

# South Dakota Board of Regents

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FISCAL YEAR 2021 BUDGET PREVIEW

JOINT APPROPRIATIONS COMMITTEE

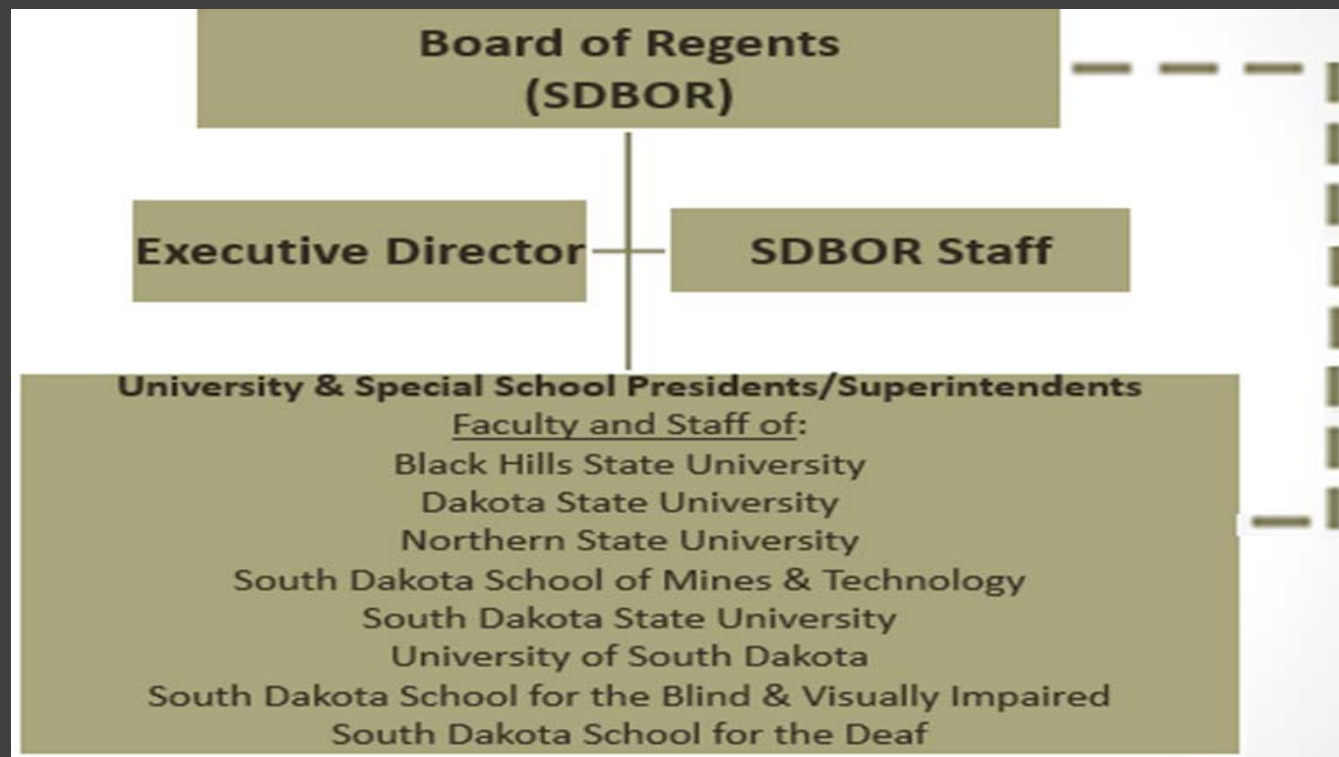
DECEMBER 9, 2019

# Mission Statement

The South Dakota Board of Regents' mission is to **provide an excellent, efficient, accessible, equitable, and affordable public university and special schools system**

- **that improves South Dakota's overall educational attainment and research productivity,**
- **while enriching the intellectual, economic, civic, social, and cultural life of the state, its residents, and its communities.**

# Organizational Structure



# Higher Education in South Dakota



# Higher Education in South Dakota

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- ✓ Attracts and generates income
- ✓ Draws new and expanded business
- ✓ Enhances individual wealth



# Attracts and Generates Income

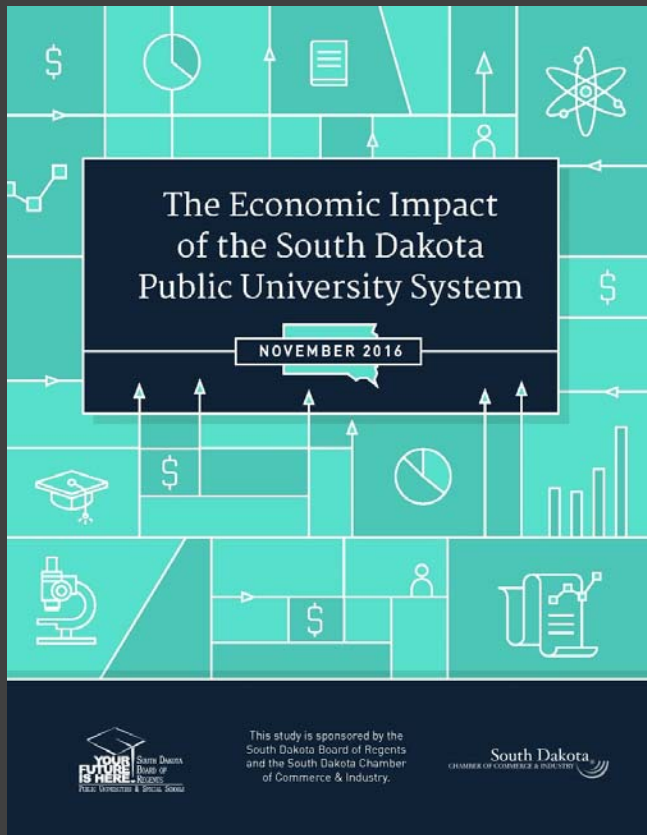
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\$284 million in federal money in FY19

- Compares to \$224 million from state's General Fund



# 2016 Study: Economic Impact of the South Dakota Public University System

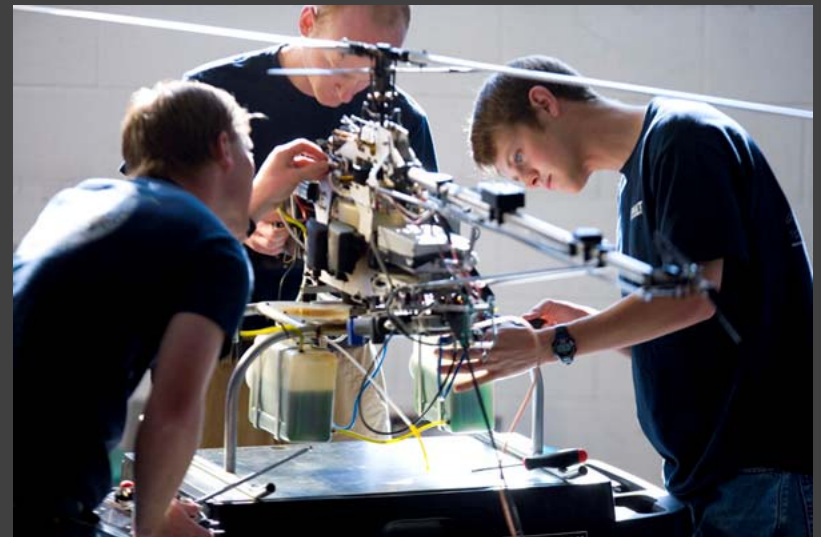


- \$2.66 billion in annual economic impact generated by South Dakota public universities.
  - From state's investment of \$197 million (FY16)
- \$162 million in sales and property tax.
- 5,628 full-time jobs at SD public universities.
- 21,950 jobs created in support of SD public universities.

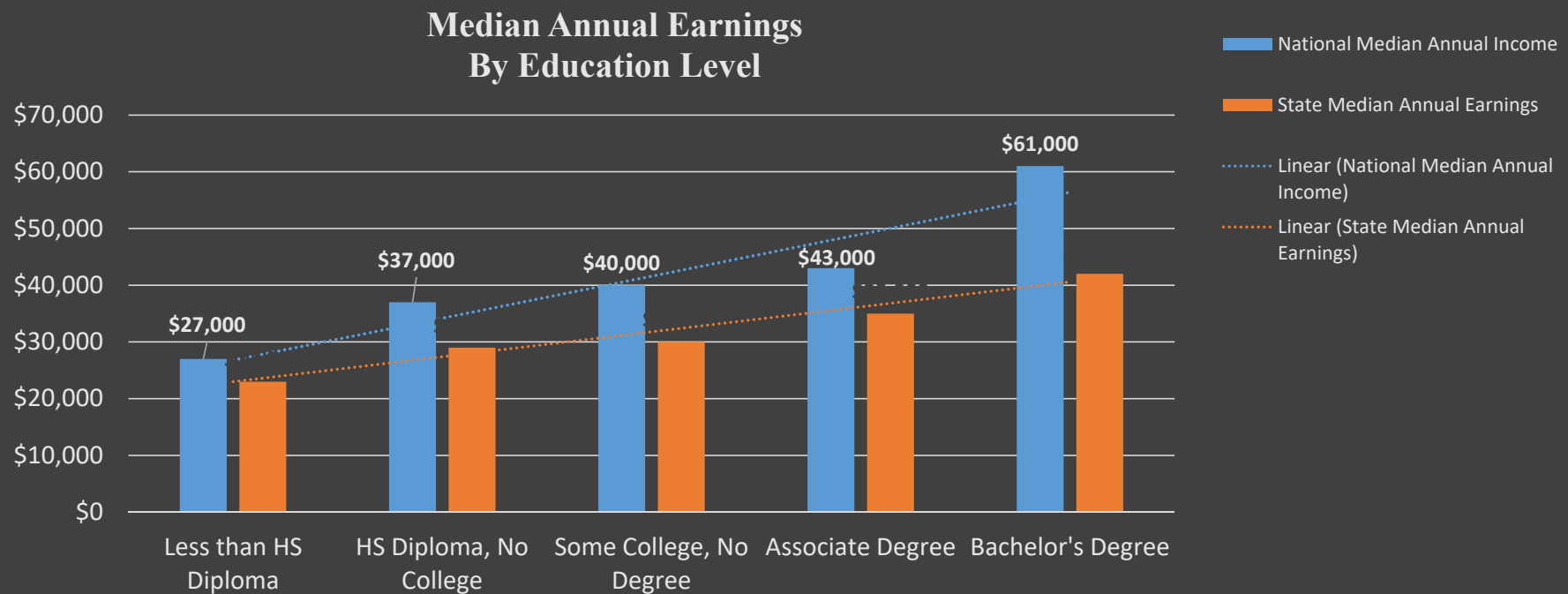
# Draws New and Expanded Business

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- New Industries & High Paying Jobs
- Educated Workforce
- Supports Strong Families
- Business Expertise
- Research Partnerships



# Enhances Individual Wealth



Source: *Measuring the Value of Education*, US Bureau of Labor Statistics (2018). Retrieved from <https://www.bls.gov/careeroutlook/2018/data-on-display/education-pays.htm>. Note: Salary wage calculations based on median weekly earning data multiplied by 52 weeks, rounded to nearest thousand.

Source: A.P. Carnevale, J. Strohl, and N. Ridley, Georgetown University Center on Education and the Workforce, *Good Jobs that Pay Without a BA: A State-by-State Analysis* (2017). Retrieved from <https://goodjobsdata.org/wp-content/uploads/Good-Jobs-States.pdf>.

# Overview of Board of Regents Budget

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1. Changes to the current year budget (FY20)
2. Changed to the upcoming budget (FY21)
3. Special appropriation requests
4. New initiatives or programs
5. Issues that could impact the Board of Regents in the next 5 years

# Spending Authority

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Many of the requests being made by the Board of Regents are for additional spending authority.

- Authority permits us to spend moneys generated by revenue sources that are not General Funds.
- Authority does not constitute additional dollars from the State of South Dakota.
- If other revenue sources do not materialize, the additional authority is not utilized.
- Examples:
  - Grant funds
  - Tuition dollars

# Changes to the Current Year Budget

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FY20

# FY20 One-time Budget Adjustments

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- System Utility Funding
  - Increase of \$91,243 based on actual utility expenditures for FY19
- Other Fund Authority – only giving permission to spend dollars that may be received from outside sources
  - Increase of \$3,188,794 and 3.0 FTE
    - USD – Increase of \$907,794 and 3.0 FTE
    - USD Law – Increase of \$121,000
    - DSU – Increase of \$2,160,000

# Changes to the Upcoming Budget

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FY21

# FY21 System Budget Adjustments Requested

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- Dakota's Promise
  - Increase of \$1,536,000
- South Dakota Opportunity Scholarship
  - Decrease of \$17,000
- Post-Secondary Scholarship
  - Increase of approximately \$8,000; exact amount TBD
- General Fund M&R
  - Increase of \$5,892,054
- Utility funding
  - Increase of \$573,500
- Educational facility lease payment
  - Decrease of \$5,559
- Federal and Other Fund authority
  - Increase of \$4,303,265 and 8.0 FTE
- University Specific Requests
  - Increase of \$679,449 and 4.8 FTE

# Dakota's Promise Scholarship - \$1,536,000

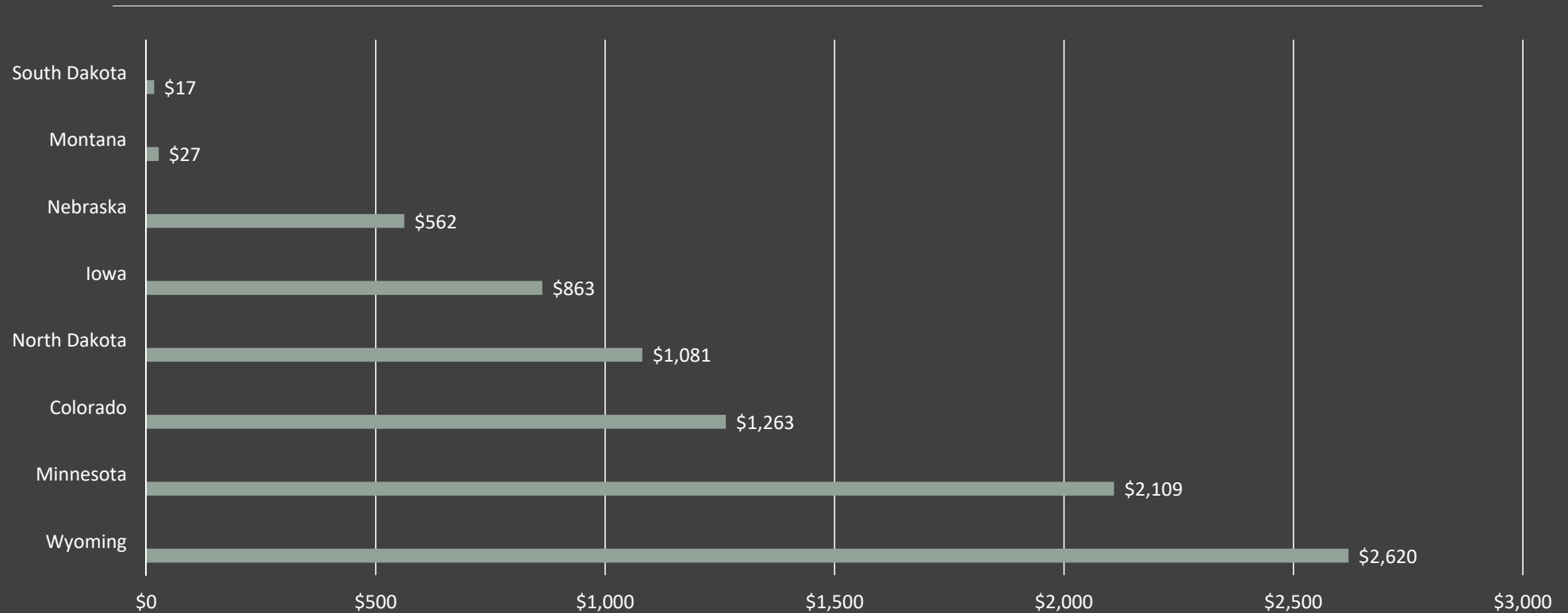
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- Needs based scholarship designed to provide support to eligible students
- \$2,500 total per year - \$1,250 from state with \$1,250 institutional match
- Pell Grant Eligible
- ACT score of 22 or higher
- High School GPA of 3.0+
- First Time, Full Time Freshmen
- South Dakota Residents
- First of four years - \$1,536,000



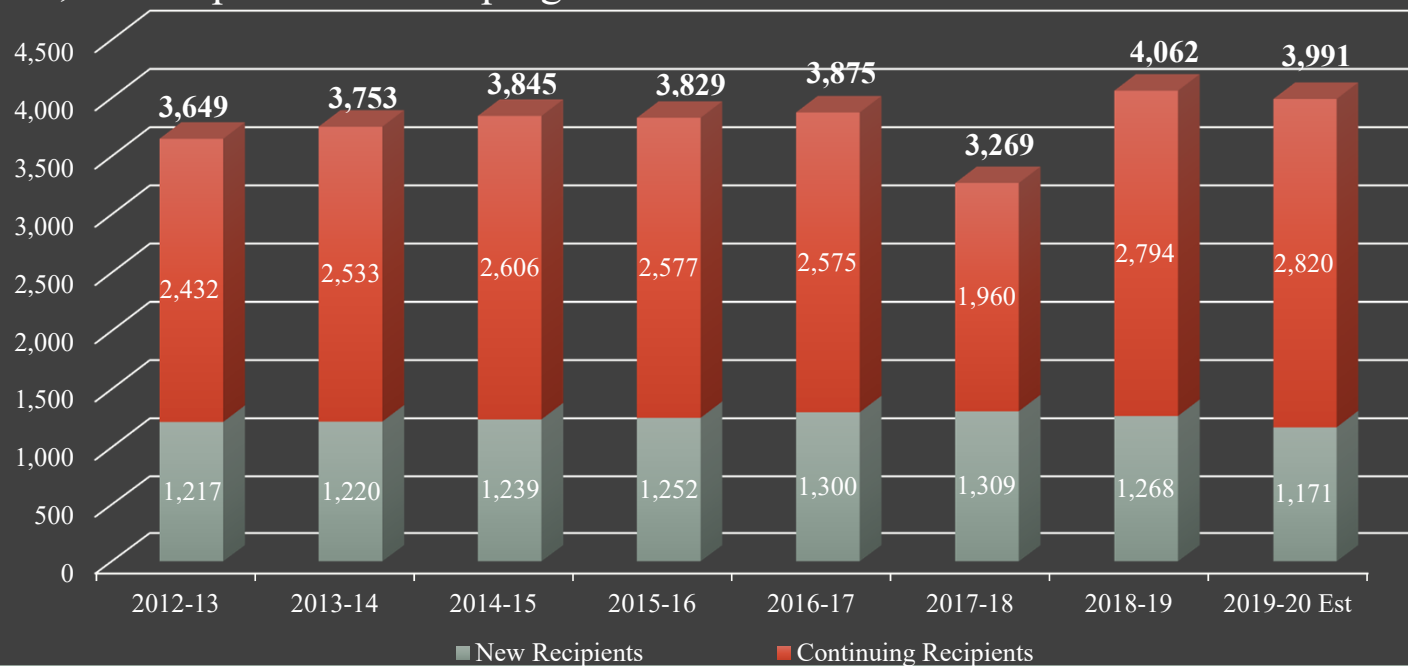
# In the Region: Need-Based Funding per Pell Recipient

## Why South Dakota's Average Net Cost is so High



# South Dakota Opportunity Scholarship – (\$17,000)

- 2019-20 academic year: 3,991 recipients funded
- Total of 18,469 recipients over the program's lifetime



# Post-Secondary Scholarship - TBD

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- Combined the Critical Teaching Needs Scholarship endowment and the Needs Based Scholarship endowment to create one endowment addressing the tuition needs of students.
- Scholarships available for Public, Private, and Technical institutions.
- Endowment funds = \$6.5 million
- Scholarship funding available in FY20: \$292,449
- Estimated proceeds from endowment for FY20
  - \$8,000 (based on previous year's appropriation)



# Maintenance & Repair: Academic Facilities - \$5.89M

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- M&R investment goal is 2% of replacement values annually = \$36.4 million per year.
- Higher Education Facilities Fund (HEFF) represents 11.5% of all tuition dollars collected.
  - Approximately \$15.4 million allocated to M&R for FY21
- M&R fee of \$3.34 per on-campus credit hour generates \$1.9 million.
- General Funds M&R = \$12,342,769
- Currently at 1.76% of replacement value.
- **Our Request is for an increase of \$5,892,054 to bring funding to 2% of replacement values for academic buildings.**



# Other Routine Requests

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- System Utility Funding Increase
  - \$573,500 increase based on projections using actual utility expenditures for FY19
- Educational Facilities Lease Payment Adjustment
  - Decrease of \$5,559

# Federal and Other Fund Authority Requests

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*By definition “Fund Authority” only gives permission to spend dollars that maybe received from outside sources.*

- University of South Dakota
  - Increase of \$1,022,265 and 3.0 FTE
- University of South Dakota – Law School
  - Increase of \$121,000
- South Dakota School of Mines & Technology
  - Increase of \$500,000 and 5.0 FTE
- Dakota State University
  - Increase of \$2,160,000
- Northern State University
  - Increase of \$500,000

# University Specific Requests - \$679,449 and 4.8 FTE

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- Native American Student Success
  - Black Hills State University - \$249,872 and 2.8 FTE
  - Northern State University - \$154,577 and 2.0 FTE
- Rural Veterinary Medical Education
  - South Dakota State University - \$275,000

# Special Appropriations Requests

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FY21

# Special Appropriation Requests - \$12,396,073 and 1.0 FTE

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- DSU Cyber Cync Incubator and Entrepreneurial Center (CCIEC) - \$396,073 1.0 FTE
- USD Health Sciences Building - \$10,000,000
- SDSM&T Ascent Innovation Building Remodel - \$2,000,000

# New Initiatives or Programs

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# New System Initiatives and Programs

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- Partnerships between Higher Education and business/industry –both a new initiative and a potential impact in the future of the Board of Regents.
- Cyber initiatives
- Biofuel initiatives



# Issues that Could Impact the Board of Regents in the Next 5 Years

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# Future Impacts to Higher Education

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- Student Affordability
- Dual Credit Enrollments
- Improving Degree Completion
- Declining Enrollments
- Continuing Research Funding
- Salary Competitiveness
- Funding Maintenance & Repair

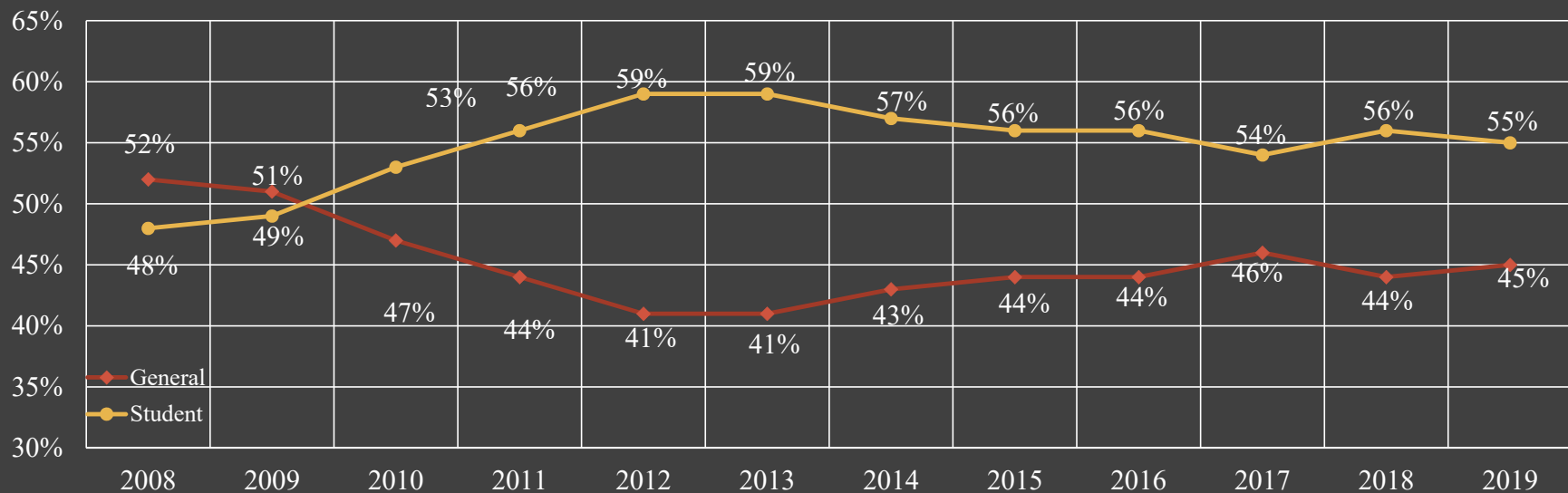
# Student Affordability – #1 Priority

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	Tuition and Mandatory Fees	Dollar Change	Percent Change
FY13*	\$7,675.62	-\$45.43	-0.6%
FY14	\$8,038.50	\$362.88	4.7%
FY15	\$8,038.50	\$0.00	0.0%
FY16	\$8,475.00	\$436.50	5.4%
FY17	\$8,503.75	\$28.75	0.3%
FY18	\$8,811.25	\$307.50	3.6%
FY19	\$9,018.00	\$206.76	2.3%
FY20	\$9,299.00	\$281.00	3.0%
<i>*Net change, including reduction from 128 to 120 credit hours</i>			

# State Support Impacts Affordability

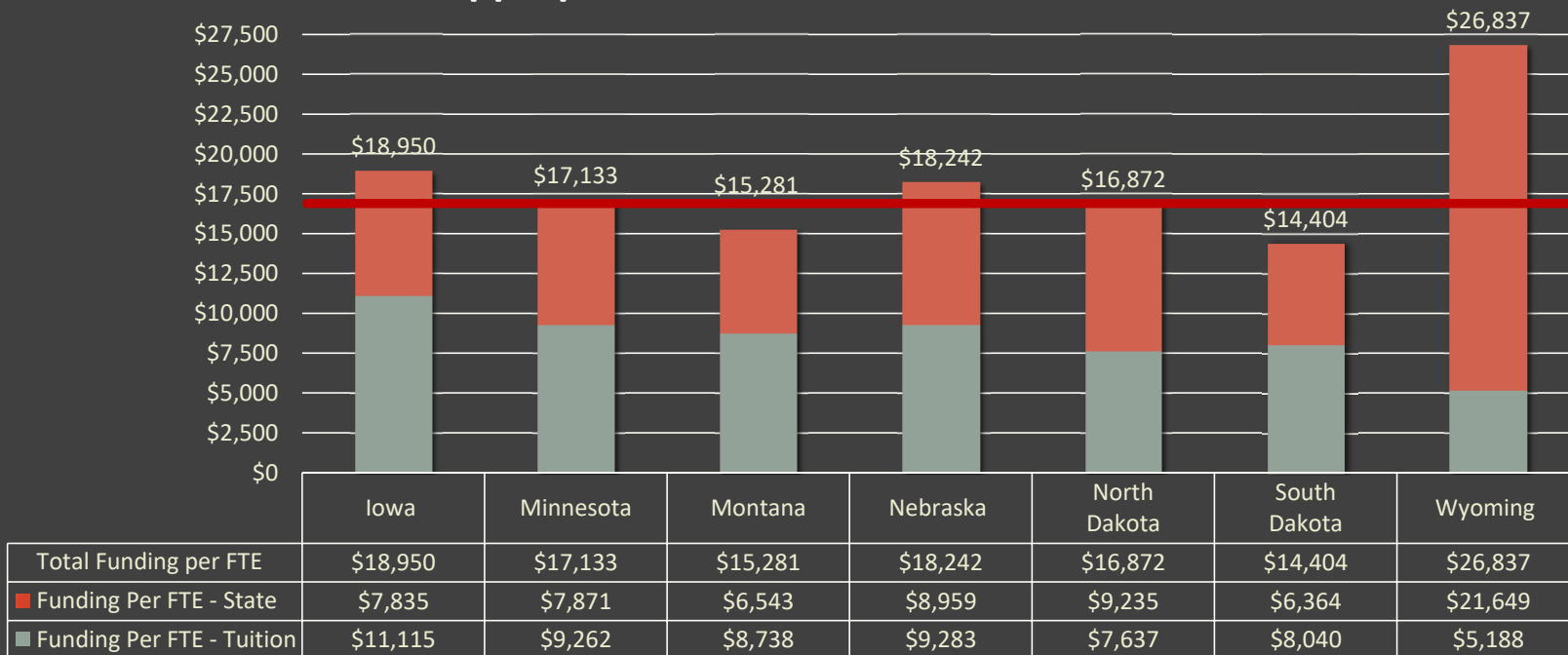
FY15 and FY17 tuition freezes, supported by the Governor and Legislature, improved affordability for South Dakota students.



State support of South Dakota public higher education increased from **41% to 45%** over the past six years.

# Funding Per Student Lowest in Region

**FY17 Public Postsecondary Education  
Educational Appropriations and Net Tuition Revenue Per FTE**

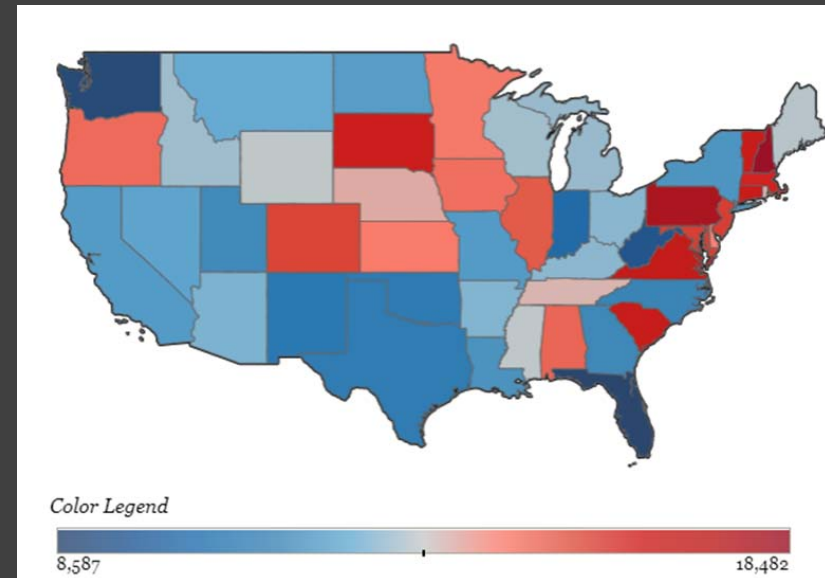


Source: SHEEO State Higher Education Finance (SHEF) Report, 2017  
(Note: SHEF data adjusted for enrollment mix and cost of living, so numbers will differ from BOR Fact Book.)

# Student Aid Critical to Access

## Net Price 2016-2017

- SD is 8<sup>th</sup> highest in the country
- Surrounding States Net Price
  - SD - \$16,706
  - IA - \$14,912
  - MN - \$14,699
  - NE - \$13,944
  - WY - \$13,441
  - MT - \$12,537
  - ND - \$12,158



# Board of Regents System Affordability Measures Pay Off For Students

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**+ \$1,987**

Reduction  
from 128 to  
120 credits

**+ \$1,490**

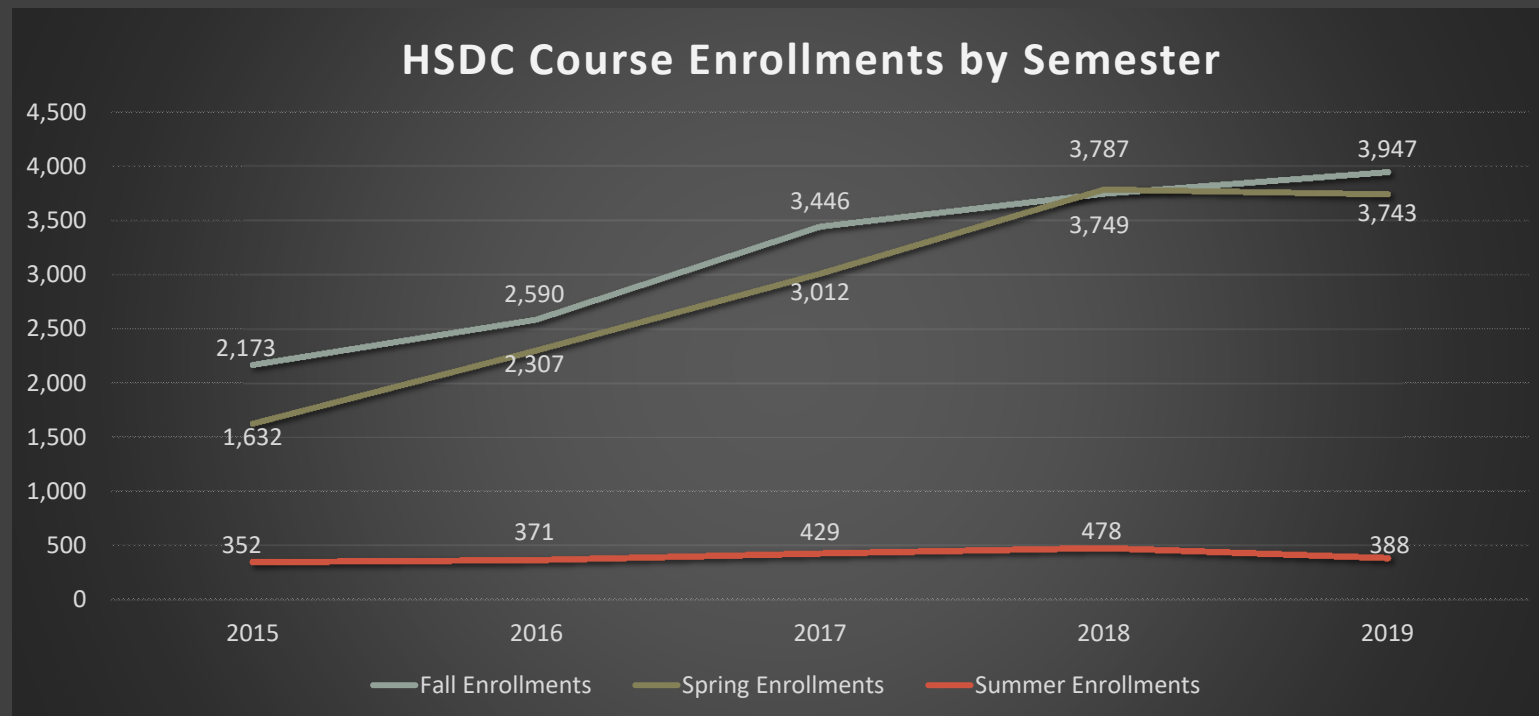
Two fewer  
courses/  
Exploratory  
Studies

**+ \$1,800**

Three high  
school dual  
credit courses

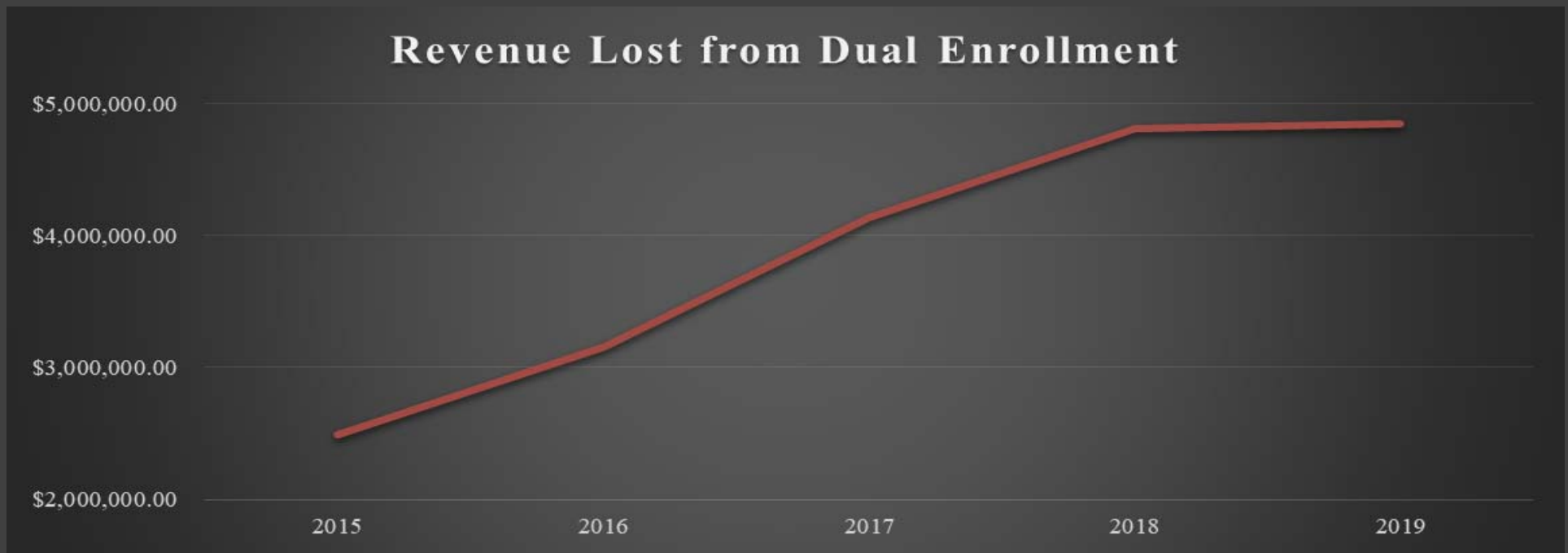
Potential Savings of  
**\$5,277**

# Dual Credit Enrollments



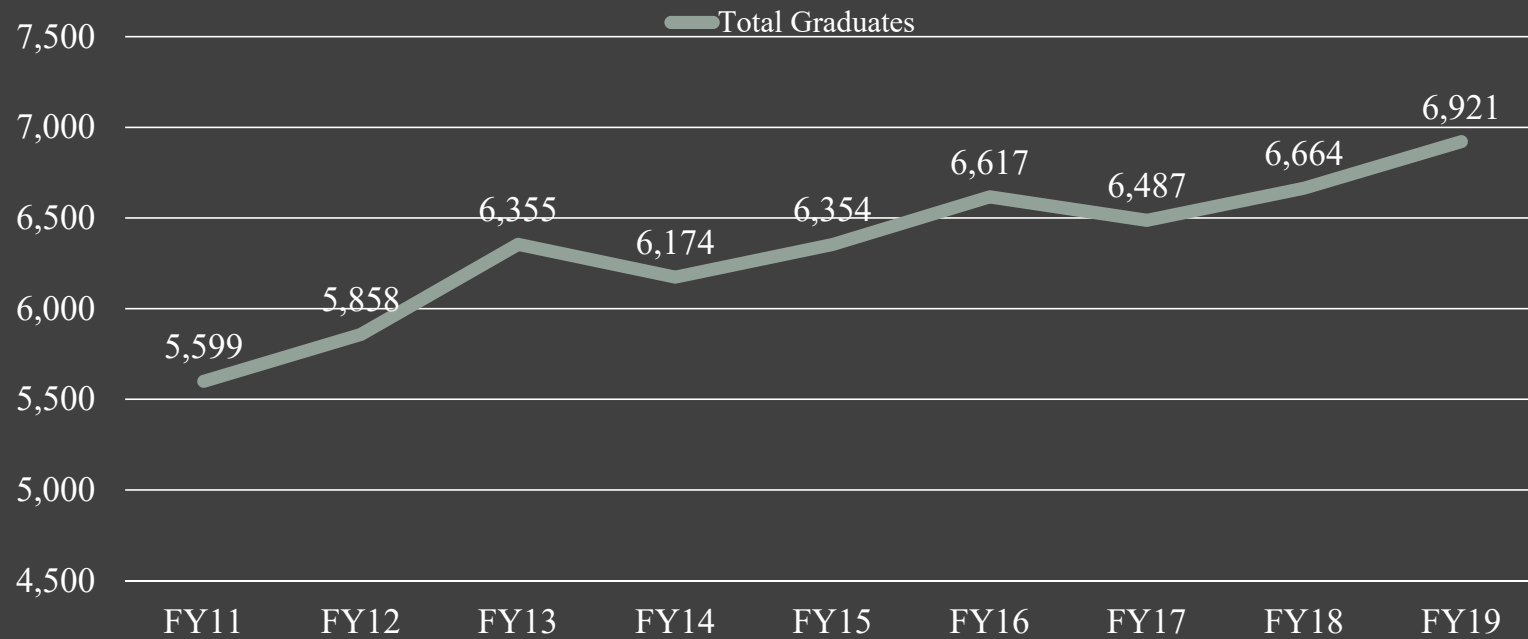
# Dual Credit Enrollments = Lost Revenue

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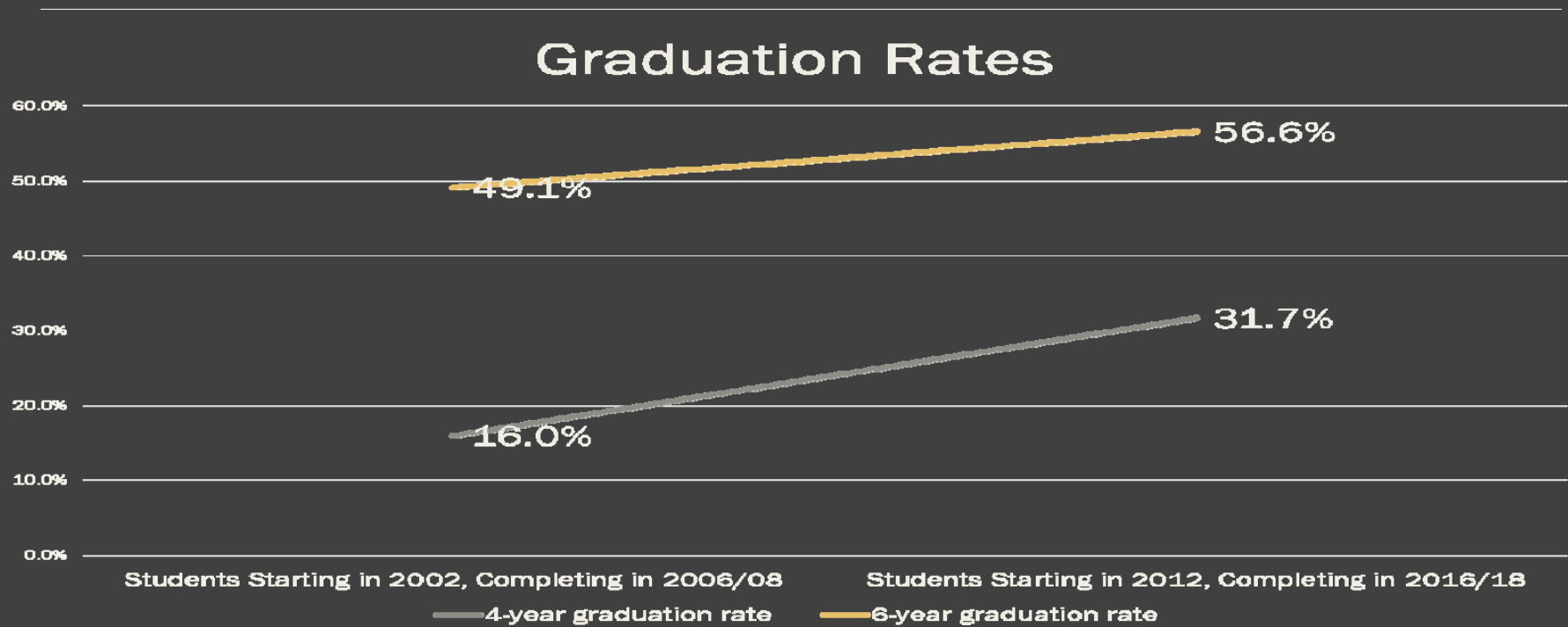


# Improving Degree Completion

23% Increase in Total Graduates Since FY11



# Improving Degree Completion



# Programs Fostering On-Time Completion

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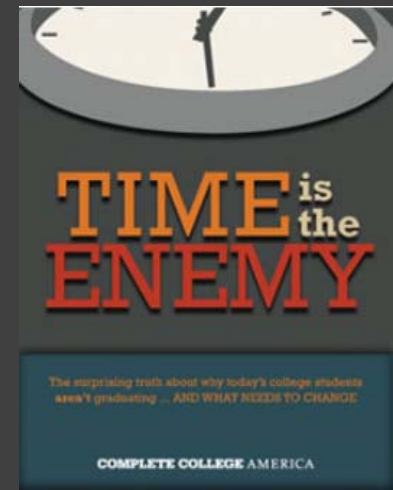
Reduce credit-hour graduation requirement from 128 to 120

‘15-to-Finish’ or ‘Finish in Four’ models

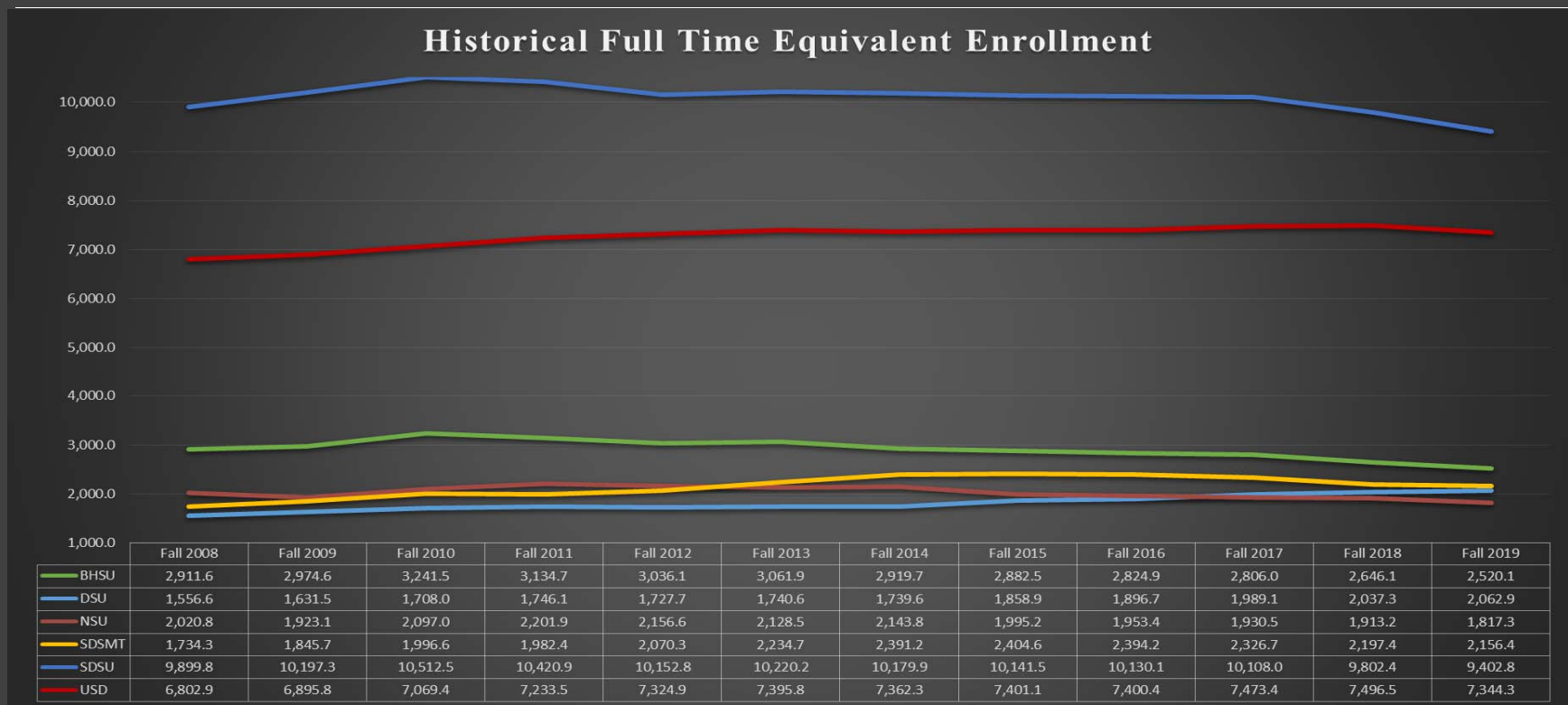
Exploratory Studies → reduce ‘catalog wandering’

Co-requisite remediation models

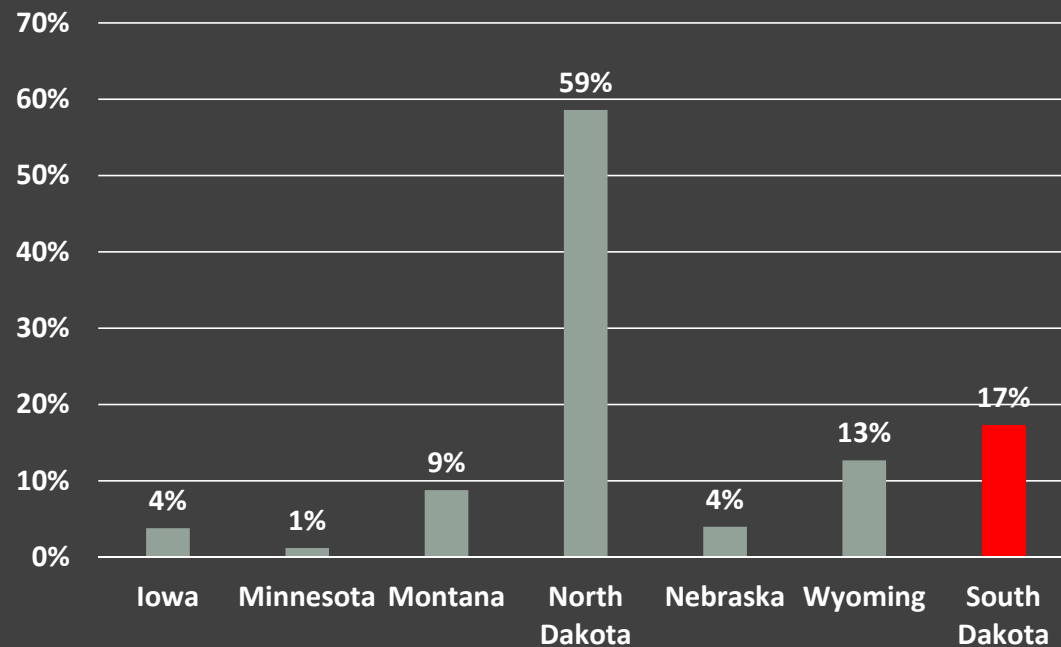
Redesign general education and transfer framework



# Enrollment Declines in Recent Years – Flat Over Time



# Projected Growth in High School Graduates 2019-2032



Estimated  
SD HS Grads 2019: 8,522  
SD HS Grads 2032: 10,000

Source: Peace Bransberger and Demarée K. Michelau. *Knocking at the College Door: Projections of High School Graduates, 9th Edition*. Boulder, CO: Western Interstate Commission for Higher Education, 2016.

# Research and Economic Development

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- Increase annual research and contract expenditures
  - Advance knowledge
  - Enhance technology transfer and commercialization
  - Catalyze economic development



# Research and Economic Development Initiatives

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*Responding to the Governor's request for the "Next Big Thing"*

- Biofuel Initiative
- Collaboration between SDSU and SDSM&T
- Will impact how our state does business
- Make agriculture and manufacturing a cohesive machine

# Research is Economic Development

## SDBOR Research Activity

Expenditures Awards



# Research is Job Development

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**FY19 job creation – Faculty research efforts (FTE): 655.9**

**Research innovations – FY07-FY19**

- Invention disclosures – 663
- Patent and intellectual property protections filed – 309
- Patents/licenses issued – 196



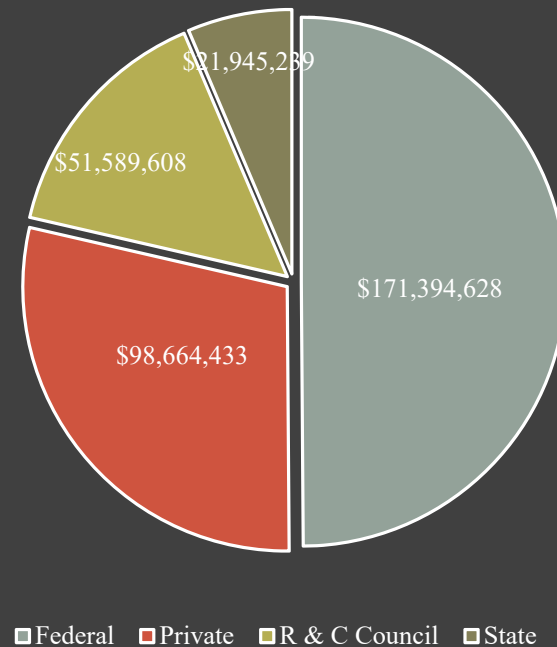
*Source: BOR system office*

# Governor Research Centers

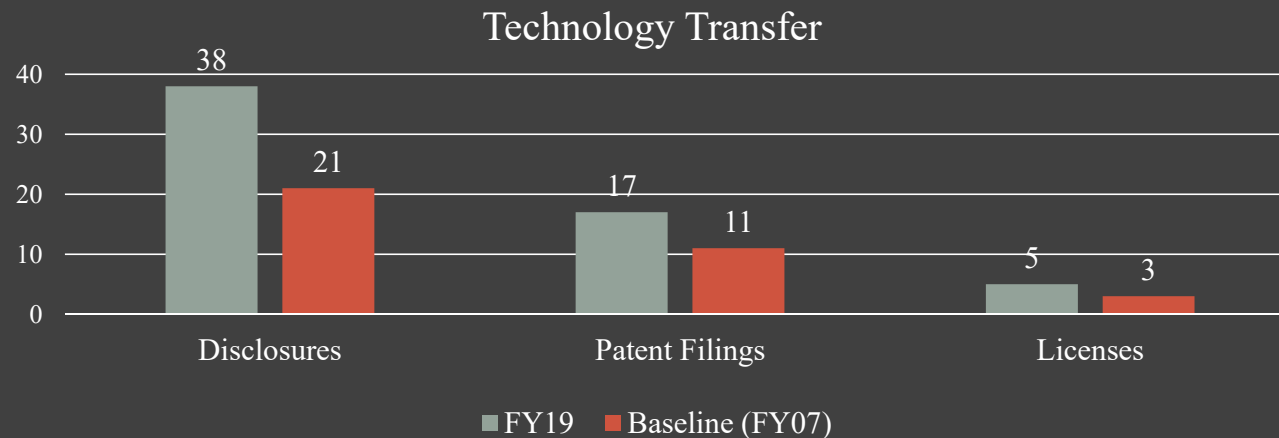
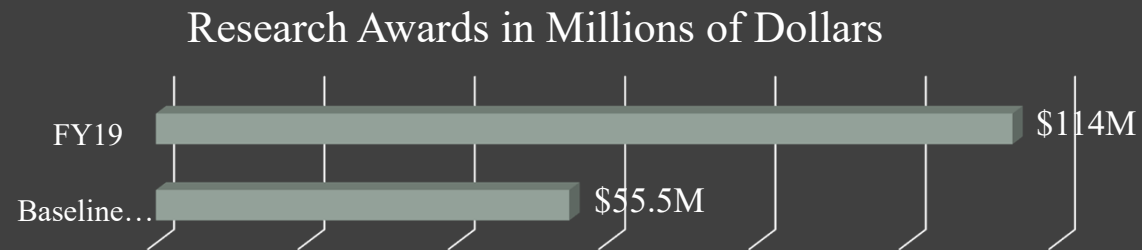
## *A Snapshot of Success*

Centers funded:	18
Funding leverage:	6:1
Students trained:	1,271
Innovations disclosed:	186
Patent filings:	75
Patents issued:	19
License agreements:	25

## Research Funding: \$343,593,908



# Broader Impacts of the Governor Research Centers on University Research



# Governor Research Centers and Economic Development

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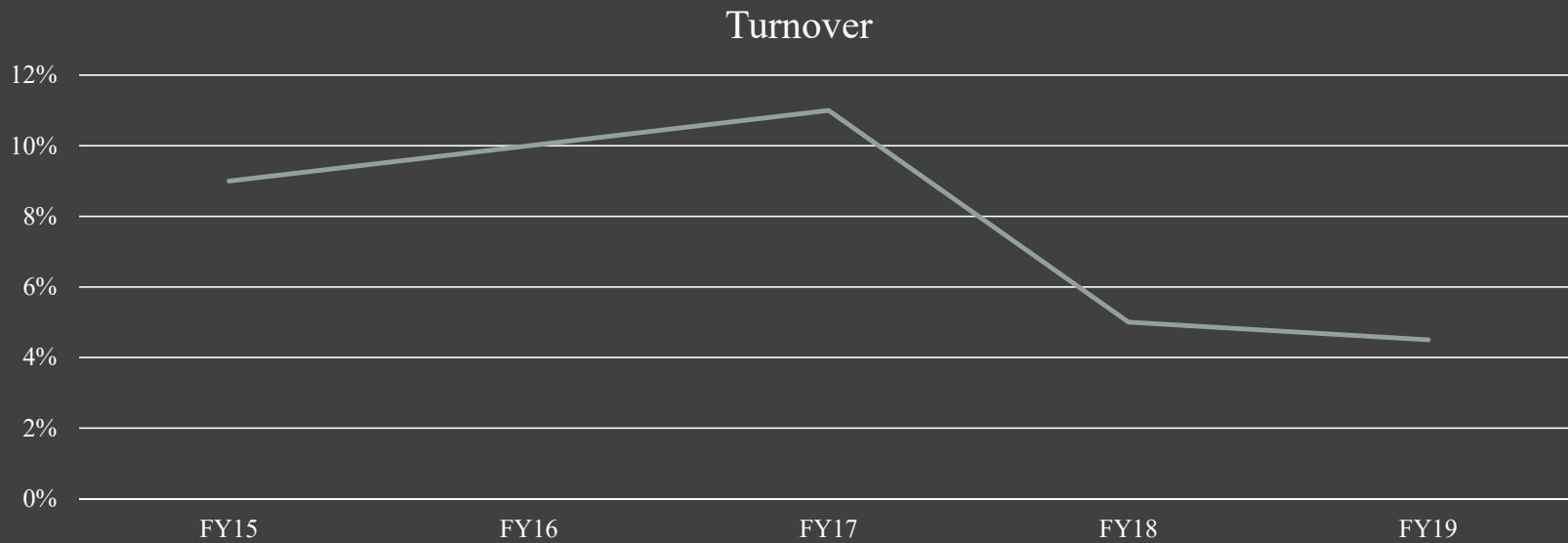
23 start-up companies affiliated with research centers have:

- Created 214 jobs in South Dakota
- Received 31 federal small business research (SBIR) awards, totaling \$8,129,759
- Raised in excess of \$23 million in private equity

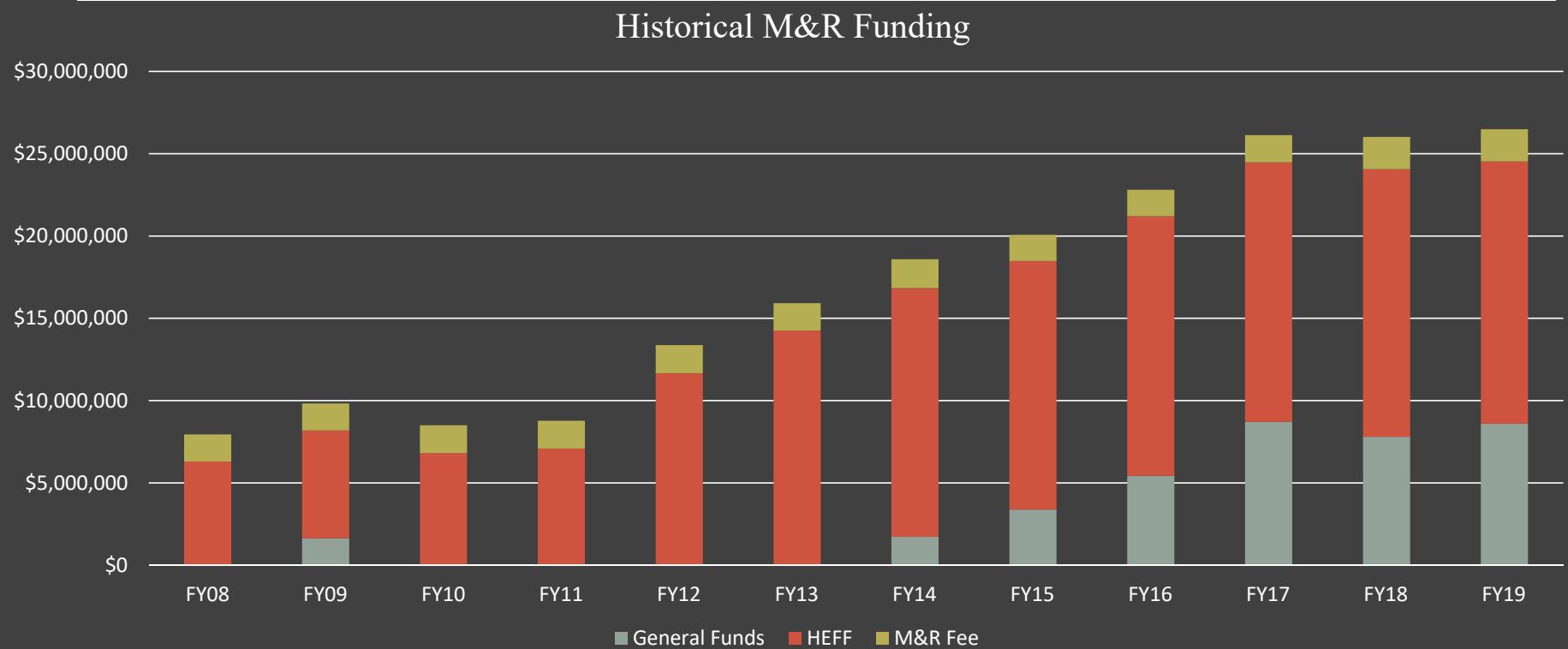


# The Challenge of Salary Competitiveness

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# Funding University Maintenance & Repair



# Funding University Maintenance & Repair: Revenue Facilities

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- Includes all student unions, wellness centers and residence facilities.
- Board of Regents requires revenues cover 2% of M&R investment.
- No commitment of state dollars on these projects.



# Summary of Items Discussed

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1. Changes to the current year budget (FY20)
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