universities required tuition and fees to service debt service and capital expenditures for facilities than did peer institutions though the differentials were not substantial enough to explain the high tuitions and fees in South Carolina. In addition the analysis found that South Carolina schools allocate somewhat less tuition and fee revenues to auxiliary expenses, and substantially more of these funds to education and general categories than do peer institutions. The study concludes that the high level of required tuition and fees is due to heavy reliance on these funds for education and general operations. (JB)

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AN ANALYSIS OF TUITION AND REQUIRED FEES

SOUTH CAROLINA PUBLIC COLLEGES AND UNIVERSITIES  
AND PEER INSTITUTIONS

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South Carolina Commission on Higher Education

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## Introduction

Concerns are more and more frequently raised across South Carolina that the cost to the student to attend our senior public colleges and universities has gotten so high that our cherished goal of access is threatened. Comparative data from across the southeast clearly reflect that student tuition and fees in our State are among the highest. Table I displays required tuition and fees for each of our Peer Group I and II institutions as well as the average for each such grouping of South Carolina public institutions.

## Purpose

The major purposes of this study are twofold: to examine existent tuition and fee policy in South Carolina to determine why our tuition and fees are at such high levels; and, to consider whether the practice of escrowing tuition results in undesirable consequences. A particular focus of the investigation will be on the uses of tuition and fees and especially "tuition", as defined in South Carolina, for physical facilities debt service and capital expenditures. This study will address the question of whether South Carolina's relatively high tuition and fee structure is caused, as conventional wisdom often has it, by the use of such fees for debt service and capital improvements for facilities. In course, comparative information will be presented on required tuition and fees and their uses within the public sector of higher education in South Carolina and our peer group institutions within the southeast region. With respect to potential undesirable consequences of escrowing tuition, we will give consideration to the desirability of

**TABLE I**  
**Total Required Tuition and Fees**  
**Full-Time, In-State Undergraduate Students**

1988 - 1989

GROUP I INSTITUTIONS		GROUP II INSTITUTIONS	
Institution	Tuition & Fees	Institution	Tuition & Fees
Univ. of Alabama - Birmingham	1,695	Jacksonville State Univ.	1,100
Auburn	1,323	Univ. of North Alabama	1,090
Georgia Tech	1,863	Augusta College	1,296
Univ. of Georgia	1,833	Georgia Southern	1,445
Univ. of Kentucky	1,530	Kennesaw	1,248
Mississippi State	1,794	U.N.C. - Wilmington	953
U.N.C. - Chapel Hill	876	Western Carolina Univ.	900
N.C. State	921	Appalachian State Univ.	882
Univ. of Tennessee-Knoxville	1,466	U.N.C. - Asheville	818
Texas A & M	810	N.C. Central Univ.	894
Univ. of Texas - Austin	749	N.C. A & T Univ.	899
Virginia Commonwealth	2,415	U.N.C. - Charlotte	819
Univ. of Virginia - Main Campus	2,526	Univ. of Tennessee - Chattanooga	1,282
Virginia Polytechnic Institute	2,544	Virginia Military Institute	3,338
		James Madison Univ.	2,702
<b>Group I Average</b>	<b>1,596</b>	<b>Group II Average</b>	<b>1,311</b>
<b>♦ South Carolina Group I Average</b>	<b>2,224</b>	<b>♦♦ South Carolina Group II Average</b>	<b>1,792</b>
<b>Differential</b>	<b>628</b>	<b>Differential</b>	<b>481</b>

♦ Includes Clemson University and the University of South Carolina - Columbia

♦♦ Includes The Citadel, S.C. State, Winthrop, College of Charleston, Francis Marion, Lander, U.S.C. - Aiken, U.S.C. - Coastal, and U.S.C. - Spartanburg

continuing this practice given the recent history of State support for higher education coupled with levels of student costs sufficiently high to be resulting in a diminution of access to South Carolina public higher education.

"Tuition" as defined in South Carolina

State Institution (Tuition) Bonds were established by Act No. 139, 1953. Section I sets forth legislative intent.

Section 1. Legislative Findings as to financing of public school buildings and permanent improvements at state institutions of higher learning.--The General Assembly finds that through the enactment of Act No. 379 of 1951, now embodied in Title 21 of the Code of Laws of South Carolina, 1952, a permanent legislative program was promulgated for the construction and maintenance of school buildings throughout South Carolina. It is mindful that no comparable permanent legislation exists with respect to state supported institutions of higher learning, and that such improvements as have been made at these institutions were financed by direct appropriations or special revenue bonds, usually sold at rates of interest much higher than paid by the State on its general obligation bonds. While it proposes to make certain direct appropriations in this act, it finds that a policy for such purpose should be promulgated, and that permanent legislation should be

enacted to provide for the construction of buildings and permanent state supported institutions of higher learning. It has determined that such buildings and improvements should be financed directly by the State, but should be payable primarily in the manner herein provided, from funds that the State derives annually from tuition fees paid by those attending such institutions.

Except for a 1977 amendment authorizing defeasance, there has been little substantive change in the law since its enactment. What follows in the next few paragraphs is a brief summation and discussion of the salient points of the law as it relates to this study.

"Tuition fees", as defined in South Carolina, include those fees charged students by any of our public colleges and universities for tuition, matriculation and registration (excluding summer school). These "tuition fees" are paid in such amounts and conditions as authorized by the respective institutional governing boards with the approval of the State Budget and Control Board.

All "tuition fees" collected by any public college or university must be remitted to the State Treasurer. These "tuition fees" are placed in a special fund to pay bonds (institution "tuition" bonds). The respective governing boards can apply to the State Budget and Control Board to use these funds (issue bonds) for any one or more of the following:

1. To construct, reconstruct, maintain, improve, furnish and refurnish the buildings and other permanent improvements for such state institutions;
2. To defray the costs of acquiring or improving land needed as sites for such improvements or for the campus of any such institutions;
3. To reimburse such institution for expenses incurred in anticipation of the issuance of such bonds; or
4. To refund state institution bonds previously issued and outstanding.

Provision is also made for the application of surplus funds. In all instances where the special fund established for the bonds of any college or university exceeds:

1. All payments of principal and interest due in the then current fiscal year, plus;
2. The maximum annual debt service requirements in any succeeding fiscal year of all State institution bonds outstanding for such institution, the State Treasurer may, with the approval of the State Budget and Control Board, apply surplus funds to:
  - a. The defeasance of State institution bonds of that institution, or
  - b. To any purpose consistent with items 1, 2 and 3 of the permissible uses of Institution Bonds discussed above.

Lastly, the full faith, credit and taxing power of the State is pledged to pay the bonds. Therefore, there is a financial advantage to any institution to pursue institution "tuition" bonds as contrasted with revenue or plant improvement bonds which they also can issue. Revenue

and plant improvement bonds will be mentioned later as oftentimes the source of funds for that debt is monies also collected from students in the form of "student fees" but not "tuition fees". To the student, the difference is irrelevant.

South Carolina's statutorily defined use of "tuition" is atypical. A review of literature of other SREB member states indicates that only two have a comparable practice, Texas and West Virginia.

#### Definitions of Student Charges

The terms "student fees," "tuition fees," and "tuition and required fees" are most often used synonymously. Broadly defined, these fees basically encompass those charges that all students are required to pay as a condition of enrollment in an institution, varying in amount on the basis of credit hour load, the student's resident or nonresident status, and in some instances the student's classification as an undergraduate or graduate student.

In South Carolina, and especially with respect to this study, it is imperative that we define our use of these terms. For our purposes, we shall define "those charges that all students are required to pay as a condition of enrollment" in our public colleges and universities as "tuition and required fees." "Tuition", however, represents only that portion of student charges which is required by South Carolina law to be deposited with the State Treasurer in accord with the aforementioned State Institution (Tuition) Bond statute. "Required fees" encompasses all other charges students must pay as a condition of enrolling in a public college or university. "Required fees" can support a vast array of activities funded fully or in-part through these charges. To illustrate these points consider the following example. "Liberal Arts College" is a



hypothetical public college in the State of South Carolina. The total annual "tuition and required fees" for a full-time undergraduate in-State student is \$2,000. This \$2,000 consists of the following elements:

**Liberal Arts College  
Tuition and Required Fees**

**TUITION**

Tuition Fee	100
Registration Fee	30
Matriculation Fee	20

**REQUIRED**

Health Fee (Auxiliary Enterprises)	75
Debt Service (Revenue Bonds)	75
Plant Improvement (Capital Expenditures)	75
Student Activities (Education & General)	200
Intercollegiate Athletics (Auxiliary Enterprise)	225
Renovation Reserve (Capital Expenditure)	200
Education and General - Other	1,000

**TOTAL TUITION AND REQUIRED FEES** 2,000

By way of the above example, "tuition" consists of \$150 and all such funds collected must be deposited with the State Treasurer in accord with the State Institution (Tuition) Bond statute. However, the remaining \$1,850 of "tuition and required fees" consists of monies to be allocated to support numerous items. The major item is Education and General and these funds are allocated to the general support of the institution. The remaining items all fall within either Auxiliary Enterprises (the health, student activity, and athletic fees) or Debt Service/Capital Expenditures (the revenue bonds, plant improvement bonds, and renovation reserve fees).

By use, then, "tuition and required fees" can be categorized according to use as: Debt Service/Capital Expenditure; Auxiliary Enterprises; and, Education and General. For Liberal Arts College, the actual allocation would be:

Educational and General	\$1,200	60%
Auxiliary Enterprises	\$ 300	15%
Debt Service/Capital Expenditure	<u>\$ 500</u>	<u>25%</u>
<b>TOTAL</b>	<b>\$2,000</b>	<b>100%</b>

Tuition and Required Fees in South Carolina's Public Senior Colleges and Universities

The following table displays the breakout of "tuition and required fees" by major use for educational and general and auxiliary in the aggregate, and the detail for debt service/capital expenditures for each of the State's senior colleges and universities. The basis is annual "tuition and fees" required for a full-time undergraduate in-State student using actual 1988-89 charges.

TABLE II

South Carolina Public Colleges and Universities  
Analysis of Required Tuition and Fees, 1988-89  
for Full-Time South Carolina Undergraduates

	USC Columbia	Clemson	The Citadel	S.C. State	Winthrop	College of Charleston	Francis Pickens	Lander	Medical Univ.	USC Aiken	USC Clemson	USC Spartanburg	USC Beaufort	USC Lancaster	USC Shilohville	USC Sumter	USC Union
Total Required Tuition and Fees	\$2,278	\$1,270	\$2,285	\$1,500	\$2,060	\$2,110	\$1,600	\$1,970	\$1,540	\$1,600	\$1,600	\$1,600	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350
Auxiliary *	\$155	\$196	\$343	\$49	\$80	\$44											
F&G	\$1,807	\$1,767	\$1,638	\$1,281	\$1,872	\$1,836	\$1,200	\$1,920	\$838	\$1,540	\$1,450	\$1,450	\$1,050	\$1,300	\$1,300	\$1,200	\$1,200
Debt Service/ Capital Expenditure	\$266	\$257	\$304	\$150	\$300	\$230	\$200	\$50	\$762	\$60	\$150	\$150	\$300	\$50	\$50	\$150	\$150
Inst. (Tuition) Bonds	\$150	\$60	\$150	\$150	\$60	\$60	\$60	\$60	\$572	\$60	\$120	\$100	\$100	\$100	\$100	\$100	\$100
Revenue Bonds	\$30	\$117			\$48	\$140	\$60										
Plant Improv. Bonds	\$41	\$80	\$154		\$40	\$30	\$40	\$50	\$130								
Memoriam Reserve	\$45																
for Auxiliary	6.86%	8.83%	15.01%	4.60%	3.88%	2.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
for F&G	81.10%	79.59%	71.68%	85.40%	90.87%	87.01%	85.71%	97.46%	54.82%	96.25%	90.63%	90.63%	77.78%	96.30%	96.30%	88.89%	88.89%
for Debt Service/ Capital Expenditure	11.94%	11.58%	13.30%	10.00%	5.24%	10.90%	14.29%	2.54%	45.58%	3.75%	9.38%	9.38%	22.22%	3.70%	3.70%	11.11%	11.11%
Tuition as a % of Required Tuition/Fees	6.73%	2.70%	6.56%	10.00%	2.91%	0.00%	0.00%	0.00%	38.44%	3.75%	7.50%	0.00%	7.41%	0.00%	0.00%	7.41%	7.41%

\* Optional fees which might be charged to some categories of students are not included.

As previously stated, while the great interest is "tuition" as defined in South Carolina, the study itself must of necessity be concerned with the totality of required "tuition and fees". In order to attempt to understand why our student charges are so high, we must examine the uses made of these funds. First, given the nature of this study, we will examine the extent that these funds support debt service and capital expenditures for facilities in South Carolina and elsewhere.

If "tuition" as used in South Carolina is the perceived cause of our relatively high total tuition and fee charges then too we should be concerned with all other "required fees" allocated to debt service in the form of revenue bonds, plant improvement bonds and renovation reserve accounts. Should the practice of "tuition" in South Carolina prove to be problematical and therefore changed, little would be gained if colleges and universities were to issue revenue and plant improvement bonds serviced through required student fees in lieu of the institution (tuition) bonds. In other words, the use to which our colleges and universities put "tuition and required fees" becomes a more critical question than simply the practice, defined by statute, of "tuition" in South Carolina. While required "tuition and fees" are inarguably high in South Carolina, the first question pertinent to this study is: "Are tuition and fee charges high because of the use of those revenues for debt service and capital expenditures relating to facilities?" Secondly, we must consider whether this practice of escrowing tuition is sound State policy at present.

The entire issue of use of required "tuition and fees" is critical. To the extent such revenues are allocated to debt service or auxiliary enterprises, they are not available for allocation to the education and

general support of the institution. To the extent this may be out-of-line, an extraordinary reliance on State appropriations for that general support results. In times of fiscal austerity, the utilization of "tuition" funds if allocated to general institutional operations would be especially significant. The dollars involved are substantial and amount to \$9.5 million annually system wide. (excluding Tech colleges).

**TOTAL "TUITION" COLLECTIONS  
S. C. Senior College and University System  
FY 1991-92**

The Citadel	560,195
Clemson	1,333,702
College of Charleston	0
Francis Marion College	0
Lander	0
Medical University of SC	1,800,000
S. C. State	671,846
USC-Columbia	3,288,357
USC- Medical School	529,500
USC-Aiken	105,360
USC-Coastal	406,210
USC-Spartanburg	290,190
USC-Beaufort	25,380
USC-Lancaster	50,500
USC-Salkehatchie	34,144
USC-Sumter	64,100
USC-Union	20,650
Winthrop	317,118
	<u>9,497,352</u>

**An Examination of the Uses of Required "Tuition and Fees"**

As previously stated, a question to be addressed in this investigation is whether South Carolina's relatively high tuition and fee charges are caused by our rather unique use of "tuition". Data displayed in Table II indicate that "tuition" accounts for the following proportion of total tuition and fees required of full-time undergraduate in-state students.

Table III  
 "Tuition" Charges as % of Total Required Tuition and Fees  
 Full-Time Undergraduate - In-State Students  
 S.C. Public Colleges and Universities  
 1988-89

	No. Institutions	Universities	Senior Colleges
0 - 5%	8	1	5
6 -10%	8	1	4
> -10%	1	1	-
TOTAL	17	3	9

The total required tuition and fees for Peer Groups I and II and their South Carolina counterparts is displayed in Table I. It is readily discernible from comparing data between Tables III and I that "tuition" as used in South Carolina does not explain the relatively high level of required tuition and fees in this State. If South Carolina tuition and fee charges were reduced by the amount of "tuition" collected alone, our ranks among our peer group institutions would not change, although absolute charges would decrease. If "tuition" were eliminated, the annual average cost per full time student to attend college would decrease by \$181 at those colleges currently collecting "tuition". One can conclude, therefore, that while "tuition" as defined in South Carolina accounts somewhat for the relatively high level of required tuition and fee charges, this charge (tuition) alone is not the most significant cause of such high student charges across our State. This revenue source, however, would be a substantial source of funds for college operations given the current state of State appropriations. Also, if it were eliminated entirely, student costs to attend college would decrease significantly which should impact access dramatically. It has been reported that nationally for each \$100 increase in tuition and fees

enrollment declines about 1%.

What then might the explanation be? While the great interest is "tuition" charges as defined in South Carolina, this study must of necessity expand to be concerned with the totality of the uses of "tuition and required fees". First we will examine the extent to which required tuition and fees support debt service and capital expenditures for facilities in South Carolina and elsewhere. Therefore, the fundamental question now addressed in this study, becomes not whether the state's high tuition and fee charges are due to "tuition" but whether total debt service and capital expenditures for facilities in South Carolina can explain our high ranking. In other words, the uses to which our colleges and universities put "tuition and required fees" becomes a more critical question than simply the practice, defined by statute, of "tuition" use in South Carolina. While required "tuition and fees" are inarguably high in South Carolina, the question pertinent to this study now is "Are tuition and fee charges high because of the use of these revenues for debt service and capital expenditures relating to facilities?"

With this in mind, we will analyze the uses of "tuition and fees" required by our peer group institutions in order to determine whether South Carolina's relatively high charges are due to the use of such funds for debt service and capital expenditures for facilities. Table IV examines the use of "tuition and fees" required for debt service and capital expenditure for South Carolina's institutions relative to existent practices at our peer group institutions.

Table IV  
 Total Required Tuition and Fees  
 Allocated to  
 Debt Service and Capital Expenditures  
 for Facilities  
 1988-89 State Averages

<u>State</u>	<u>Group I</u>	<u>Group II</u>
Alabama	53	20
Georgia	0	0
Kentucky	100	
Mississippi	20	
North Carolina	152	128
Tennessee	36	88
Texas	154	
Virginia	6	0
<u>Peer Average</u> <sup>1</sup>	64	68
<u>South Carolina Average</u>	262*	156**
<u>Differential</u>	198	88

<sup>1</sup> Calculation is the average of each institution's allocation and, therefore, cannot be represented simply as the average of each state's average.

\* Includes Clemson University and the University of South Carolina - Columbia

\*\* Includes The Citadel, S.C. State, Winthrop, College of Charleston, Francis Marion, Lander, U.S.C. - Aiken, U.S.C. - Coastal, and U.S.C. - Spartanburg



These data indicate that on average South Carolina institutions allocated substantially more required tuition and fees to debt service and capital expenditures for facilities than do their peers. Again, however, the differentials while certainly significant are not substantial enough to explain the relatively high level of required tuition and fees in South Carolina. If the South Carolina average required tuition and fees was reduced by the differentials displayed in Table IV, our ranking among our peer groups displayed in Table I would not change one position. We reiterate though that the cost to each student to attend college would be reduced significantly. Further, given the non-availability of resources historically to fund the formula fully, these funds, in our judgment, would be better utilized to support general college and university operations.

Having examined the allocation of required tuition and fees to facilities, we must turn to an examination of the allocations of these revenues to the other two uses of these funds; auxiliaries and education and general. Again, we will utilize allocations of required tuition and fees for these two uses at our peer group institutions in comparison to their South Carolina counterparts. Table V displays the state averages of tuition and fees allocated to auxiliaries by Peer Groups I and II together with the comparable averages for South Carolina institutions.

Table V  
 Total Required Tuition and Fees  
 Allocated to  
 Auxiliary Activities  
 Peer Institution Averages By State 1988-89

<u>State</u>	<u>Group I</u>	<u>Group II</u>
Alabama	66	0
Georgia	283	184
Kentucky	35	*
Mississippi	137	*
North Carolina	243	330
Tennessee	52	0
Texas	154	*
Virginia	298	488
<u>Peer Average</u> <sup>1</sup>	<u>186</u>	<u>256</u>
<u>South Carolina Average</u>	176**	204***
<u>Differential</u>	<u>-10</u>	<u>-52</u>

1 Calculation is the average of each institution's allocation and, therefore, cannot be represented simply as the average of each state's average.

\* No Peer Group II Institutions

\*\* Clemson University and USC-Columbia

\*\*\* The Citadel, SC State, Winthrop, College of Charleston, Francis Marion, Lander, USC-Aiken, USC-Coastal, and USC-Spartanburg

These data reflect that South Carolina institutions allocate somewhat less tuition and fee revenues to auxiliaries than do their peer group institutions. This contributes nothing to the explanation of why South Carolina required tuition and fee charges are so high.

The remaining element of required tuition and fee uses to examine is education and general. Funds allocated to education and general are for the direct operating support of the particular college or university. The same methodology is employed. That is, we will review the allocation to education and general of required tuition and fees of Peer Groups I and II as contrasted with their South Carolina counterparts. Table VI displays the average of required tuition and fees allocated to educational and general by Peer Groups I and II, together with comparable averages for South Carolina institutions.

**Table VI**  
**Total Required Tuition and Fees**  
**Allocated To**  
**Education and General <sup>1</sup>**  
**Peer Institutions Averages by State 1988-89**

<u>State</u>	<u>Group I</u>	<u>Group II</u>
Alabama	1,390	1,075
Georgia	1,566	1,146
Kentucky	1,404	*
Mississippi	1,637	*
North Carolina	504	423
Tennessee	1,378	1,194
Texas	472	*
Virginia	2,191	2,533
<u>Peer Average</u> <sup>2</sup>	<u>1,346</u>	<u>987</u>
<u>South Carolina Average</u>	<u>1,787**</u>	<u>1,432***</u>
<u>Differential</u>	<u>440</u>	<u>445</u>

- <sup>1</sup> General Institutional Support
- \* No Peer Group II Institutions
- \*\* Clemson and USC-Columbia
- \*\*\* The Citadel, SC State, Winthrop, College of Charleston, Francis Marion, Lander, USC-Aiken, USC-Coastal, and USC-Spartanburg.

These data clearly indicate that South Carolina colleges and universities allocate substantially more required tuition and fees to education and general than do their peer institutions. In fact, as one grapples for an explanation as to why required tuition and fees are relatively high in this State, one finds that most of the explanation is rooted in the fact that, for whatever reason, our institutions rely to a much greater extent on required tuition and fees for education and general support than do their peers. By viewing differentials in the allocation of required tuition and fees by the three major uses of debt service and capital expenditure for plant, auxiliary services support, and education and general between South Carolina institutions compared to peer group institutions one can gain an overview of where the average differential in required tuition and fees collected in South Carolina goes.

These data are displayed in Table VII in order to better grasp the entire situation.

**Differentials Between South Carolina Institutions  
and Their Peer Group I and II Institutions  
in Required Tuition and Fees and Their  
Subsequent Allocations**

	<u>Peer Group I</u>	<u>Peer Group II</u>
<b>REQUIRED TUITION AND FEES DIFFERENTIAL FOR SOUTH CAROLINA INSTITUTIONS</b>	+ 628	+ 481
<b>Allocation to Debt Service and Capital Expenditure for Facilities</b>	+ 198	+ 88
<b>Allocation to Auxiliary Services</b>	- 10	- 52
<b>Allocation to Education and General</b>	+ 440	+ 445

## Summary

This study has documented that the inordinately high level of required tuition and fees in South Carolina is due to our heavy reliance of these funds for education and general operations relative to peer group institutions. This is in-part perhaps explained by the relatively poor record of full formula funding in South Carolina over at least the past decade.