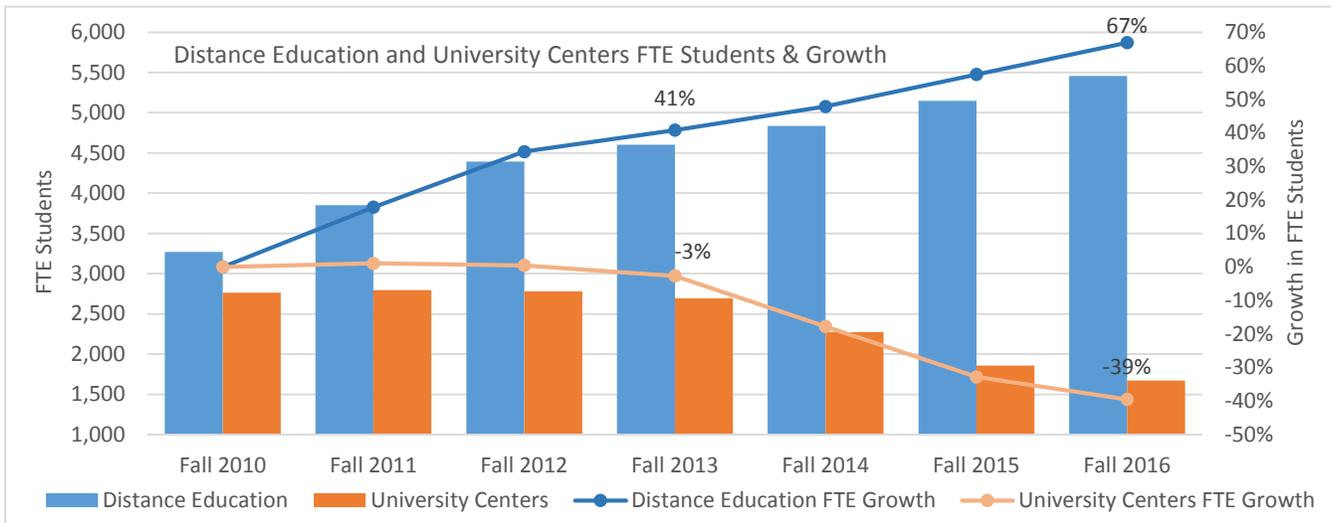


# Report to the Special Legislative Task Force on the University Centers



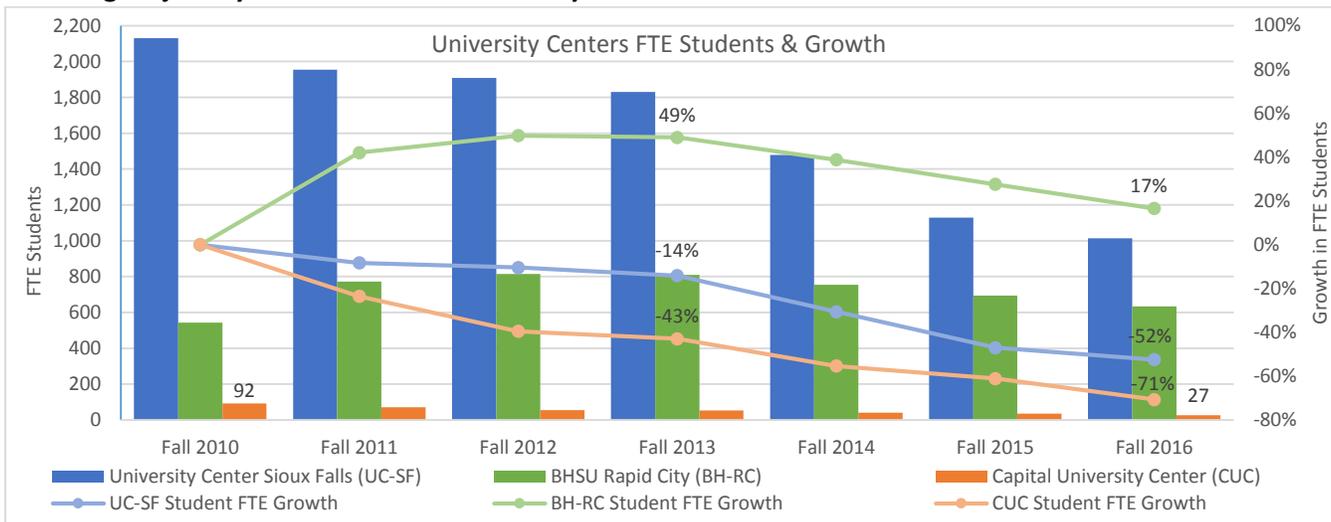
## Growing Disparity Between Distance Education and the University Centers

Distance education has seen substantial increases in full-time-equivalent (FTE)<sup>i</sup> students, while the university centers have realized a significant decrease in FTE students. The graph below indicates since Fall 2010, distance education experienced a 67% increase in FTE students, while the university centers lost 39%. A similar trend appears in the number of sections offered, credit hours, and headcount numbers. Students have overwhelmingly chosen to take online classes instead of opting to enroll in a class at one of the university centers.



All courses offered at off-campus locations will be at self-support tuition rates established by the Board of Regents, with the exception of the nursing courses offered at the Pierre site, which can be offered at state-support rates (§13-51-1.2). Students taking an undergraduate class through distance education or the university centers pay the same off-campus tuition rate of \$333.35 per credit hour for Fall 2016. Per Board of Regents (BOR) policy 5:5:2, off-campus tuition is comprised of the off-campus tuition rate plus a 11.5% HEFF<sup>ii</sup> component and a surcharge for the Electronic University Consortium (EUC)<sup>iii</sup>.

## Declining Trajectory at the Individual University Centers



The graph above shows the FTE students and growth at the individual university centers since Fall 2010. The University Center Sioux Falls (UC-SF) has seen a substantial decrease in FTE students, a 52% loss since Fall 2010,

while the Capital University Center (CUC) in Pierre decreased by 71% over the same period. The CUC has 27 FTE students, down from a high of 92 in Fall 2010. The UC-SF has 1,013 FTE students, down from 2,130 in Fall 2010. The CUC and UC-SF have been on a continually declining trajectory since Fall 2010, while all the centers have been continually declining since Fall 2013.

**The Sustainability of the University Centers**

The university centers are not self-supporting or self-sustaining from a financial perspective and must be subsidized by the main universities and the State. Since FY12 the main campuses have provided \$1.15M in additional support to UC-SF to maintain a small cash balance. Over the same time, the main campuses have taken \$0.81M from UC-SF as support to the main campuses. Without the support payments UC-SF would have a negative cash balance of \$146,368 and large deficits in three of the last five fiscal years. UC-SF is not self-sustaining. The full financial statements for the university centers can be found at the end of this report.

University Center - Sioux Falls						
		FY12	FY13	FY14	FY15	FY16
With Support Payments to/from Main Campus	Total Revenues	\$8,062,744	\$7,188,074	\$6,875,623	\$6,541,336	\$6,180,116
	Total Expenses	\$8,121,454	\$7,264,711	\$6,867,334	\$6,551,526	\$6,059,439
	Change in Cash	(\$58,710)	(\$76,637)	\$8,289	(\$10,190)	\$120,677
	<b>Ending Cash</b>	<b>\$152,591</b>	<b>\$75,954</b>	<b>\$84,243</b>	<b>\$74,053</b>	<b>\$194,730</b>
No Support Payments to/from Main Campus	Total Revenues	\$8,062,744	\$6,830,619	\$6,522,761	\$6,541,336	\$5,736,757
	Total Expenses	\$7,574,209	\$7,264,711	\$6,867,334	\$6,286,193	\$6,059,439
	Change in Cash	\$488,535	(\$434,092)	(\$344,573)	\$255,143	(\$322,682)
	<b>Ending Cash</b>	<b>\$699,836</b>	<b>\$265,744</b>	<b>(\$78,829)</b>	<b>\$176,314</b>	<b>(\$146,368)</b>

With only one year of financial information from the CUC, only a small perspective can be achieved. For FY16, \$118,604 in state general funds can be directly tied to the CUC, which includes \$34,768 from the Board of Regents (BOR) for lease payments and \$83,836 from the University of South Dakota (USD) for nursing program support. The CUC also received an additional \$143,552 from the BOR in other fund revenue. The CUC received 11.7% of FY16 revenue from the state general fund and 25.9% of all revenue from a State source, while self-support students contributed 34.9% of the CUC's revenue.

CUC (Pierre) FY16 Revenue						
Source of Funds and Revenues	State General Fund	State Other Funds	Self-Support Students	Nursing Students	CUC Foundation & Other	Total Revenue
BOR - General Fund Rent	\$34,768					
BOR - HEFF Rent		\$50,000				
BOR - Other		\$93,552				
USD - GF Support	\$83,836					
Self-Support Tuition			\$352,836			
Nursing Tuition				\$163,529		
All Other Revenue					\$232,114	
<b>Total Revenue</b>	<b>\$118,604</b>	<b>\$143,552</b>	<b>\$352,836</b>	<b>\$163,529</b>	<b>\$232,114</b>	<b>\$1,010,636</b>
Percent of Total Revenue	11.74%	14.20%	34.91%	16.18%	22.97%	100.00%

From FY12-FY16, UC-BH has provided a total of \$2.09M in support to the Black Hills State University (BHSU) main campus. The support to the main campus has left UC-BH with a negative cash balance in four of the last five fiscal years. If UC-BH had retained the support dollars, it would have a \$2.1M cash balance for FY16 and would have been self-sustaining the last five fiscal years. UC-BH is the only center that could be self-sustaining based on the financial information provided.

University Center - Rapid City						
		FY12	FY13	FY14	FY15	FY16
With Support Payments to/from Main Campus	Total					
	Revenues	\$5,567,408	\$5,932,190	\$6,304,162	\$5,944,810	\$5,203,553
	Total Expenses	\$5,656,983	\$5,976,676	\$6,351,604	\$5,839,604	\$5,072,545
	Change in Cash	(\$89,575)	(\$44,486)	(\$47,442)	\$105,206	\$131,008
	<b>Ending Cash</b>	<b>(\$89,575)</b>	<b>(\$134,061)</b>	<b>(\$181,503)</b>	<b>(\$76,296)</b>	<b>\$54,711</b>
No Support Payments to/from Main Campus	Total					
	Revenues	\$5,567,408	\$5,932,190	\$6,304,162	\$5,944,810	\$5,203,553
	Total Expenses	\$5,321,025	\$5,470,602	\$5,833,663	\$5,315,071	\$4,867,481
	Change in Cash	\$246,383	\$461,588	\$470,499	\$629,739	\$336,072
	<b>Ending Cash</b>	<b>\$246,383</b>	<b>\$707,971</b>	<b>\$1,178,470</b>	<b>\$1,808,210</b>	<b>\$2,144,281</b>

### Overhead and Student Service Costs

The university centers have high operating or fixed costs when compared to the total expenses. In FY16, UC-SF spent 41.2% of all expenses on operating or fixed costs for the university center, while UC-BH spent 28.3% and CUC 42%. The instructional expense of the nursing program at the CUC is the main contributing factor to the exceptionally high instructional expense per FTE Student at the CUC. The nursing program instructional expense accounts for 36% of the total expenses at the CUC, while the total instructional expense accounts for 55.3%.

Actual FY16 Expenses by University Center			
	UC-BH	UC-SF	CUC
Instructional Expense	\$1,778,011	\$2,389,951	\$584,148
Fixed/Operating Expense	\$1,435,940	\$2,494,619	\$443,654
Main Campus Support Costs	\$1,653,530	\$1,174,869	
Additional Support to Main Campus	\$205,064		
All Other Costs			\$28,406
<b>Total Expenses</b>	<b>\$5,072,545</b>	<b>\$6,059,439</b>	<b>\$1,056,208</b>
Operating Expense % of Total Expenses	28.3%	41.2%	42.0%
Campus Support Costs % of Total Expenses	32.6%	19.4%	N/A
Instructional Expense % of Total Expenses	35.1%	39.4%	55.3%
Instructional Expense per FTE Student	\$2,563.08	\$2,116.87	\$16,362.68

The university centers' operations suffer from a lack in economies of scale. The university centers pay Main Campus Support Costs to the main campuses for services attributable to the centers. The Main Campus Support Costs account for large portions of the UC-BH and UC-SF total expenses. The Main Campus Support Costs include the following services: Advising, Continuing & Distance Education Offices, Department Heads/Chairs, Library, Marketing Costs, Student Rights & Responsibilities, Office of Disability Services/Counseling, Financial Aid Packaging, Graduate Admissions Student Support Services, Records & Registration Office, Cashier Services, and Human Resources.

The university centers offer a number of the same services to students as the main campuses, even though the same students have a designated main campus for their degree. Services offered at each of the university centers include: testing, student advising, free tutoring, financial aid services, admissions, career preparation, student clubs/organizations, campus events and activities, disability services, veteran services, textbook purchasing, DDN, and non-credit education courses. These services are included in the fixed/operating expenses for each center.

<sup>i</sup> FTE Student is based on an undergraduate student taking the 15 credit hours.

<sup>ii</sup> HEFF means the Higher Educational Facilities Fund which can be used for new buildings or to maintain and repair existing buildings.

<sup>iii</sup> EUC is a collaborative effort to coordinate the electronic, distance and off-campus delivery of programs and courses.

**University Center - Sioux Falls**  
**DSU, SDSU, USD Summary**

	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
<b>Beginning Cash Balance</b>	\$211,301	\$152,591	\$75,954	\$84,243	\$74,053
<b>Revenues</b>					
Tuition Revenue (after HEFF)	\$7,675,018	\$6,372,514	\$6,113,654	\$6,187,677	\$5,342,418
Additional Support from Campuses	\$0	\$357,455	\$352,862	\$0	\$443,359
Rentals	\$201,168	\$272,529	\$254,975	\$273,702	\$263,505
Testing Services	\$6,405	\$7,621	\$6,411	\$5,328	\$85,559
Auxiliary Operations	\$180,153	\$177,955	\$147,721	\$74,629	\$45,275
<b>Total Revenues</b>	<b>\$8,062,744</b>	<b>\$7,188,074</b>	<b>\$6,875,623</b>	<b>\$6,541,336</b>	<b>\$6,180,116</b>
<b>Expenses</b>					
Instructional Costs	\$3,162,609	\$3,008,780	\$2,932,751	\$2,593,047	\$2,389,951
UCSF Operating Costs	\$3,406,913	\$3,201,009	\$2,834,679	\$2,536,210	\$2,494,619
Campus Support Costs	\$1,004,687	\$1,054,922	\$1,099,904	\$1,156,937	\$1,174,869
Additional Support to Campuses	\$547,245	\$0	\$0	\$265,333	\$0
<b>Total Expenses</b>	<b>\$8,121,454</b>	<b>\$7,264,711</b>	<b>\$6,867,334</b>	<b>\$6,551,526</b>	<b>\$6,059,439</b>
<b>Change in Cash</b>	<b>(\$58,710)</b>	<b>(\$76,637)</b>	<b>\$8,289</b>	<b>(\$10,190)</b>	<b>\$120,677</b>
<b>Ending Cash</b>	<b>\$152,591</b>	<b>\$75,954</b>	<b>\$84,243</b>	<b>\$74,053</b>	<b>\$194,730</b>

**Black Hills State University - Rapid City**  
**BHSU, NSU, SDSU, USD Summary**

	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
<b>Beginning Cash Balance</b>	\$0	(\$89,575)	(\$134,061)	(\$181,503)	(\$76,296)
<b>Revenues</b>					
Tuition Revenue (after HEFF)	\$5,555,782	\$5,923,619	\$6,297,014	\$5,923,288	\$5,180,387
Rentals	\$4,285	\$0	\$0	\$9,788	\$13,272
Testing Services	\$6,599	\$8,571	\$7,148	\$10,769	\$9,398
Auxiliary Operations	\$742	\$0	\$0	\$965	\$496
<b>Total Revenues</b>	<b>\$5,567,408</b>	<b>\$5,932,190</b>	<b>\$6,304,162</b>	<b>\$5,944,810</b>	<b>\$5,203,553</b>
<b>Expenses</b>					
Instructional Personal Services	\$1,871,539	\$2,051,848	\$2,131,555	\$1,971,119	\$1,723,882
Instructional O&E	\$177,734	\$158,904	\$148,180	\$61,553	\$54,129
BHRC Operating Personal Services	\$441,845	\$404,177	\$426,403	\$808,994	\$864,955
BHRC Operating O&E	\$799,523	\$695,353	\$848,934	\$606,777	\$570,985
Campus Support Costs	\$1,900,116	\$2,160,320	\$2,278,591	\$1,866,628	\$1,653,530
Capital and M&R Costs	\$130,268	\$0	\$0	\$0	\$0
Additional Support to Campuses	\$335,958	\$506,074	\$517,941	\$524,533	\$205,064
<b>Total Expenses</b>	<b>\$5,656,983</b>	<b>\$5,976,676</b>	<b>\$6,351,604</b>	<b>\$5,839,604</b>	<b>\$5,072,545</b>
<b>Change in Cash</b>	<b>(\$89,575)</b>	<b>(\$44,486)</b>	<b>(\$47,442)</b>	<b>\$105,206</b>	<b>\$131,008</b>
<b>Ending Cash</b>	<b>(\$89,575)</b>	<b>(\$134,061)</b>	<b>(\$181,503)</b>	<b>(\$76,296)</b>	<b>\$54,711</b>

**CUC Total Operations  
FY16**

	CUC Foundation	SDSU Self-Support	USD Self-Support	USD Nursing	Bookstore	Admin	Totals
<b>Revenues</b>							
Class Revenue							
Drivers Ed	\$33,500	\$0	\$0	\$0	\$0	\$0	\$33,500
Other	\$7,040	\$0	\$0	\$0	\$0	\$0	\$7,040
Tuition Revenue							
Self Support	\$0	\$226,093	\$126,743	\$0	\$0	\$0	\$352,836
Nursing	\$0	\$0	\$0	\$163,529	\$0	\$0	\$163,529
USD-GF Support	\$0	\$0	\$0	\$83,836	\$0	\$0	\$83,836
Other Revenue							
Trust/Dividend/Interest	\$82,049	-	-	-	-	\$0	\$82,049
Building Rent	\$5,025	-	-	-	-	\$0	\$5,025
BOR - General Fund Rent	\$34,768	-	-	-	-	\$0	\$34,768
BOR - HEFF Rent	\$50,000	-	-	-	-	\$0	\$50,000
BOR - Other (loss transfer	-	-	-	-	-	\$93,552	\$93,552
Pierre Chamber	\$32,659	-	-	-	-	\$0	\$32,659
Donations	\$25,100	-	-	-	-	\$0	\$25,100
Testing Revenue	-	-	-	-	-	\$3,673	\$3,673
Other	\$11,007	-	-	-	\$32,062	\$0	\$43,069
	<u>\$281,147</u>	<u>\$226,093</u>	<u>\$126,743</u>	<u>\$247,365</u>	<u>\$32,062</u>	<u>\$97,225</u>	<u>\$1,010,635</u>
<b>Expenditures</b>							
Advertising	\$34,217	-	-	-	-	-	\$34,217
Scholarships	\$28,406	-	-	-	-	-	\$28,406
Drivers Ed	\$20,832	-	-	-	-	-	\$20,832
Insurance	\$10,773	-	-	-	-	-	\$10,773
Maintenance & Cleaning	\$18,906	-	-	-	-	-	\$18,906
Instructional Costs	-	\$122,112	\$56,412	\$380,979	-	-	\$559,502
Personal Services	-	-	-	-	-	\$166,167	\$166,167
Travel	-	-	-	-	-	\$575	\$575
Contractual	-	-	-	-	\$118	\$70,677	\$70,795
Supplies	\$5,129	\$3,813	-	-	\$23,422	\$2,690	\$35,054
Other	\$7,459	-	-	-	\$1,715	\$3,008	\$12,183
Mortgage Interest	\$40,885	-	-	-	-	-	\$40,885
Loan Principal Payments	\$57,913	-	-	-	-	-	\$57,913
	<u>\$224,521</u>	<u>\$125,924</u>	<u>\$56,412</u>	<u>\$380,979</u>	<u>\$25,255</u>	<u>\$243,116</u>	<u>\$1,056,208</u>
Net Position	\$56,626	\$100,169	\$70,332	(\$133,614)	\$6,807	(\$145,892)	(\$45,572)
Cash Transfers to Admin	\$0	(\$100,169)	(\$31,686)	(\$7,230)	(\$6,807)	\$145,892	\$0
<b>Net Position After Transfe</b>	<u>\$56,626</u>	<u>\$0</u>	<u>\$38,646</u>	<u>(\$140,844)</u>	<u>\$0</u>	<u>(\$0)</u>	<u>(\$45,572)</u>

Note - Tuition revenue for SDSU and USD are shown net of the HEFF portion.