



BOARD OF REGENTS

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OFFICE OF THE EXECUTIVE DIRECTOR

October 31, 2019

Senator John Wiik, Lead Co-Chair, Joint Committee on Appropriations
Representative Chris Karr, Co-Chair, Joint Committee on Appropriations

Response to Letter of Intent Regarding Annual Financial Report on University Center Operations

Dear Senator Wiik and Representative Karr:

Attached you will find the detailed annual financial reports for the Centers; Black Hills State University – Rapid City, and The Community College of Sioux Falls as requested in the Letter of Intent dated August 20, 2019. The reports include revenues, expenditures, enrollment, credit hours, and overhead allocations for the past three fiscal years and projections for the current year and the next budget year. Additionally, an explanation of the rationale behind the overhead rate derived within the Responsibility Centered Management (RCM) model is included.

As previously stated, the financial reports represent the accumulation of revenues and expenses for each of the universities offering courses at the Centers. Should you have further questions, please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Beran".

Dr. Paul Beran

Attachments:

- A – Operating Statement at Black Hills State University – Rapid City
- B – Operating Statement at The Community College of Sioux Falls
- C – USD Response re: overhead rate

Cc: President Gestring
President Dunn
President Griffiths
President Nichols
Vice President and Dean, Carmen Simone

Black Hills State University - Rapid City Combines Overhead Rate

Black Hills State University - Rapid City Operating Statement for Fiscal Year Ended June 30

	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	Projected <u>FY20*</u>	Projected <u>FY21*</u>
Total Credits Generated	16,709	15,280	13,008	11,196	11,097
Students Served	1,502	1,378	1,270	1,270	1,255
REVENUES					
Campus Tuition (net of HEFF)					
BHSU	\$4,511,842	\$4,401,664	\$3,969,491	\$3,506,125	\$3,679,431
SDSU	\$294,245	\$281,459	\$229,957	\$224,139	\$235,346
NSU	\$0	\$0	\$0	\$0	\$0
USD	\$116,369	\$93,599	\$160,399	\$111,254	\$84,365
Total Tuition Generated by the Campuses	\$4,922,456	\$4,776,722	\$4,359,847	\$3,841,518	\$3,999,142
Other Revenue					
Rentals	\$24,707	\$7,158	\$14,371	\$15,000	\$15,000
Testing Services	\$8,209	\$25,889	\$24,154	\$23,450	\$23,450
Auxiliary Operations	\$65,338	\$65,664	\$67,450	\$69,100	\$71,155
Total Other Revenue	\$98,254	\$98,711	\$105,975	\$107,550	\$109,605
Total Revenues	\$5,020,710	\$4,875,433	\$4,465,822	\$3,949,068	\$4,108,747
EXPENSES					
Campus Instructional Costs					
BHSU	\$1,464,767	\$1,469,410	\$1,319,816	\$1,166,491	\$1,222,815
SDSU	\$174,804	\$244,775	\$253,812	\$245,564	\$252,931
NSU	\$0	\$0	\$0	\$0	\$0
USD	\$40,704	\$34,137	\$75,716	\$74,895	\$55,483
Total Campus Instructional Costs	\$1,680,275	\$1,748,322	\$1,649,344	\$1,486,950	\$1,531,229
BHSU-RC Operating Costs					
BHSU	\$1,434,006	\$1,482,151	\$1,434,260	\$1,350,000	\$1,275,000
SDSU	\$98,801	\$61,120	\$57,737	\$58,122	\$59,866
NSU	\$0	\$0	\$0	\$0	\$0
USD	\$0	\$0	\$0	\$0	\$0
Total BHSU-RC Operating Costs	\$1,532,807	\$1,543,271	\$1,491,997	\$1,408,122	\$1,334,866
Overhead					
BHSU	\$434,284	\$423,847	\$384,095	\$340,388	\$356,924
SDSU	\$28,196	\$27,080	\$21,906	\$21,518	\$22,575
NSU	\$0	\$0	\$0	\$0	\$0
USD	\$10,974	\$8,826	\$15,126	\$10,491	\$7,956
Total Overhead	\$473,453	\$459,753	\$421,127	\$372,397	\$387,455
Total Expenses with Overhead	\$3,686,535	\$3,751,346	\$3,562,468	\$3,267,469	\$3,253,550
Net Revenue after Overhead					
BHSU	\$1,272,286	\$1,119,260	\$934,951	\$752,747	\$930,247
SDSU	(\$2,803)	(\$45,809)	(\$101,155)	(\$97,015)	(\$95,976)
NSU	\$0	\$0	\$0	\$0	\$0
USD	\$64,691	\$50,636	\$69,557	\$25,868	\$20,926
Total Net Revenue after Overhead	\$1,334,175	\$1,124,086	\$903,353	\$681,599	\$855,197

Seven Year Cumulative Net Revenue

\$10,990,756

BHSU - Rapid City
Operating Statement for Fiscal Year Ended June 30

	Actual FY17	Actual FY18	Actual FY19	Projected FY20*	Projected FY21*
Revenues					
Tuition Revenue (Net of HEFF)	\$4,511,842	\$4,401,664	\$3,969,491	\$3,506,125	\$3,679,431
Rentals	\$24,707	\$7,158	\$14,371	\$15,000	\$15,000
Testing Services	\$4,244	\$20,659	\$22,444	\$20,000	\$20,000
Auxiliary Operations	\$64,550	\$65,187	\$66,817	\$68,500	\$70,555
Total Revenues	\$4,605,343	\$4,494,668	\$4,073,123	\$3,609,625	\$3,784,986
Expenses					
Instructional Costs	\$1,464,767	\$1,469,410	\$1,319,816	\$1,166,491	\$1,222,815
BHSU-RC Operating Costs	\$1,434,006	\$1,482,151	\$1,434,260	\$1,350,000	\$1,275,000
Total Expenses	\$2,898,773	\$2,951,561	\$2,754,076	\$2,516,491	\$2,497,815
Overhead	\$434,284	\$423,847	\$384,095	\$340,388	\$356,924
Net Revenue After Overhead	\$1,272,286	\$1,119,260	\$934,951	\$752,747	\$930,247

SDSU - Rapid City
Operating Statement for Fiscal Year Ended June 30

	Actual FY17	Actual FY18	Actual FY19	Projected FY20*	Projected FY21*
Revenues					
Tuition Revenue (Net of HEFF)	\$294,245	\$281,459	\$229,957	\$224,139	\$235,346
Rentals	\$0	\$0	\$0	\$0	\$0
Testing Services	\$3,965	\$5,230	\$1,710	\$3,450	\$3,450
Auxiliary Operations	\$788	\$477	\$633	\$600	\$600
Total Revenues	\$298,998	\$287,166	\$232,300	\$228,189	\$239,396
Expenses					
Instructional Costs	\$174,804	\$244,775	\$253,812	\$245,564	\$252,931
BHSU-RC Operating Costs	\$98,801	\$61,120	\$57,737	\$58,122	\$59,866
Total Expenses	\$273,605	\$305,895	\$311,549	\$303,686	\$312,797
Overhead	\$28,196	\$27,080	\$21,906	\$21,518	\$22,575
Net Revenue After Overhead	(\$2,803)	(\$45,809)	(\$101,155)	(\$97,015)	(\$95,976)

NSU - Rapid City
Operating Statement for Fiscal Year Ended June 30

	Actual FY17	Actual FY18	Actual FY19	Projected FY20*	Projected FY21*
Revenues					
Tuition Revenue (Net of HEFF)	\$0	\$0	\$0	\$0	\$0
Rentals	\$0	\$0	\$0	\$0	\$0
Testing Services	\$0	\$0	\$0	\$0	\$0
Auxiliary Operations	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$0	\$0	\$0	\$0	\$0
Expenses					
Instructional Costs	\$0	\$0	\$0	\$0	\$0
BHSU-RC Operating Costs	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$0	\$0	\$0	\$0
Overhead	\$0	\$0	\$0	\$0	\$0
Net Revenue After Overhead	\$0	\$0	\$0	\$0	\$0

USD - Rapid City
Operating Statement for Fiscal Year Ended June 30

	Actual FY17	Actual FY18	Actual FY19	Projected FY20*	Projected FY21*
Revenues					
Tuition Revenue (Net of HEFF)	\$116,369	\$93,599	\$160,399	\$111,254	\$84,365
Rentals	\$0	\$0	\$0	\$0	\$0
Testing Services	\$0	\$0	\$0	\$0	\$0
Auxiliary Operations	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$116,369	\$93,599	\$160,399	\$111,254	\$84,365
Expenses					
Instructional Costs	\$40,704	\$34,137	\$75,716	\$74,895	\$55,483
BHSU-RC Operating Costs	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$40,704	\$34,137	\$75,716	\$74,895	\$55,483
Overhead	\$10,974	\$8,826	\$15,126	\$10,491	\$7,956
Net Revenue After Overhead	\$64,691	\$50,636	\$69,557	\$25,868	\$20,926

Community College for Sioux Falls
Operating Statement for Fiscal Year Ended June 30

	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>Projected FY20*</u>	<u>Projected FY21*</u>
Total Credits Generated	15,659	16,045	14,696	12,790	13,535
Students Served	1,571	1,526	1,397	1,220	1,291
REVENUES					
Campus Tuition (net of HEFF)					
USD	\$2,054,204	\$2,351,615	\$2,249,572	\$2,789,544	\$3,017,658
SDSU	\$1,627,519	\$1,414,674	\$1,189,769	\$692,262	\$692,262
DSU	\$674,520	\$565,441	\$491,797	\$232,421	\$232,421
Other Campuses	\$0	\$0	\$0	\$0	\$0
Total Tuition Generated by the Campuses	\$4,356,243	\$4,331,730	\$3,931,138	\$3,714,228	\$3,942,342
Other Revenue					
Rentals	\$229,155	\$206,078	\$215,876	\$210,299	\$210,299
Testing Services	\$47,858	\$54,791	\$55,956	\$56,379	\$56,379
Auxiliary Operations	\$320,115	\$198,948	\$218,612	\$250,110	\$250,110
Total Other Revenue	\$597,128	\$459,817	\$490,444	\$516,788	\$516,788
Total Revenues	\$4,953,371	\$4,791,547	\$4,421,582	\$4,231,016	\$4,459,130
EXPENSES					
Campus Instructional Costs					
USD	\$650,790	\$760,099	\$734,420	\$1,325,837	\$1,075,837
SDSU	\$542,694	\$497,554	\$538,997	\$362,078	\$362,078
DSU	\$398,922	\$272,217	\$273,021	\$133,189	\$133,189
Other Campuses	\$0	\$0	\$0	\$0	\$0
Total Campus Instructional Costs	\$1,592,406	\$1,529,871	\$1,546,439	\$1,821,104	\$1,571,104
CCSF Operating Costs					
USD	\$977,697	\$1,122,113	\$955,341	\$1,520,209	\$1,431,773
SDSU	\$977,697	\$1,122,113	\$955,341	\$156,443	\$156,443
DSU	\$266,645	\$306,031	\$260,551	\$52,525	\$52,525
Other Campuses	\$0	\$0	\$0	\$0	\$0
CCSF	\$664,869	\$356,214	\$460,234	\$516,788	\$516,788
Total CCSF Operating Costs	\$2,886,908	\$2,906,469	\$2,631,466	\$2,245,965	\$2,157,529
Other Expenses					
USD	\$0	\$0	\$0	\$0	\$0
SDSU	\$0	\$0	\$0	\$115,444	\$115,444
DSU	\$0	\$0	\$0	\$0	\$0
Other Campuses	\$0	\$0	\$0	\$0	\$0
CCSF	\$0	\$0	\$0	\$0	\$0
Total CCSF Operating Costs	\$0	\$0	\$0	\$115,444	\$115,444
Overhead					
USD	\$193,711	\$221,757	\$212,135	\$263,054	\$284,565
SDSU	\$153,475	\$133,404	\$112,195	\$65,280	\$65,280
DSU	\$63,607	\$53,321	\$46,376	\$21,917	\$21,917
Other Campuses	\$0	\$0	\$0	\$0	\$0
Total Overhead	\$410,794	\$408,482	\$370,706	\$350,252	\$371,763
Total Expenses with Overhead	\$4,890,108	\$4,844,822	\$4,548,611	\$4,532,765	\$4,215,840
Net Revenue after Overhead					
USD	\$232,006	\$247,646	\$347,676	(\$319,556)	\$225,483
SDSU	(\$46,347)	(\$338,397)	(\$416,764)	(\$6,983)	(\$6,983)
DSU	(\$54,655)	(\$66,128)	(\$88,152)	\$24,790	\$24,790
Other Campuses	\$0	\$0	\$0	\$0	\$0
CCSF	(\$67,741)	\$103,603	\$30,210	\$0	\$0
Total Net Revenue after Overhead	\$63,263	(\$53,275)	(\$127,030)	(\$301,749)	\$243,290

**USD - Community College for Sioux Falls
Operating Statement for Fiscal Year Ended June 30**

	Actual FY17	Actual FY18	Actual FY19	Proj. FY20	Proj. FY21
Revenues					
Tuition Revenue (Net of HEFF)	\$2,054,204	\$2,351,615	\$2,249,572	\$2,789,544	\$3,017,658
Rentals	\$0	\$0	\$0	\$0	\$0
Testing Services	\$0	\$0	\$0	\$0	\$0
Auxiliary Operations	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$2,054,204	\$2,351,615	\$2,249,572	\$2,789,544	\$3,017,658
Expenses					
Instructional Costs	\$650,790	\$760,099	\$734,420	\$1,325,837	\$1,075,837
CCSF Operating Costs	\$977,697	\$1,122,113	\$955,341	\$1,520,209	\$1,431,773
Other Expenses	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$1,628,487	\$1,882,212	\$1,689,761	\$2,846,046	\$2,507,610
Overhead	\$193,711	\$221,757	\$212,135	\$263,054	\$284,565
Net Revenue After Overhead	\$232,006	\$247,646	\$347,676	(\$319,556)	\$225,483

**SDSU - Community College for Sioux Falls
Operating Statement for Fiscal Year Ended June 30**

	Actual FY17	Actual FY18	Actual FY19	Proj. FY20	Proj. FY21
Revenues					
Tuition Revenue (Net of HEFF)	\$1,627,519	\$1,414,674	\$1,189,769	\$692,262	\$692,262
Rentals	\$0	\$0	\$0	\$0	\$0
Testing Services	\$0	\$0	\$0	\$0	\$0
Auxiliary Operations	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$1,627,519	\$1,414,674	\$1,189,769	\$692,262	\$692,262
Expenses					
Instructional Costs	\$542,694	\$497,554	\$538,997	\$362,078	\$362,078
CCSF Operating Costs	\$977,697	\$1,122,113	\$955,341	\$156,443	\$156,443
Other Expenses	\$0	\$0	\$0	\$115,444	\$115,444
Total Expenses	\$1,520,391	\$1,619,667	\$1,494,338	\$633,965	\$633,965
Overhead	\$153,475	\$133,404	\$112,195	\$65,280	\$65,280
Net Revenue After Overhead	(\$46,347)	(\$338,397)	(\$416,764)	(\$6,983)	(\$6,983)

DSU - Community College for Sioux Falls
Operating Statement for Fiscal Year Ended June 30

	Actual FY17	Actual FY18	Actual FY19	Proj. FY20	Proj. FY21
Revenues					
Tuition Revenue (Net of HEFF)	\$674,520	\$565,441	\$491,797	\$232,421	\$232,421
Rentals	\$0	\$0	\$0	\$0	\$0
Testing Services	\$0	\$0	\$0	\$0	\$0
Auxiliary Operations	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$674,520	\$565,441	\$491,797	\$232,421	\$232,421
Expenses					
Instructional Costs	\$398,922	\$272,217	\$273,021	\$133,189	\$133,189
CCSF Operating Costs	\$266,645	\$306,031	\$260,551	\$52,525	\$52,525
Other Expenses	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$665,567	\$578,248	\$533,572	\$185,714	\$185,714
Overhead	\$63,607	\$53,321	\$46,376	\$21,917	\$21,917
Net Revenue After Overhead	(\$54,655)	(\$66,128)	(\$88,152)	\$24,790	\$24,790

CCSF Specific - Community College for Sioux Falls
Operating Statement for Fiscal Year Ended June 30

	Actual FY17	Actual FY18	Actual FY19	Proj. FY20	Proj. FY21
Revenues					
Tuition Revenue (Net of HEFF)	\$0	\$0	\$0	\$0	\$0
Rentals	\$229,155	\$206,078	\$215,876	\$210,299	\$210,299
Testing Services	\$47,858	\$54,791	\$55,956	\$56,379	\$56,379
Auxiliary Operations	\$320,115	\$198,948	\$218,612	\$250,110	\$250,110
Total Revenues	\$597,128	\$459,817	\$490,444	\$516,788	\$516,788
Expenses					
Instructional Costs	\$0	\$0	\$0	\$0	\$0
CCSF Operating Costs	\$664,869	\$356,214	\$460,234	\$516,788	\$516,788
Other Expenses	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$664,869	\$356,214	\$460,234	\$516,788	\$516,788
Overhead	\$0	\$0	\$0	\$0	\$0
Net Revenue After Overhead	(\$67,741)	\$103,603	\$30,210	\$0	\$0

Community College of Sioux Falls Overhead Rate Comparison

Overhead Rate Comparison between the Community College for Sioux Falls and Other USD Colleges

The proposed overhead rate for the Community College for Sioux Falls (CCSF), as well as the overhead rate charged to other colleges and schools located on the Vermillion campus, are determined based upon services utilized. The following narrative will detail where the CCSF utilizes USD services versus when the CCSF provides (and directly pays for) services from its own operating budget.

Central Administration

The colleges and schools pay a percentage of the costs of Central Administration based on their percent of total budgeted expenditures for the upcoming fiscal year.

All USD colleges and schools pay a percentage of the costs of Central Administration based on the applicable percentage of budgeted expenditures. The overhead rate charged to the Community College for Sioux Falls is 6.28%, which includes areas such as the President's Office, EEO/Title IX, Accounting, Budget Office, Financial Services, Enrollment Services, Marketing and University Relations.

Campus-based colleges and schools are charged an additional 4% for other central administration services including grants accounting, international student office, work study, institutional memberships, etc. CCSF either does not utilize these services or pays costs directly.

Purchasing/Auxiliary Services

All USD colleges and schools pay a percentage of the costs of Purchasing/Auxiliary Services based on the applicable percentage of budgeted expenditures. The Purchasing/Auxiliary Services rate charged to CCSF and campus-based colleges and schools is 0.51%.

Other Auxiliary Services are charged to other colleges and schools for services related to the USD Copy Center, Postal Services and Office Stores (.12%). CCSF does not utilize these campus-based services and covers associated costs through its operating budget.

Academic Affairs

Academic Affairs costs are allocated based on a weighted average of faculty and student FTE. Weights assigned to each of the categories below are as follows:

- Faculty: 1.0
- Undergraduate Students: 0.5
- Graduate Students: 0.25
- Law, OT, PT, & PA: 0.1
- Med: 0.05

The Academic Affairs rate for services related to the Registrar's Office and the Office of Academic Affairs is 1.18% which is charged to both Vermillion campus colleges and schools and the CCSF.

The Vermillion campus colleges and schools also pay an additional 2.12% for services received from Academic & Career Planning, Center for Academic & Global Engagement, Graduate School, Honors, Center for Teaching & Learning and Undergraduate Research. CCSF is not afforded these services and either does not offer the above or pays directly (for example, career services are provided by staff in the CCSF operating budget).

Human Resources

All colleges and schools, including CCSF, are assessed Human Resources costs. Those costs are allocated based on the relative proportion of full-time equivalent faculty and staff.

Online Education

Vermillion based colleges and schools delivering online education are allocated costs associated with online course offerings. Costs are allocated based on the online, self-support credit hours taught in the immediately preceding year. These costs are not allocated to the CCSF as there are no online courses delivered from CCSF.

Facilities Management

The Facilities Management assessment is comprised of the following areas: Grounds & Custodial Services, Planning & Construction, Operations & Maintenance (to include electrical, mechanical and structural support of facilities), FM Business Services, University Police Department and Environmental Health & Safety. Facilities Management costs are allocated based on a net square footage (NSF) basis.

The Facilities Management rate charged to Vermillion based colleges and schools is 5.14%. Facilities Management costs are not assessed at the Community College for Sioux Falls because facilities management costs are paid directly by CCSF from their operating budget and no services from the Vermillion campus are provided.

Information Technology Services (ITS)

ITS costs are assessed based on their proportion of total faculty, staff and student full-time equivalents.

Vermillion campus colleges and schools pay Information Technology Services (ITS) costs at a rate of 3.98%. The 3.98% includes campus-based services such as a desktop team, classroom technology support, AV/IT services in Vermillion, etc.

The campus-based colleges and schools, as well as CCSF, pay .69% for system level services such as the ERP Banner system, learning management software (D2L), web-based student registration, etc.

Library

The overhead rate charged to Vermillion campus colleges and schools for the Library is 2.99%. Library costs are not allocated to the Community College for Sioux Falls from the USD campus due to the physically separate location from the Vermillion campus. CCSF library services are provided on site in Sioux Falls.

Vermillion based colleges and schools are assessed these costs based on a weighted average of faculty and student FTE. Weights are as follows:

- Faculty: 1.0
- Undergraduate Students: 0.1
- Graduate Students: 0.25
- Law, OT, PT, & PA: 0.1
- Med: 0.05

The difference in the FTE weighting is due to requirements to operate libraries specifically to serve the School of Law and Sanford School of Medicine (paid for directly by the applicable school).

Office of Research & Sponsored Programs (ORSP)

The Vermillion campus colleges and schools pay for services in administering externally awarded grants and contracts. The costs associated with the Office of Research and Sponsored Programs are assessed based on the applicable percentage of budgeted expenditures. CCSF does not utilize the services of ORSP.

Student Support Services

Vermillion campus colleges and schools are allocated costs of student support services such as student counseling, ADA accommodations, and campus student programming and many more campus-based services. The CCSF is not afforded these services and therefore is not assessed the applicable overhead rate, with the exception of ADA accommodations. ADA accommodations for CCSF are traditionally provided by CCSF operating budget directly and therefore are not assessed a charge from the main campus.

Costs are assessed based on a weighted average of undergraduate and graduate student FTE. Undergraduate students have access to a larger array of student support services and are assigned a weight of 1.0 per full-time equivalent student. Graduate students are weighted at .25 per full-time equivalent student due to fewer graduate student specific services.

Summary Chart

Below is a chart summarizing each of the support centers described above and compares the overhead rates charged to the colleges along with the proposed overhead rate for the Community College for Sioux Falls (CCSF).

Support Center	USD	CCSF
President's office, EEO/Title IX, Accounting, Budget Office, Financial Services, Enrollment Services, Marketing & University Relations	6.28%	6.28%
Other central administration (grants accounting, international student office, work study, institutional memberships, etc.)	4.00%	0.00%
Purchasing/Auxiliary Services	0.51%	0.51%
Other Auxiliary Services (Copy Center, Postal Services, Office Stores)	0.12%	0.00%
Academic Affairs (Curricular oversight, academic program reviews, etc.)	1.18%	1.18%
Other Academic Affairs (Academic & Career Planning, Center for Academic & Global Engagement, Graduate School, Honors, Center for Teaching & Learning and Undergraduate Research)	2.12%	0.00%
Human Resources	0.77%	0.77%
Online Education	3.54%	0.00%
Facilities Management	5.14%	0.00%
Information Technology Services	3.98%	0.00%
Information Technology Services (system software such as banner, student web based registration and learning management systems)	0.69%	0.69%
Library	2.99%	0.00%
Office of Research & Sponsored Programs	1.10%	0.00%
Student Support	1.20%	0.00%
Total Overhead Rate	33.62%	9.43%