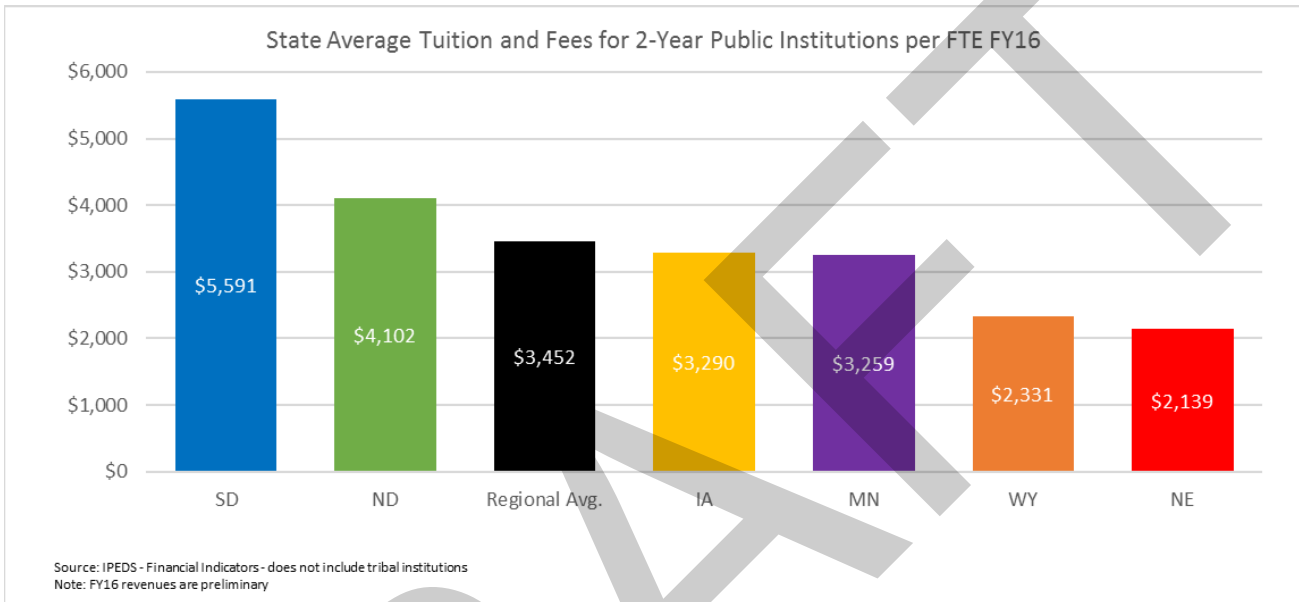


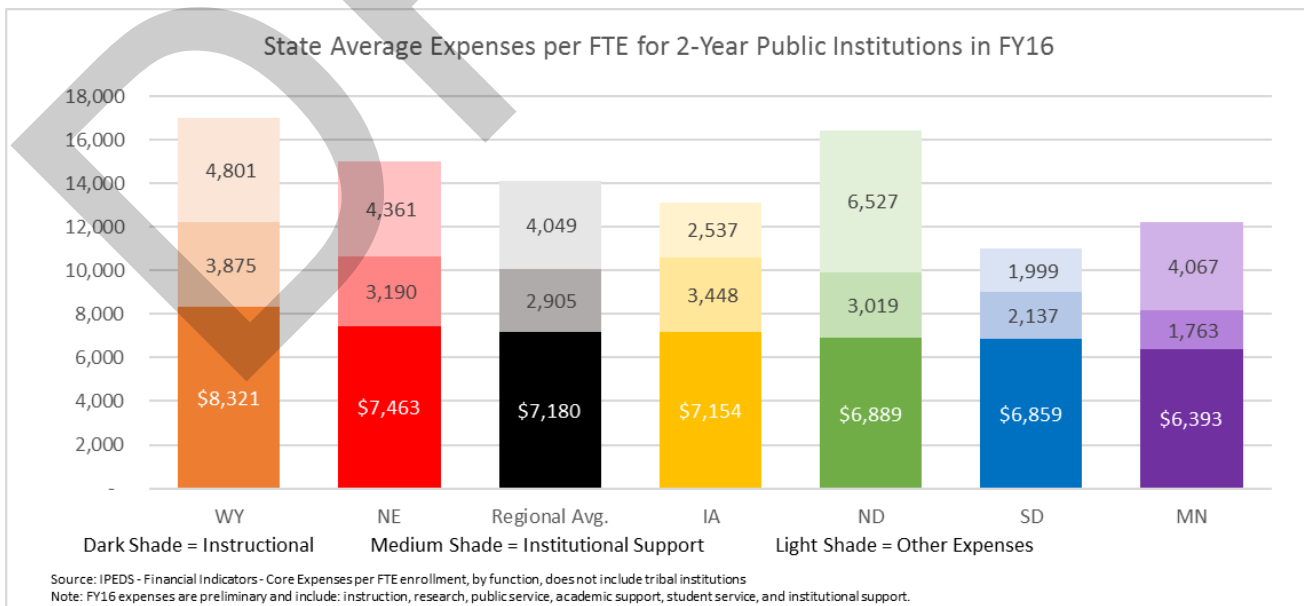
Average Tuition and Fees per FTE at Two-Year Institutions

The chart below displays each state's tuition and fees per FTE at public two-year institutions, as well as the regional average. In comparison to the surrounding states, South Dakota collects the highest Tuition and Fees. The main driver behind this is that other states receive most of their revenues from other sources (e.g. state appropriations, federal grants and contracts, local revenues, etc.). Another reason that South Dakota schools are higher than our regional peers is because community college and 2-year general education institutions are included in those states, whereas the South Dakota average consists solely of two year technical institutions, which often charge more.



Average Expenses per FTE at Two-Year Institutions

The bar chart on the following page shows each state's average expenses per FTE at public two-year institutions, which is calculated as an average of all public two-year institutions in that state. The bottom portion of each bar is the average instructional cost per FTE, which includes general academic, occupational, and vocational instruction. The middle portion of each bar represents the average institutional support cost per FTE, which is the



expenses for day-to-day operational support including general administrative services, central management services, and legal and fiscal operations. The top portion of each bar represents other expenses per FTE, which includes research, public service, academic support, and student services. Expenses not included in the graph – operation of maintenance of plant, depreciation, scholarships and fellowships, auxiliary enterprises, hospitals, independent operations, interest and other operating and nonoperating expenses. See the appendix for more detailed definitions.

In comparison to the surrounding states, South Dakota has the second lowest average instructional and institutional support expenses per FTE, with Minnesota being the lowest in the region. However, South Dakota has lower expenses related to research, public service, academic support, and student support, and the lowest overall expenses per FTE.

Options for Lowering Tuition and Fees

As tuition rates have increased across the nation, student debt and college affordability have become important issues. States have tried to address this issue in several ways, including creating free community college programs, adopting funding policies that allocate state support based on performance, and increasing funding for need-based, merit-based, and other financial aid programs. In addition to these policies, there are a few ways to reduce South Dakota's average resident tuition and fees at two-year institutions from \$6,318 to the regional average of \$4,133.

Lowering expenses would be one option to reduce tuition and fees. Although South Dakota has the highest tuition and fees in the region, it is ranked third out of the six regional states in terms of average revenues and expenses per FTE. Additionally, South Dakota's average instructional cost and institutional support cost per FTE is the second lowest in the region. However, South Dakota has the highest average of all other expenses in the region.

Another option to reduce tuition and fees would be to increase the portion of revenue coming from sources other than tuition and fees. In addition to state support and tuition, some of the regional states also have a local property tax levy to support two-year institutions. While property taxes do not support the technical institutes in South Dakota, the Legislature appropriates funding annually for a “tuition buy-down” program. In FY2015, the Legislature approved a \$5/credit hour buy-down for the post-secondary technical institutes, and in FY2017, the Legislature increased the buy-down to \$10/credit hour, which amounts to \$1,831,820 each year. If the state were to increase its support in order to reduce tuition and fees to the regional average, the LRC estimates it would cost approximately \$12.5 million. On the following page there is a table showing the amount of additional funding that would be needed to reach the level of resident tuition and fees at the regional states, and the regional average.

Additional Dollars Needed in South Dakota to Reach the Regional Average and Other State’s Level of Tuition & Fees		
	16-17 State Average Resident Tuition & Fees	Additional Dollars Needed for Tuition & Fees*
Nebraska	\$2,979	\$19,149,165
Wyoming	\$2,992	\$19,074,610
Regional Avg.	\$4,133	\$12,533,269
North Dakota	\$4,399	\$11,005,465
Iowa	\$4,916	\$8,040,470
Minnesota	\$5,377	\$5,396,635
South Dakota	\$6,318	\$0

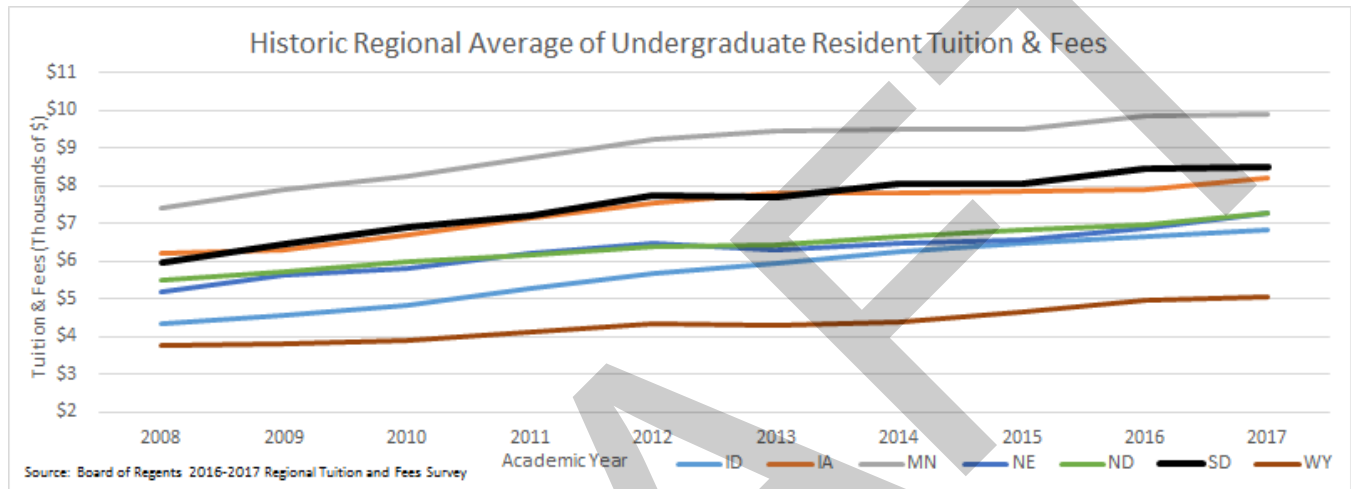
Note: student FTEs is 5,735, based off the FY18 formula funding FTE estimate



Four-Year Institutions

Regional Tuition and Fees at Public Universities Over the Last Ten Years

The cost for an undergraduate resident to attend any regional public university has increased significantly over the last ten years. In the 2007-2008 academic year, South Dakota had an average cost of \$5,952 per year for tuition and fees, while the 2016-2017 year was \$8,504, a 43% increase. This compares to a CPI inflation rate of 14% over the same period. South Dakota currently has the second highest resident tuition and fees in the region, while ten years ago South Dakota was the third highest. The graph below provides the historic regional average of undergraduate resident tuition and fees.¹



The following heat table shows the regional average year-over-year percent change in tuition and fees for undergraduate residents. Dark green represents a yearly increase greater than 7%, while medium green is an increase of 5%-7%, and the light green an increase between 3% and 5%. Most states had large increases for academic years 2009-2012.

Regional Average Year over Year Percent Change in Tuition & Fees Undergraduate Residents									
	2009	2010	2011	2012	2013	2014	2015	2016	2017
ID	5.3%	6.2%	9.1%	7.1%	4.9%	5.1%	3.8%	3.1%	2.7%
IA	1.1%	6.7%	6.5%	5.5%	3.6%	0.2%	0.4%	0.4%	4.0%
MN	6.4%	4.9%	5.6%	5.7%	2.6%	0.3%	0.2%	3.5%	0.5%
NE	8.8%	3.3%	6.5%	4.7%	-3.1%	3.0%	1.2%	5.0%	5.9%
ND	4.2%	4.4%	3.1%	3.5%	1.1%	3.1%	2.9%	1.7%	4.6%
SD	8.8%	6.6%	4.5%	7.0%	-0.6%	4.7%	0.0%	5.4%	0.3%
WY	1.8%	2.8%	5.4%	5.0%	-1.3%	2.9%	5.5%	6.8%	1.9%

Source: Board of Regents 2016-2017 Regional Tuition and Fees Survey

A similar trend is seen in undergraduate nonresident tuition and fees. The ten-year change in tuition and fees for undergraduate nonresidents is greater than the increase for residents. South Dakota's ten-year average change for undergraduate nonresidents was 61%, which is the largest increase among the regional states. The South Dakota undergraduate nonresident average cost was \$7,272 per year in the 2007-2008 academic year compared to the current average of \$11,732 for tuition and fees.²

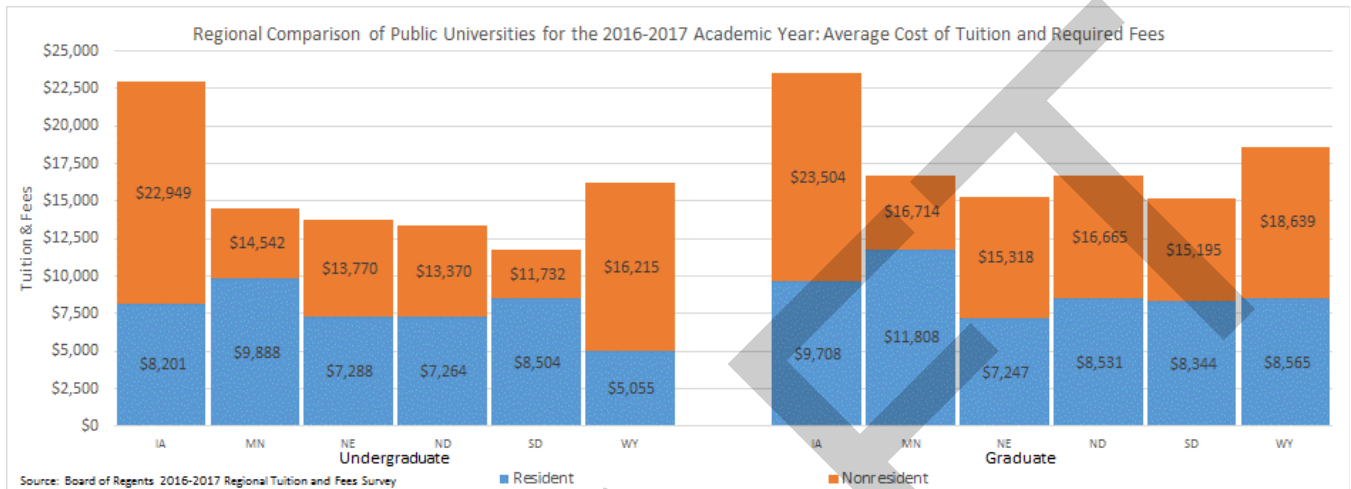
¹ The dollar amounts in this memo are based on tuition and any mandatory fees for 30 credit hours per year for undergraduate and 24 credit hours for graduate.

² Note: The nonresident rates do not reflect any reciprocity agreements or other tuition reduction programs between states. Therefore, a nonresident student from a particular state could possibly attend a given institution at a lower cost than indicated in this memo, where such an agreement exists.



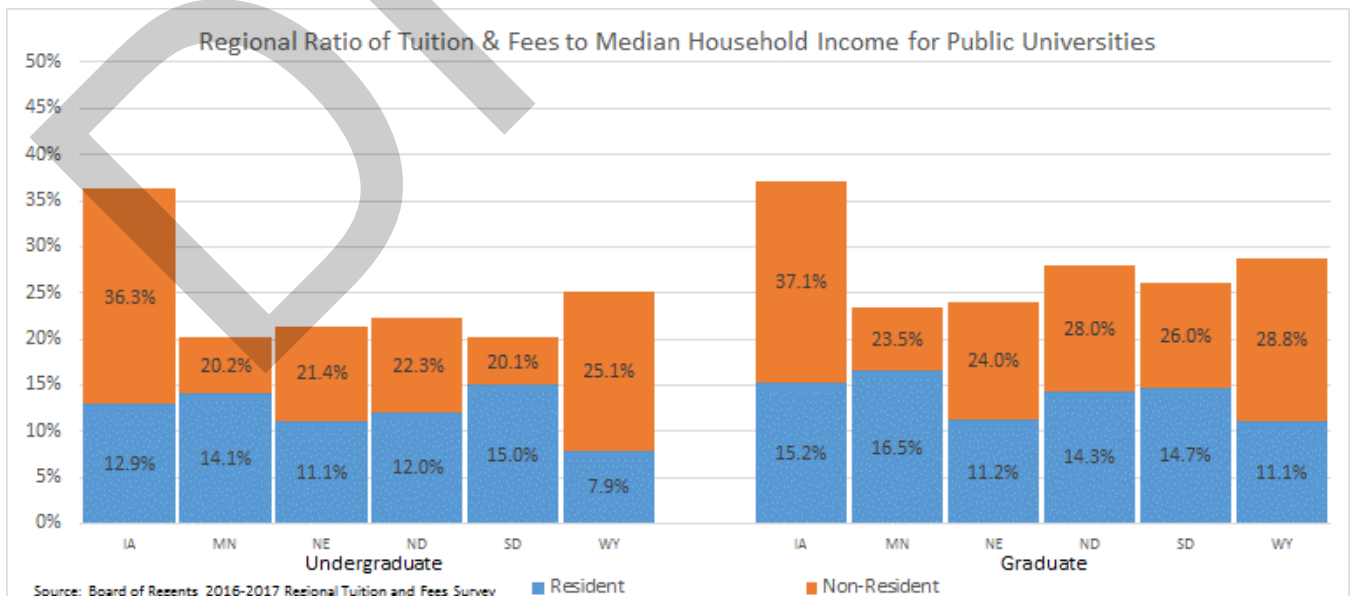
Regional Tuition and Fees at Public Universities for the Academic Year 2016-2017

South Dakota's public universities currently have the second highest average undergraduate resident cost for tuition and fees in the region at \$8,504 per year, with only Minnesota having a higher average cost at \$9,888. However, South Dakota's public universities have the lowest average undergraduate nonresident cost for tuition and fees in the region at \$11,732 per year compared to North Dakota, the next lowest, at \$13,370. The graph below provides the regional average tuition and fees for academic year 2016-2017 by state.ⁱ



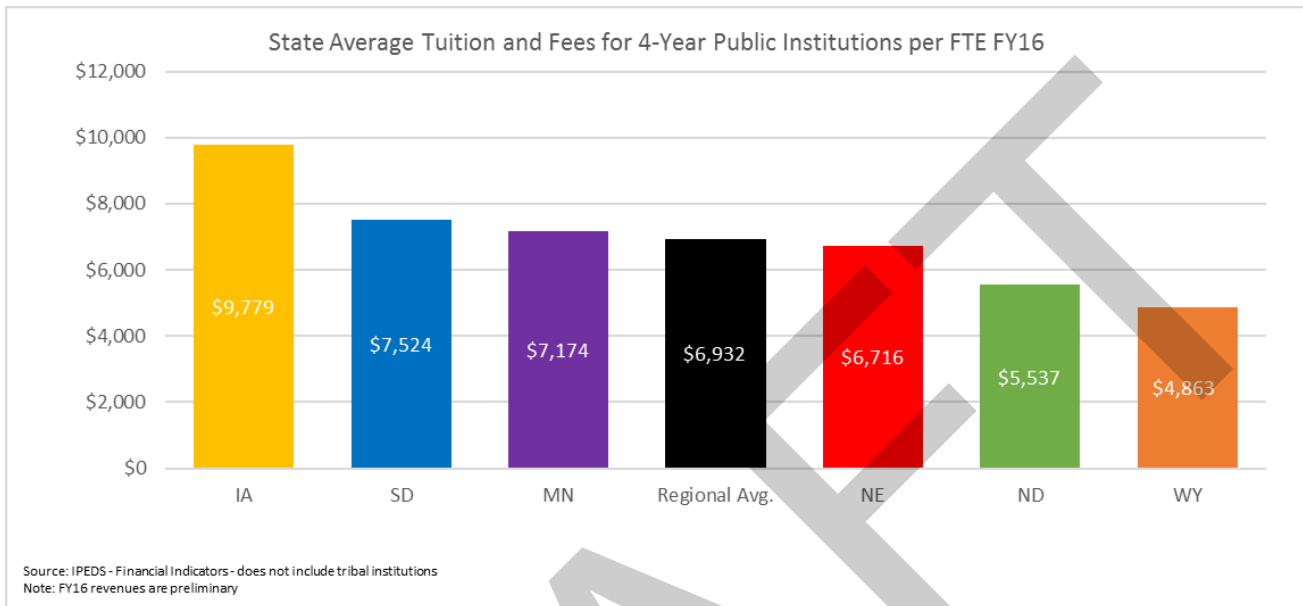
Regional Ratio of Tuition & Fees to Median Household Income for Public Universities

Looking at the ratio of tuition and fees to median household income provides insights into the outcome tuition and fees has on family contributions towards college and how income may be a factor in tuition and fees. In 2015, South Dakota had an average median household income of \$55,065, while other states in the region were at \$68,730 (MN), \$57,415 (ND), \$60,925 (WY), \$60,474 (NE), and \$60,855 (IA). South Dakota had an undergraduate resident ratio of 15%, meaning a year of undergraduate tuition and fees is 15% of the median household income in South Dakota. As the ratio increases, more income goes toward tuition and fees. South Dakota had the highest regional ratio of resident tuition and fees to median household income in 2015. However, South Dakota also had the lowest undergraduate nonresident ratio in the region at 20.1%. The below graph provides the average regional ratios of tuition and fees to median household income for public four-year universities.



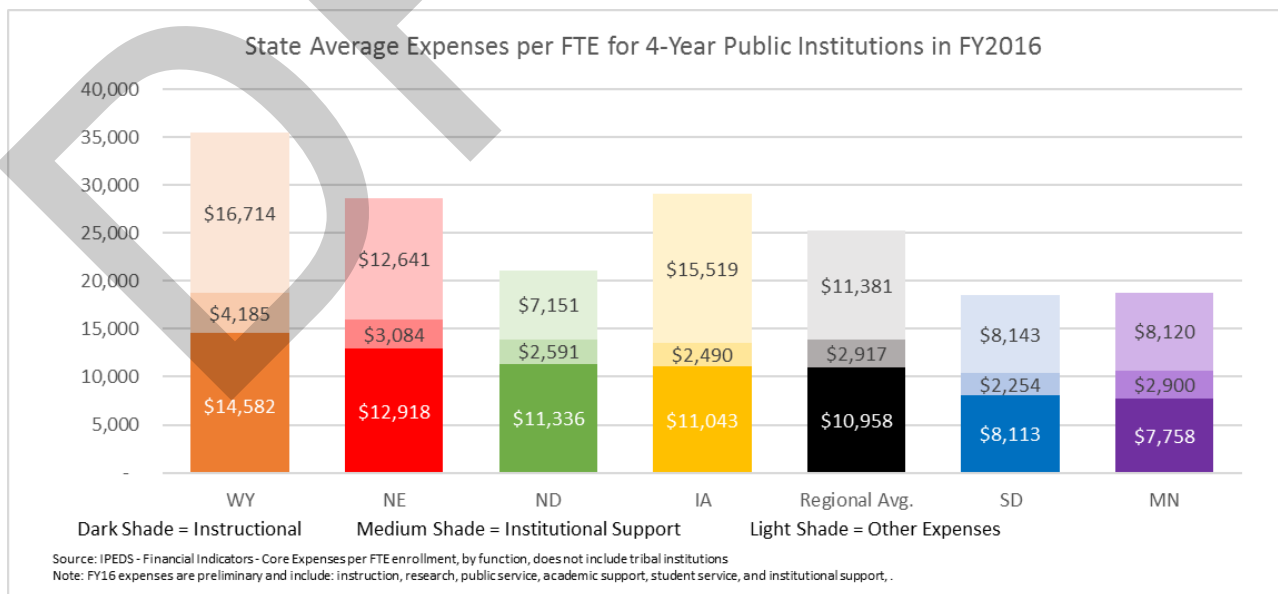
Average Tuition and Fees per FTE at Four-Year Institutions

The chart below displays each state's average tuition and fee revenues per FTE at public four-year institutions. In comparison to the surrounding states, South Dakota collects the second highest portion of revenue from tuition and fees.



Average Expenses per FTE at Four-Year Institutions

The chart below provides each state's average expenses per FTE at public four-year institutions, which is calculated as an average of all in state public four-year institutions. The bottom portion of each bar is the average instructional cost per FTE, which includes general academic, occupational, and vocational instruction. The middle portion of each bar represents the average institutional support cost per FTE, which is the expenses for day-to-day operational support including general administrative services, central management services, and legal and fiscal operations. The top portion of each bar represents other expenses per FTE, which includes research, public service, academic support, and student services. Expenses not included in the graph – operation of maintenance



of plant, depreciation, scholarships and fellowships, auxiliary enterprises, hospitals, independent operations, interest and other operating and nonoperating expenses. See the appendix for more detailed definitions.

In comparison to the surrounding states, South Dakota has the second lowest average instructional expenses per FTE, with Minnesota being the lowest in the region, and the lowest overall expenses per FTE.

Can Progress Towards Lower Tuition and Fees Be Achieved

As tuition rates have increased across the nation, student debt and college affordability have become important issues. States have tried to address these issues in several ways – state support based on performance, investing more in need-based, merit-based, and other financial aid programs, increased marketing and recruiting, and even discussion of closing a state campus.

Lowering expenses would be one option to reduce tuition and fees. While South Dakota four-year institutions have the lowest average expenses per FTE in the region, opportunities could exist within individual universities or across the system that would improve efficiencies and reduce expenses.

Another option to reduce tuition and fees would be to increase the portion of revenue coming from sources other than tuition and fees. This could be accomplished through additional state support, with increases to need-based, merit-based or other financial aid programs, private or local contributions, or more state support in general.

Over the years South Dakota has adopted and implemented various methods to help with increased tuition and fees, the South Dakota Opportunity Scholarship, a needs-based scholarship, a tuition freeze, and so forth. However, despite these efforts, tuition and fees at South Dakota four-year institutions have continued to increase above inflation.

This issue memorandum was written by Jeff Mehlhaff, Stephanie Gruba and Lucas Martin, Fiscal Analysts on 08/23/2017 for the Legislative Research Council. It is designed to supply background information on the subject and is not a policy statement made by the Legislative Research Council.

Appendix:

Other Expenses: Includes expenses for the following:

Research - A functional expense category that includes expenses for activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organizational unit within the institution. The category includes institutes and research centers, and individual and project research. This function does not include nonresearch sponsored programs (e.g., training programs).

Public Service - A functional expense category that includes expenses for activities established primarily to provide noninstructional services beneficial to individuals and groups external to the institution. Examples are conferences, institutes, general advisory service, reference bureaus, and similar services provided to particular sectors of the community. This function includes expenses for community services, cooperative extension services, and public broadcasting services.

Academic Support - A functional expense category that includes expenses of activities and services that support the institution's primary missions of instruction, research, and public service. It includes the retention, preservation, and display of educational materials (for example, libraries, museums, and galleries); organized activities that provide support services to the academic functions of the institution (such as a demonstration school associated with a college of education or veterinary and dental clinics if their primary purpose is to support the instructional program); media such as audiovisual services; academic administration (including academic deans but not department chairpersons); and formally organized and separately budgeted academic personnel development and course and curriculum development expenses.

Student Services - A functional expense category that includes expenses for admissions, registrar activities, and activities whose primary purpose is to contribute to students emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instructional program. Examples include student activities, cultural events, student newspapers, intramural athletics, student organizations, supplemental instruction outside the normal administration, and student records. Intercollegiate athletics and student health services may also be included except when operated as self-supporting auxiliary enterprises.

Institutional Support Costs: A functional expense category that includes expenses for the day-to-day operational support of the institution. Includes expenses for general administrative services, central executive-level activities concerned with management and long range planning, legal and fiscal operations, space management, employee personnel and records, logistical services such as purchasing and printing, and public relations and development. Also includes information technology expenses related to institutional support activities. If an institution does not separately budget and expense information technology resources, the IT costs associated with student services and operation and maintenance of plant will also be applied to this function.

Instructional Costs: A functional expense category that includes expenses of the colleges, schools, departments, and other instructional divisions of the institution and expenses for departmental research and public service that are not separately budgeted. Includes general academic instruction, occupational and vocational instruction, community education, preparatory and adult basic education, and regular, special, and extension sessions. Also includes expenses for both credit and non-credit activities. Excludes expenses for academic administration where the primary function is administration (e.g., academic deans). Information technology expenses related to instructional activities if the institution separately budgets and expenses information technology resources are included (otherwise these expenses are included in academic support). GASB institutions include actual or allocated costs for operation and maintenance of plant and depreciation.

Expense data excludes the following: auxiliary enterprises (e.g., bookstores, dormitories), hospitals, and independent operations, operation and maintenance of plant, depreciation, scholarships and fellowships, interest and other operating and nonoperating expenses.

