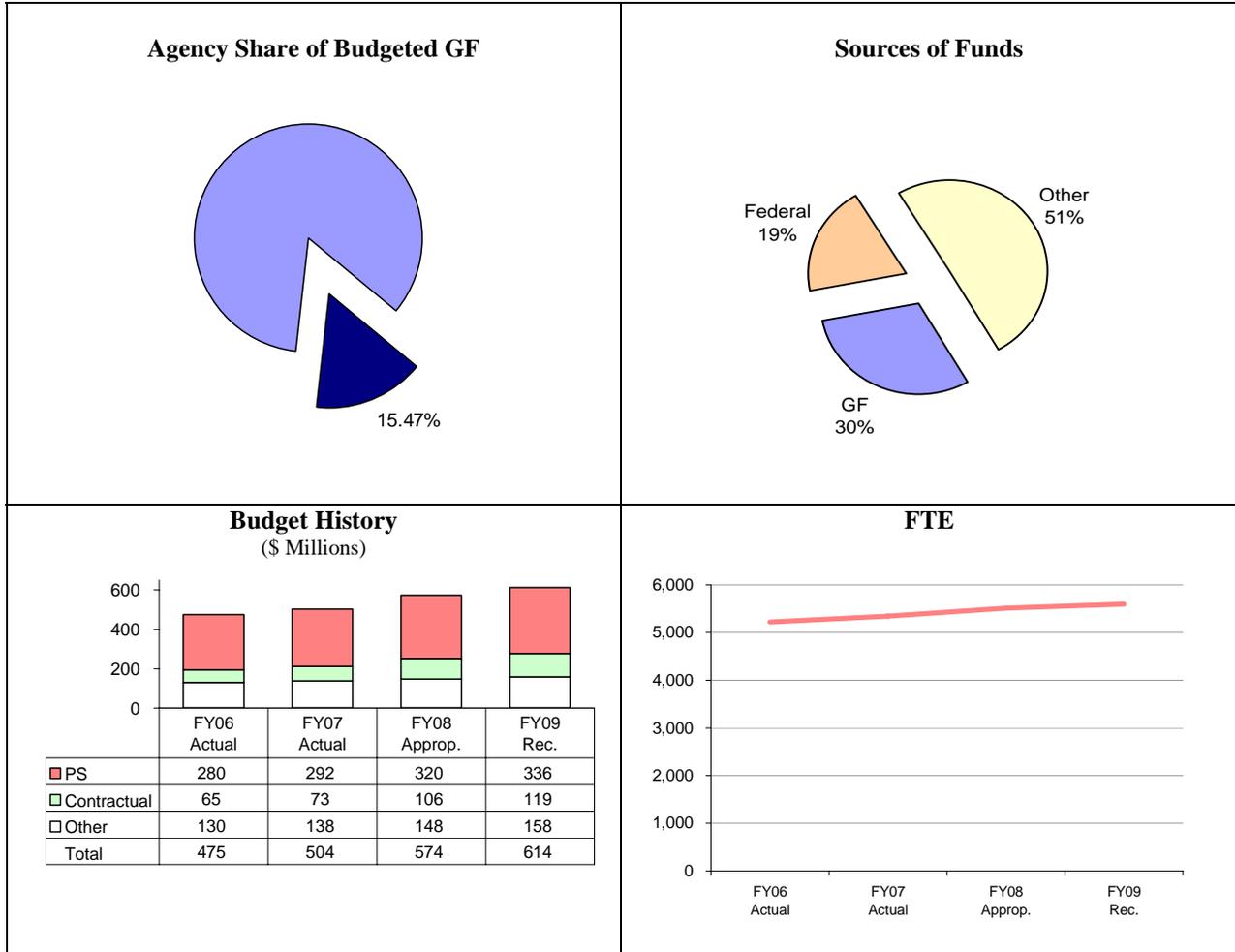


# FY2009 Budget Briefing

# Board of Regents



## Key Responsibilities

- To provide the opportunity for access to appropriate, high quality collegiate and university degree programs, and collegiate level para-professional education programs;
- To ensure that the provision of appropriate program offerings within the public system reflects primarily South Dakota's manpower and citizen needs and, secondarily, the needs of the region and nation;
- To provide appropriate technical and special services to the state's industries, businesses, and agencies consistent with the fields of academic specialization available in the public higher education system; and
- To ensure the provision of in-service educational opportunities for South Dakota citizens.

## Key Personnel

- Dr. Tad Perry, Executive Director
- Monte Kramer, System VP for Administrative Services
- Harvey Jewett, President, Board of Regents

## Department Total

The Board of Regent's budget is funded with general, federal, and other funds. For FY09, the Governor recommends an increase of \$11,329,923 from general funds, an increase of \$8,764,560 in federal fund expenditure authority, an increase of \$19,873,214 in other fund expenditure authority, and an increase of 83.5 FTEs.

Item	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	292,154,083	320,483,097	332,958,414	335,973,567	15,490,470	4.8%
Travel	12,578,500	12,674,867	13,296,240	13,289,296	614,429	4.8%
Contractual Services	73,404,793	105,549,455	126,854,199	119,436,045	13,886,590	13.2%
Supplies & Materials	42,084,359	46,368,232	50,268,300	50,086,857	3,718,625	8.0%
Grants And Subsidies	46,744,535	60,030,127	68,706,870	62,497,076	2,466,949	4.1%
Capital Outlay	35,743,030	28,445,596	48,718,680	32,236,230	3,790,634	13.3%
Other	1,141,004	0	0	0	-	0.0%
<b>Total</b>	<b>503,850,304</b>	<b>573,551,374</b>	<b>640,802,703</b>	<b>613,519,071</b>	<b>39,967,697</b>	<b>7.0%</b>
<b>Funding Types</b>						
General	163,940,343	174,429,288	220,216,036	185,759,211	11,329,923	6.5%
Federal	82,242,917	109,680,015	117,412,692	118,444,575	8,764,560	8.0%
Other	257,667,045	289,442,071	303,173,975	309,315,285	19,873,214	6.9%
<b>Total</b>	<b>503,850,305</b>	<b>573,551,374</b>	<b>640,802,703</b>	<b>613,519,071</b>	<b>39,967,697</b>	<b>7.0%</b>
FTE	5,334.5	5,507.5	5,624.0	5,591.0	83.5	1.5%

The Governor's recommendation throughout this analysis also includes funding for Performance and Compensation Equity (PACE) movement of 2.5% for those Career Service Act employees who are paid under the job-worth of their pay range, a 2.5% across-the-board increase for all permanent Career Service Act employees, and an increase in the employer paid portion of the state health insurance plan. The recommended amounts for each segment of the compensation package are as follows:

	General Funds	Federal Funds	Other Funds	Total
2.5% PACE Movement	261,701	29,471	207,691	498,863
2.5% Across-the-Board	3,672,674	880,967	3,173,549	7,727,190
Health Insurance	518,464	121,445	460,070	1,099,979
	4,452,839	1,031,883	3,841,310	9,326,032

## Major Expansion and Reduction

Budget Item	Agency Request			Governor's Recommendation		
	State General Fund	All Funds	FTE	State General Fund	All Funds	FTE
A. Operating Expense Inflation	1,957,439	1,957,439	-	-	-	-
B. Utility Funding Shortfall	2,455,478	2,455,478	-	-	-	-
C. HEFF Critical M&R Bonding	437,401	437,401	-	437,401	437,401	-
D. Tuition and Fee Salary	3,704,313	3,704,313	-	-	-	-
E. FY09 Utilities	1,148,921	1,148,921	-	302,104	302,104	-
F. ADRDL Bond Payment	2,394	2,394	-	2,394	2,394	-
G. NTRN - Annual Network Op. Support	1,800,000	1,800,000	1.0	731,487	731,487	-
H. NTRN - Campus Research Equipment	1,484,269	1,484,269	-	-	-	-
I. NTRN - Technical Support	310,717	310,717	4.0	155,359	155,359	2.0
J. MCE - Network and Equip Upgrades	737,113	737,113	-	-	-	-
K. MCE - Technical Support	1,309,040	1,309,040	25.5	1,309,040	1,309,040	25.5
L. Faculty Research Positions, GA, etc.	5,000,000	5,000,000	30.0	-	-	-
M. HEFF Match 2% Replacement Values	6,549,243	6,549,243	-	1,632,999	1,632,999	-
N. Science Facility and Lab Upgrade	5,174,934	5,174,934	-	2,306,300	4,606,300	-
O. Academic Building Property Insurance	357,144	357,144	-	-	-	-
P. HEFF Maintenance and Repair	-	251,894	-	-	251,894	-
Q. Federal and Other FTE Authority	-	19,667,219	56.0	-	19,667,219	56.0
R. HEFF Lease Payment Addition	-	1,545,468	-	-	1,545,468	-
S. One Time NTRN Campus Equipment	4,240,761	4,240,761	-	-	-	-
T. One Time MCE Equip Upgrades	5,407,787	5,407,787	-	-	-	-
U. One Time MCE Faculty Retraining	2,500,000	2,500,000	-	-	-	-
V. SD Opportunity Scholarship	1,209,794	1,209,794	-	-	-	-
W. Governor's Salary Policy	-	-	-	4,452,839	9,326,032	-
Total	45,786,748	67,251,329	116.5	11,329,923	39,967,697	83.5

- A.** The Regents request \$1,957,439 from the general fund to maintain the purchasing power at campuses for operating expenses. This calculated amount does not include utilities, but does recognize any appropriations made for maintenance. The funding is requested to keep pace with inflationary cost increases in travel, contractual services, supplies and materials, and capital assets. The Governor does not recommend this item.
- B.** Increased costs for utilities at all campuses have required them to use other budgets to cover the costs. The Regents are requesting \$2,455,478 in general funds to cover some of these costs and reestablish a base utility budget. The Governor does not recommend this item.
- C.** The Legislature approved an \$8.59M bond issue for critical maintenance and repair needs last legislative session. The first payment of \$265,740 was made from general funds. It was the intent of the Regents to reimburse the general fund with student fees. To accomplish this \$1.12 was added to the student fee. The Regents requested a change in that plan since there is a growing M&R backlog yet to be funded. The Governor is recommending the entire bond payment be made from the general fund in FY09. \$437,401 is needed in addition to the current 265,740 for FY09's payment.

- D. The Regents request \$3,704,313 in general funds to provide for across-the-board increases in salaries funded from tuition, fees, and other funds. Currently, when the Governor declares an across-the-board raise, tuition and fees must be raised to cover the increase. The Regents requested general funds to cover these types of raises. The Governor did not recommend the increase.
- E. The Governor recommends \$302,104 in general funds for increased utility costs in the non-revenue generating facilities located on the campuses. This increase is for FY09 utility increases only – it does not address the issue in Item B (eroded utility base budget).
- F. The Regents request and the Governor recommends an increase of \$2,394 in general funds for the Animal Disease Research and Diagnostic Laboratory bond payment.
- G. One portion of funding for the Northern Tier Research Network (NTRN) was requested by the Regents in the amount of \$1,800,000 and 2.0 FTEs for the annual network support. The system is a high speed research network that would connect the campuses to high speed national research and education networks. It is needed to support the Sanford Underground Science and Engineering Laboratory (SUSEL), and to provide university researchers access to other data and other researchers. The Governor recommended \$731,487 in general funds and no FTEs. This amount will be needed each year.
- H. The Regents requested \$1,484,269 in general funds for Northern Tier Research Network (NTRN) equipment and replacement equipment on each of the campuses. The Governor did not concur.
- I. The Regents requested \$310,717 in general funds for the technical support associated with the Northern Tier Research Network (NTRN). The request also included 4.0 FTEs to be located at the DSU campus in Madison. The Governor recommended \$155,359 which includes salary and operating funding and 2.0 FTEs.
- J. The request for Mobile Computing Environment (MCE) network and equipment upgrades in the amount of \$737,113 was an on-going cost associated with upgrading buildings and supporting the laptops computers and maintaining them. The Governor did not recommend this item.
- K. The Governor recommends the request for \$1,309,040 in general funds and 25.5 FTEs for the technical support required for the Mobile Computing Environment. This amount is based on 1.0 support FTE per 800 laptop computers. Each university will get a portion of this total amount.
- L. The Regents request \$5,000,000 in general funds and 30.0 FTEs for a performance based research pool which will help accomplish the Governor's 2010 Goal Three: Become a Recognized Leader in Research and Technology Development by 2010. The Governor did not recommend this request.
- M. The Regents request \$6,549,243 from general funds to provide matching funding for the HEFF maintenance and repair (M&R) allocation. By adding the two aforementioned funding sources, and M&R funding from student fees in the amount of \$928,545, the Regents would be able to use the industry standard of 2% of the replacement value for M&R. The Governor, however, recommends \$1,632,999, which is about 1.3% of the replacement value. The total set aside funding for M&R is \$9,110,787.

- N. The Governor recommends an upgrade to the science facilities and science laboratories used for research and teaching. The labs are needed to support the state's research initiative and provide contemporary space for teaching students. A \$74.5M/25 yr. bond will be issued to complete the projects. The Governor is recommending \$2,306,300 in general funds and \$2,300,000 in tuition and fees to pay for the bond.
- O. The Regents requested \$357,144 in general funds to purchase Building Property Insurance. The requested insurance was for individual academic buildings and would cover losses due to catastrophic events. The replacement value of academic buildings not carrying insurance coverage was calculated to be approximately \$568M system wide. The Governor did not approve this request.
- P. The Governor recommends \$251,894 for the maintenance and repair allocation to the institutions for FY09. The total funding for M&R from the Higher Education Facilities Fund (HEFF) would be \$6,549,243. The Regents have historically increased the M&R portion by 4% and have done so again this year. The funding is used for campus infrastructure, including capital improvements, renovations, and beautification. (*HEFF receives 20% of each tuition dollar. A HEFF cash flow analysis is included on page 33.*)
- Q. Growth in grant and contract activity, as well as student fee increases, self-support education growth, student scholarships, and services revenues, require additional expenditures in all of the expense categories. Travel increases are for various state, regional, and national meetings and seminars. Contractual services increases include duplicating services, office equipment service and maintenance, and computer maintenance and support. The supplies category increases are for general supplies, postage, and central duplicating services. Capital asset purchases include classroom computers, educational equipment, office equipment, and improvements to campus buildings and grounds.
- R. The Governor recommends the Board's request for an increase of \$1,545,468 in the HEFF spending authority for bond payments. The increase is needed after the recent bond for the SDSU Science Building and Shepard Hall Renovation, University Center Classroom Building, USD Business School, USD Renovation of Slagle Hall and the critical deferred maintenance projects.
- S. The Regents requested \$4,240,761 in general funds for a one-time purchase of routers, switches, computing clusters, security systems, etc. for the Northern Tier Research Network. The Governor did not recommend this funding.
- T. The Regents requested \$5,407,787 in one-time general funds to build the mobile computing environment and maintain it. This amount does not include any replacement costs for the current infrastructure. It also does not include technical support or faculty development costs – which are addressed separately. This item was not recommended by the Governor.
- U. One-time funding in the amount of \$2,500,000 from the general fund was requested by the Regents to provide faculty retraining for the MCE initiative. The faculty will need to integrate technology into all parts of their curriculum and will need training to accomplish this. The Governor did not recommend this funding.
- V. The first scholarship recipients from the South Dakota Opportunity Scholarship program received funding in the fall of 2004. The total amount of the scholarship is \$4,000 for each eligible student to be given over a four-year period of time. The Regents requested \$1,209,794 from the general fund to fully fund the program. The Governor, however,

recommends nothing from the general fund and no change to the FY09 budget. Instead, he recommends an increase of \$1,184,338 in Dakota Cement Trust Fund dollars be added to the scholarship section in the FY08 general bill. This action would fund the current recipients, but will not address the new recipients.

- W.** The Governor's recommended salary policy includes \$4,452,839 in general funds, \$1,031,883 in federal funds, and \$3,841,310 in other funds

## Board of Regents Central Office

The Governor recommends a total appropriation of \$50,651,761 and 87.4 FTEs for the Central Office for FY09. The recommended changes include \$5,513,005 increase from the general fund, no change in federal fund expenditure authority, and an increase of \$4,144,469 in other fund expenditure authority. These amounts are 60.4%, 0.0%, and 13.4% more than the FY08 amounts, respectively.

Item	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	4,486,935	5,328,507	7,705,037	5,475,934	147,427	2.8%
Travel	443,386	373,318	377,106	373,318	-	0.0%
Contractual Services	13,932,891	23,490,006	32,601,827	31,367,054	7,877,048	33.5%
Supplies & Materials	181,786	257,350	259,550	257,350	-	0.0%
Grants And Subsidies	1,211,122	6,417,318	11,417,318	6,417,318	-	0.0%
Capital Outlay	5,903,256	5,127,788	12,435,831	6,760,787	1,632,999	31.8%
Other	2,074	0	0	0	-	0.0%
<b>Total</b>	<b>26,161,450</b>	<b>40,994,287</b>	<b>64,796,669</b>	<b>50,651,761</b>	<b>9,657,474</b>	<b>23.6%</b>
<b>Funding Types</b>						
General	8,016,674	9,123,777	31,128,797	14,636,782	5,513,005	60.4%
Federal	912,620	1,033,577	1,033,577	1,033,577	-	0.0%
Other	16,232,156	30,836,933	32,634,295	34,981,402	4,144,469	13.4%
<b>Total</b>	<b>25,161,450</b>	<b>40,994,287</b>	<b>64,796,669</b>	<b>50,651,761</b>	<b>9,657,474</b>	<b>23.6%</b>
FTE	64.7	87.4	118.4	87.4	-	0.0%

### Budget Notes

- A. Funding for the Northern Tier Research Network (NTNC) initiative was requested by the Regents in the amount of \$1,800,000 and 2.0 FTEs for the annual network support. The network is needed to support the Sanford Underground Science and Engineering Laboratory (SUSEL), and to provide university researchers access to research and education networks. The Governor recommended \$731,487 in general funds and no FTEs. This amount will be needed each year.
- B. The Governor recommends \$251,894 for the maintenance and repair allocation to the institutions for FY09. The total funding for M&R from the Higher Education Facilities Fund (HEFF) would be \$6,549,243. The Regents have historically increased the M&R portion by 4% and have done so again this year. The funding is used for campus infrastructure, including capital improvements, renovations, and beautification. (HEFF receives 20% of each tuition dollar. A HEFF cash flow analysis is included on page 33.)
- C. The Regents request \$6,549,243 from general funds to provide matching funding for the HEFF maintenance and repair (M&R) allocation. By adding the two aforementioned funding sources, and M&R funding from student fees in the amount of \$928,545, the Regents would be able to use the industry standard of 2% of the replacement value for M&R. The Governor, however, recommends \$1,632,999, which is about 1.3% of the replacement value. The total set aside funding for M&R is \$9,110,787.

- D.** The Regents request and the Governor recommends an increase of \$2,394 in general funds for the Animal Disease Research and Diagnostic Laboratory bond payment.
- E.** The Governor recommends the Regents' request for an increase of \$1,545,468 in the HEFF spending authority for bond payments. The increase is needed after the recent bond for the SDSU Science Building and Shepard Hall Renovation, University Center Classroom Building, USD Business School, USD Renovation of Slagle Hall and the critical deferred maintenance projects. The lease payment for this bond is \$2,908,099 in FY09.
- F.** The Legislature approved an \$8.59M bond issue for critical maintenance and repair needs last legislative session. The first payment of \$265,740 was made from general funds. It was the intent of the Regents to reimburse the general fund with student fees. To accomplish this \$1.12 was added to the student fees. The Regents requested that plan change since there is a growing M&R backlog yet to be funded. The Governor is recommending the entire bond payment be made from the general fund in FY09. \$437,401 is needed in addition to the current \$265,740 for the FY09 payment.
- G.** The Governor recommends an upgrade to the science facilities and science laboratories used for research and teaching. The labs are needed to support the state's research initiative and provide contemporary space for teaching students. A \$74.5M/25 yr. bond will be issued to complete the projects. The Governor is recommending \$2,306,300 in general funds and \$2,300,000 in tuition and fees to pay for the bond.
- H.** The Governor recommends \$302,104 in general funds for utilities in the non-revenue generating facilities located on the campuses.
- I.** The salary policy for the central office (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$100,320 in general funds and \$47,107 in other fund expenditure authority.

## University of South Dakota

Dr. James W. Abbott, President

The mission of the University of South Dakota is to provide undergraduate and graduate programs, as the comprehensive university within the South Dakota system of higher education, in the liberal arts, sciences, business, education, fine arts, law, and medicine; to promote excellence in teaching and learning; to support research, scholarly and creative activities; and to provide service to the state of South Dakota and the region.

The Governor recommends a total appropriation of \$112,336,447 and 1,186.9 FTEs for FY09. The recommended changes include \$1,178,158 increase from the general fund, \$115,356 increase in federal fund expenditure authority, and \$5,743,691 increase in other fund expenditure authority. These amounts are 3.6%, 0.7%, and 10.2% more than the FY08 amounts, respectively. The FTE level is recommended to increase by 20.0 which is 1.7%.

<b>Item</b>	<b>Actual FY07</b>	<b>Budgeted FY08</b>	<b>Agency Req. FY09</b>	<b>Gov Rec. FY09</b>	<b>Inc/Dec FY09</b>	<b>% Change From FY08</b>
Personal Services	60,926,128	66,059,851	69,000,912	69,864,906	3,805,055	5.8%
Travel	2,288,118	2,286,399	2,365,111	2,361,954	75,555	3.3%
Contractual Services	11,480,545	17,414,801	19,934,551	18,532,543	1,117,742	6.4%
Supplies & Materials	6,629,094	5,643,818	5,776,872	5,776,372	132,554	2.3%
Grants And Subsidies	11,454,608	11,389,247	12,894,361	12,894,361	1,505,114	13.2%
Capital Outlay	5,303,788	2,505,126	6,557,105	2,906,311	401,185	16.0%
Other	55,140	0	0	0	-	0.0%
<b>Total</b>	<b>98,137,421</b>	<b>105,299,242</b>	<b>116,528,912</b>	<b>112,336,447</b>	<b>7,037,205</b>	<b>6.7%</b>
<b>Funding Types</b>						
General	30,977,099	33,015,035	39,389,200	34,193,193	1,178,158	3.6%
Federal	11,373,317	16,183,913	16,183,913	16,299,269	115,356	0.7%
Other	55,787,006	56,100,294	60,955,799	61,843,985	5,743,691	10.2%
<b>Total</b>	<b>98,137,422</b>	<b>105,299,242</b>	<b>116,528,912</b>	<b>112,336,447</b>	<b>7,037,205</b>	<b>6.7%</b>
FTE	1,122.8	1,166.9	1,188.9	1,186.9	20.0	1.7%

## Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	29,771,221	30,970,676	1,199,455	31,534,924	33,015,035	1,480,111	34,005,486
State Grants and Contracts	214,603	1,380,514	1,165,911	1,795,297	600,000	(1,195,297)	618,000
State Financial Aid	0	453,000	453,000	453,500	453,500	0	453,500
Federal Grants and Contracts	9,622,142	6,246,490	(3,375,652)	8,302,167	9,931,065	1,628,898	9,931,065
Federal Financial Aid	7,021,998	5,757,128	(1,264,870)	8,213,647	6,252,848	(1,960,799)	6,252,848
State Support Tuition Allocation	11,036,428	11,625,529	589,101	12,104,002	12,169,267	65,265	12,534,345
Self-Support Tuition	4,990,960	6,473,238	1,482,278	5,070,378	6,243,525	1,173,147	7,083,525
Student Fees	13,811,574	16,012,726	2,201,152	18,504,568	16,486,430	(2,018,138)	18,194,222
Room and Board	7,784,586	7,888,267	103,681	6,805,868	6,918,198	112,330	7,425,911
HEFF - Plant O&M	87,983	87,983	0	87,983	87,983	0	87,983
School and Public Lands	166,974	216,550	49,576	166,000	236,041	70,041	236,041
Other Grants Contracts	2,007,951	4,010,605	2,002,654	2,142,628	1,730,154	(412,474)	2,030,154
Indirect Cost Recovery	2,797,600	2,545,243	(252,357)	3,120,728	2,575,459	(545,269)	2,652,723
Other Financial Aid	3,602,101	4,272,357	670,256	4,811,011	5,213,712	402,701	6,713,712
Sales Services of Aux Ent	945,344	432,316	(513,028)	1,605,115	712,000	(893,115)	712,000
Other Sales and Services	5,525,506	4,764,818	(760,688)	4,798,304	3,129,935	(1,668,369)	3,129,935
Transfer Funds to P & L	(3,472,100)	(1,130,720)	2,341,380	(1,041,509)	(1,164,642)	(123,133)	(1,199,581)
Plant Funds	5,788,492	7,992,883	2,204,391	6,347,573	8,232,618	1,885,045	8,479,596
Loan Funds	2,686,602	2,245,457	(441,145)	4,376,498	2,312,821	(2,063,677)	2,382,206
<b>Total</b>	<b>104,389,965</b>	<b>112,245,060</b>	<b>7,855,095</b>	<b>119,198,682</b>	<b>115,135,949</b>	<b>(4,062,733)</b>	<b>121,723,671</b>

Federal financial aid includes all forms of financial aid, except student loans.

## Budget Notes

- A. The Governor recommends the request for \$1,309,040 in general funds and 25.5 FTEs for the technical support required for the mobile computing environment. USD's portion of the total amount is \$308,010 and 6.0 FTEs.
- B. The University requests spending authority for other funds in the amount of \$ 4,855,505 and 14.0 FTEs. The increased funding comes from student fees (salary competitiveness fees allocated to USD, new Business School special discipline fee; rate increase and additional enrollments; rate increase on the law school special discipline fee; University Support Fee, Delivery Fee, etc); room and board; other grants and contracts; self-support tuition; etc. The Governor recommends the request.
- C. The salary policy for USD (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$870,148 in general funds, \$115,356 in federal fund expenditure authority, and \$888,186 in other fund expenditure authority.

## USD School of Medicine

Dr. Rodney R. Parry MD, Dean

The mission of the USD School of Medicine is to provide those educational requirements (undergraduate medical education, graduate medical education, graduate basic science education, and continuing medical education) necessary for full accreditation status of the University of South Dakota School of Medicine; to meet the state mandate of a family-practice orientation; to provide more physicians, predominately family physicians, for South Dakota; to provide those research activities that contribute to full accreditation status of the University of South Dakota School of Medicine, but also to provide, through research, service to the citizens of South Dakota specifically in the area of health care delivery; to provide service components that contribute to full accreditation status of the South Dakota School of Medicine as well as service to University of South Dakota (student health services, undergraduate nonmedical education), and to the citizens of South Dakota in improved access to and quality of health care delivery and community services; and to provide administrative support for the other three offices of teaching, research, and service so that each may achieve its objectives, such support to include monitoring and supervising those activities necessary to maintain appropriate accreditation, licensure, and certification of all medical school programs.

The Governor recommends a total appropriation of \$51,086,284 and 400.2 FTEs for FY09. The recommended changes include \$475,973 increase from the general fund, \$147,249 increase in federal fund expenditure authority, and \$569,057 increase in other fund expenditure authority. These amounts are 2.7%, 0.9%, and 3.7% more than the FY08 amounts, respectively.

<b>Item</b>	<b>Actual FY07</b>	<b>Budgeted FY08</b>	<b>Agency Req. FY09</b>	<b>Gov Rec. FY09</b>	<b>Inc/Dec FY09</b>	<b>% Change From FY08</b>
Personal Services	25,546,707	29,136,019	29,475,825	30,004,025	868,006	3.0%
Travel	793,461	1,182,049	1,182,049	1,182,049	-	0.0%
Contractual Services	9,640,951	11,680,586	12,451,671	12,004,859	324,273	2.8%
Supplies & Materials	3,087,638	2,672,622	2,672,622	2,672,622	-	0.0%
Grants And Subsidies	1,268,512	3,563,262	3,563,262	3,563,262	-	0.0%
Capital Outlay	2,342,895	1,659,467	1,902,388	1,659,467	-	0.0%
Other	19183	0	0	0	-	0.0%
<b>Total</b>	<b>42,699,347</b>	<b>49,894,005</b>	<b>51,247,817</b>	<b>51,086,284</b>	<b>1,192,279</b>	<b>2.4%</b>
<b>Funding Types</b>						
General	17,180,603	17,853,153	18,893,834	18,329,126	475,973	2.7%
Federal	13,747,470	16,850,469	16,850,469	16,997,718	147,249	0.9%
Other	11,771,273	15,190,383	15,503,514	15,759,440	569,057	3.7%
<b>Total</b>	<b>42,699,346</b>	<b>49,894,005</b>	<b>51,247,817</b>	<b>51,086,284</b>	<b>1,192,279</b>	<b>2.4%</b>
FTE	394.6	400.2	400.2	400.2	-	0.0%

### Budget Notes

- A. The Medical School requests spending authority for other funds in the amount of \$249,974. The increased funding comes from student fees. The Governor recommends the request.

- B.** The salary policy for the Medical School (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$475,973 in general funds, \$147,249 in federal fund expenditure authority, and \$319,083 in other fund expenditure authority.

**Revenues**

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	16,543,006	17,571,220	1,028,214	17,197,850	17,724,725	526,875	18,256,467
One-Time State Appropriations	248,079	1,800,000	1,551,921	2,704,925		(2,704,925)	
State Grants and Contracts	0	1,675,930	1,675,930	0	1,078,000		1,110,340
Federal Grants and Contracts	16,644,481	16,298,261	(346,220)	16,664,004	16,699,231	35,227	17,200,208
Federal Financial Aid	350,200	150,154	(200,046)	0	155,788	155,788	160,462
State Support Tuition Allocation	3,757,626	3,897,382	139,756	4,014,303	4,383,738	369,435	4,515,250
Self-Support Tuition	95,000	175,198	80,198	128,750	178,540	49,790	183,896
Student Fees	1,627,501	1,518,257	(109,244)	1,823,212	930,762	(892,450)	1,001,762
Other Grants and Contracts	2,084,015	1,056,949	(1,027,066)	1,260,553	1,851,554	591,001	1,907,101
Indirect Cost Recovery	1,262,560	849,201	(413,359)	1,262,316	956,201	(306,115)	984,887
Other Sales and Services	2,580,468	1,817,694	(762,774)	2,429,034	6,040,940	3,611,906	6,222,168
Loan Funds	0	835,997	835,997	0	435,000	435,000	435,000
Total	45,192,936	47,646,243	2,453,307	47,484,947	50,434,479	1,871,532	51,977,541

## South Dakota State University

Dr. David Chicoine, President

The mission of the South Dakota State University is to serve through teaching, research, and extension activities as the state's land-grant institution; to provide undergraduate and graduate education from the freshmen to doctoral level through selected high quality academic, professional, extracurricular and recreational programs; to conduct nationally competitive strategic research, scholarly, and creative activities; and to transfer the knowledge, especially to the citizens of South Dakota, through the Cooperative Extension Service and other entities.

The Governor recommends a total appropriation of \$176,099,241 and 1,711.8 FTEs for FY09. The recommended changes include \$1,710,652 increase from the general fund, \$6,348,753 increase in federal fund expenditure authority, and \$5,060,616 increase in other fund expenditure authority. These amounts are 3.8%, 30.1%, and 5.2% more than the FY08 amounts, respectively. The FTE level is recommended to increase by 56.0, which is 3.4%.

Item	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	86,697,514	94,148,542	98,660,309	100,003,145	5,854,603	6.2%
Travel	4,697,476	3,162,856	3,614,434	3,612,856	450,000	14.2%
Contractual Services	17,528,812	22,180,713	25,789,913	23,587,671	1,406,958	6.3%
Supplies & Materials	17,597,177	16,368,615	19,943,865	19,943,615	3,575,000	21.8%
Grants And Subsidies	15,540,419	18,010,323	18,703,783	18,703,783	693,460	3.9%
Capital Outlay	10,506,588	9,108,171	13,347,752	10,248,171	1,140,000	12.5%
Other	7,319	0	0	0	-	0.0%
<b>Total</b>	<b>152,575,305</b>	<b>162,979,220</b>	<b>180,060,056</b>	<b>176,099,241</b>	<b>13,120,021</b>	<b>8.1%</b>
<b>Funding Types</b>						
General	42,419,550	44,731,931	51,979,307	46,442,583	1,710,652	3.8%
Federal	17,925,379	21,096,179	27,254,639	27,444,932	6,348,753	30.1%
Other	92,230,379	97,151,110	100,826,110	102,211,726	5,060,616	5.2%
<b>Total</b>	<b>152,575,308</b>	<b>162,979,220</b>	<b>180,060,056</b>	<b>176,099,241</b>	<b>13,120,021</b>	<b>8.1%</b>
FTE	1,643.7	1,655.8	1,712.8	1,711.8	56.0	3.4%

### Budget Notes

- A. The Governor recommends the University's request for \$513,348 in general funds and 10.0 FTEs for the technical support required for the mobile computing environment.
- B. The University requests additional spending authority in the amount of \$6,158,460 in federal fund authority, \$3,675,000 in other fund authority, and 46.0 FTEs. The increased federal funding comes from the Sun Grant award from the Department of Energy; the Department of Transportation grant; the Federal Aeronautics Administration grant; and the increase in student Federal Financial Aid. The increase in other funding comes from student fees, special discipline fees, technology fees, lab fees, room and board, bookstore sales, self-support tuition, and sales and services by various service centers on campus. The Governor recommends the request.

- C. The salary policy for the University (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$1,197,304 in general funds, \$190,293 in federal fund expenditure authority, and \$1,385,616 in other fund expenditure authority.

## Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	40,550,152	42,274,633	1,724,481	42,926,504	44,731,931	1,805,427	44,731,931
State Grants	300,000	849,971	549,971	1,070,000	1,070,000	0	1,102,000
State Financial Aid		861,000	861,000	1,763,167	1,351,000	(412,167)	1,414,000
Federal Grants and Contracts	11,900,000	10,829,803	(1,070,197)	13,366,195	14,869,680	1,503,485	20,778,140
Federal Financial Aid	7,970,000	8,194,562	224,562	7,567,000	8,976,499	1,409,499	9,246,000
State Support Tuition Allocation	17,306,472	18,630,748	1,324,276	19,320,660	20,622,378	1,301,718	20,622,378
Self-Support Tuition	5,219,000	5,181,187	(37,813)	5,015,476	5,595,750	580,274	6,000,000
Student Fees	21,200,000	21,028,524	(171,476)	25,009,200	23,419,127	(1,590,073)	25,469,127
Room and Board	14,492,000	14,478,298	(13,702)	13,766,562	14,912,650	1,146,088	15,509,150
HEFF--Physical Plant O&M	131,975	131,975	0	131,975	131,975	0	131,975
School and Public Lands	548,451	548,451	0	548,451	548,451	0	548,451
Other Grants and Contracts	3,011,000	1,026,635	(1,984,365)	2,099,563	1,500,000	(599,563)	1,600,000
Indirect Cost Recovery	2,070,000	2,570,001	500,001	1,553,442	2,750,000	1,196,558	2,850,000
Other Financial Aid	3,724,000	2,779,539	(944,461)	1,533,367	3,750,000	2,216,633	3,860,000
Sales / Services of Aux Enterprises	8,485,000	7,838,901	(646,099)	8,173,362	8,300,000	126,638	8,950,000
Other Sales and Services	13,083,000	15,808,995	2,725,995	17,267,517	17,267,517	0	17,500,000
Endo/Ecto Parasiticide Tax	250,000	164,975	(85,025)	222,000	222,000	0	222,000
Transfer Funds to P & L	(5,000,000)	(5,596,764)	(596,764)	(7,298,052)	(7,298,052)	0	(7,500,000)
Plant Funds	7,500,000	7,063,753	(436,247)	9,962,405	9,962,405	0	10,500,000
Loan Funds	3,400,000	2,787,053	(612,947)	3,597,046	3,597,046	0	3,750,000
Total	156,141,050	157,452,240	1,311,190	167,595,840	176,280,357	8,684,517	187,285,152

Federal financial aid includes all forms of financial aid, except student loans.

## Cooperative Extension Service

Dr. Gregg Carlson, Interim Director

The mission of the Cooperative Extension Service is to disseminate and encourage the application of research-generated knowledge and leadership techniques to individuals, families, and communities in order to improve agriculture and strengthen the South Dakota family and community.

The total recommended budget for this program includes increases of \$248,927 from the general fund, \$130,504 in federal fund expenditure authority, and \$17,992 in other fund expenditure authority. The University's request and the Governor's recommendation are identical with the exception of the recommended salary policy.

Item	Actual	Budgeted	Agency Req.	Gov Rec.	Inc/Dec	% Change
	FY07	FY08	FY09	FY09	FY09	From FY08
Personal Services	11,384,751	12,989,373	13,005,250	13,386,796	397,423	3.1%
Travel	466,747	564,275	564,275	564,275	-	0.0%
Contractual Services	825,692	510,999	600,728	510,999	-	0.0%
Supplies & Materials	579,031	845,410	845,410	845,410	-	0.0%
Grants And Subsidies	318,843	366,000	366,000	366,000	-	0.0%
Capital Outlay	469,092	636,682	636,682	636,682	-	0.0%
Other	6,696	0	0	0	-	0.0%
<b>Total</b>	<b>14,050,852</b>	<b>15,912,739</b>	<b>16,018,345</b>	<b>16,310,162</b>	<b>397,423</b>	<b>2.5%</b>
<b>Funding Types</b>						
General	7,915,601	8,224,222	8,329,828	8,473,149	248,927	3.0%
Federal	4,755,762	6,304,664	6,304,664	6,435,168	130,504	2.1%
Other	1,379,490	1,383,853	1,383,853	1,401,845	17,992	1.3%
<b>Total</b>	<b>14,050,853</b>	<b>15,912,739</b>	<b>16,018,345</b>	<b>16,310,162</b>	<b>397,423</b>	<b>2.5%</b>
FTE	198.3	224.3	224.3	224.3	-	0.0%

### Budget Notes

- A. The salary policy for the CES (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$248,927 in general funds, \$130,504 in federal fund expenditure authority, and \$17,992 in other fund expenditure authority.

### Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	7,632,653	7,895,831	263,178	7,926,704	8,224,222	297,518	8,224,222
State Grants and Contracts	13,250	115,338	102,088	52,000	120,000	68,000	130,000
Federal Grants and Contracts	1,500,000	733,270	(766,730)	1,238,408	847,191	(391,217)	872,915
Federal Appropriations	4,500,000	2,384,871	(2,115,129)	5,090,977	5,457,473	366,496	5,500,000
Other Grants and Contracts	975,000	839,598	(135,402)	850,000	850,000	0	875,500
Indirect Cost Recovery	72,000	29,884	(42,116)	72,000	72,000	0	79,000
Other Sales and Services	295,000	175,975	(119,025)	413,414	413,414	0	425,000
Pesticide Application Tax	125,000	77,844	(47,156)	122,000	122,000	0	75,000
<b>Total</b>	<b>15,112,903</b>	<b>12,252,611</b>	<b>(2,860,292)</b>	<b>15,765,503</b>	<b>16,106,300</b>	<b>340,797</b>	<b>16,181,637</b>

## **Background and Historical Perspective**

Source: *The Extension Vision for the 21<sup>st</sup> Century*

**1862** -- Morrill Act established the land-grant system and gave the colleges the mandate to teach.

**1887** -- Hatch Act established the agricultural research mission for land-grant colleges.

**1914** -- Smith-Lever Act established the extension mission for land-grant colleges.

**1915** -- The South Dakota Legislature created the South Dakota Cooperative Extension Service (CES). The CES is a jointly funded cooperative program of the United States Department of Agriculture, SDSU (State of South Dakota), and local governments.

**1998** -- In response to changing needs and issues and at the direction of the 1998 South Dakota Legislature, SDSU undertook an intensive examination of its present CES program and began a planning effort to determine its future in the 21st century. Discussions were held with leaders from other states that had completed a review of their CES programs. Their findings and models were considered along with extensive data related to the needs of the people of South Dakota and with federal goals and guidelines.

## Agricultural Experiment Station

Dr. John D. Kirby, Associate Dean and AES Director

The mission of the Agricultural Experiment Station is to conduct research to enhance the quality of life in South Dakota through the beneficial use and development of human, economic, and natural resources.

The total recommended budget for this program includes increases of \$304,143 from the general fund, \$937,852 in federal fund expenditure authority, and \$657,795 in other fund expenditure authority. There is no change to the FTE level.

Item	Actual FY07	Budgeted 18,394,274	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	16,595,124	18,394,274	18,916,001	19,369,064	974,790	5.3%
Travel	1,069,333	1,102,983	1,152,983	1,152,983	50,000	4.5%
Contractual Services	2,037,096	1,511,111	1,894,539	1,736,111	225,000	14.9%
Supplies & Materials	3,121,180	3,640,476	4,015,476	4,015,476	375,000	10.3%
Grants And Subsidies	1,337,453	1,803,913	1,803,913	1,803,913	-	0.0%
Capital Outlay	2,517,285	2,057,650	2,332,650	2,332,650	275,000	13.4%
Other	36,183	0	0	0	-	0.0%
<b>Total</b>	<b>26,713,654</b>	<b>28,510,407</b>	<b>30,115,562</b>	<b>30,410,197</b>	<b>1,899,790</b>	<b>6.7%</b>
<b>Funding Types</b>						
General	10,007,326	10,402,380	10,657,535	10,706,523	304,143	2.9%
Federal	9,031,547	9,467,877	10,267,877	10,405,729	937,852	9.9%
Other	7,674,782	8,640,150	9,190,150	9,297,945	657,795	7.6%
<b>Total</b>	<b>26,713,655</b>	<b>28,510,407</b>	<b>30,115,562</b>	<b>30,410,197</b>	<b>1,899,790</b>	<b>6.7%</b>
FTE	352.8	364.4	364.4	364.4	-	0.0%

### Budget Notes

- A.** The AES requests additional spending authority in the amount of \$800,000 in federal fund authority and \$550,000 in other fund authority. The increased federal funding comes from an Environmental Protection Agency grant, a US Department of Ag grant, and other increased federal appropriations. The increase in other funding comes from a Novartis grant, Ducks Unlimited grant, Alpharma grant, Elanco Animal Health grant, Battelte grant, WellGen grant, Cargill Animal Nutrition grant, Charbroil grant, and Verasun Energy Corporation grant. The Governor recommends the request..
- B.** The salary policy for the AES (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$304,143 in general funds, \$137,852 in federal fund expenditure authority, and \$107,795 in other fund expenditure authority.

## Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	9,651,226	9,977,554	326,328	10,019,217	10,402,380	383,163	10,402,380
State Grants and Contracts	200,000	1,038,336	838,336	975,000	975,000	0	975,000
Federal Grants and Contracts	6,500,000	6,049,041	(450,959)	6,357,461	6,200,000	(157,461)	6,500,000
Federal Appropriations	2,900,000	1,805,912	(1,094,088)	3,220,569	3,596,797	376,228	3,700,000
School and Public Lands	77,745	77,745	0	77,745	77,745	0	77,745
Other Grants and Contracts	2,700,000	2,408,618	(291,382)	2,624,692	2,624,692	0	2,750,000
Indirect Cost Recovery	700,000	388,489	(311,511)	743,632	743,632	0	750,000
Other Sales and Services	4,650,000	4,357,974	(292,026)	5,200,029	5,200,029	0	5,350,000
Pesticide Application Tax	190,000	119,206	(70,794)	184,370	184,370	0	120,000
Transfer Funds to P & L	(165,000)	0	165,000	(207,000)	(200,000)	7,000	(200,000)
Plant Funds	165,000	0	(165,000)	207,000	200,000	(7,000)	200,000
Total	27,568,971	26,222,875	(1,346,096)	29,402,715	30,004,645	601,930	30,625,125

## South Dakota School of Mines and Technology

Dr. Charles Ruch, President (will retire June 30, 2008)

The mission of the South Dakota School of Mines and Technology is to provide technological education specializing in undergraduate and graduate education, with emphasis on science and engineering; and to authorize degrees at the baccalaureate, masters, and doctoral levels.

The Governor recommends a total appropriation of \$52,307,607 and 432.6 FTEs for FY09. The recommended changes include \$493,634 increase from the general fund, \$699,014 increase in federal fund expenditure authority, and \$1,295,725 increase in other fund expenditure authority. These amounts are 3.4%, 4.9%, and 6.2% more than the FY08 amounts, respectively. The FTE level is recommended to increase by .5%.

Item	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	24,713,412	26,768,962	27,198,284	27,645,455	876,493	3.3%
Travel	942,507	997,594	999,172	997,594	-	0.0%
Contractual Services	7,906,399	10,614,065	13,093,418	12,225,945	1,611,880	15.2%
Supplies & Materials	2,465,493	3,296,852	3,297,102	3,296,852	-	0.0%
Grants And Subsidies	3,294,489	3,620,790	3,620,790	3,620,790	-	0.0%
Capital Outlay	5,052,373	4,520,971	5,712,008	4,520,971	-	0.0%
Other	300,249	0	0	0	-	0.0%
<b>Total</b>	<b>44,674,922</b>	<b>49,819,234</b>	<b>53,920,774</b>	<b>52,307,607</b>	<b>2,488,373</b>	<b>5.0%</b>
<b>Funding Types</b>						
General	13,232,576	14,548,444	17,038,496	15,042,078	493,634	3.4%
Federal	10,894,563	14,335,783	14,910,000	15,034,797	699,014	4.9%
Other	20,547,782	20,935,007	21,972,278	22,230,732	1,295,725	6.2%
<b>Total</b>	<b>44,674,921</b>	<b>49,819,234</b>	<b>53,920,774</b>	<b>52,307,607</b>	<b>2,488,373</b>	<b>5.0%</b>
FTE	421.9	430.6	433.6	432.6	2.0	0.5%

### **Budget Notes**

- A.** The Governor recommends the University's request for \$102,670 in general funds and 2.0 FTEs for the technical support required for the mobile computing environment.
- B.** The University requests additional spending authority in the amount of \$574,217 in federal fund authority and \$1,037,271 in other fund authority. The increased federal funding comes from anticipated federal grants due to increased activities in research areas and federal student financial aid. The increase in other funding comes from student fees, room and board, increased student enrollments. The Governor recommends the request.
- C.** The salary policy for the University (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$390,964 in general funds, \$124,797 in federal fund expenditure authority, and \$258,454 in other fund expenditure authority.

## Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	12,477,628	13,232,576	754,948	14,160,867	14,564,768	403,901	15,001,711
State Grants and Contracts	936,000	1,046,956	110,956	1,215,306	1,050,000	(165,306)	1,102,500
State Financial Aid	186,000	157,000	(29,000)	247,297	200,000	(47,297)	210,000
Federal Grants and Contracts	11,060,136	7,010,311	(4,049,825)	12,100,000	12,935,783	835,783	13,450,000
Federal Financial Aid	1,764,362	1,379,028	(385,334)	2,000,000	1,400,000	(600,000)	1,460,000
State Support Tuition Allocation	5,378,444	6,172,650	794,206	6,353,870	6,134,607	(219,263)	6,320,000
Self-Support Tuition	220,000	186,715	(33,285)	222,317	213,158	(9,159)	220,000
Student Fees	3,816,424	4,061,904	245,480	5,041,451	3,865,144	(1,176,307)	4,310,000
Room and Board	2,086,714	2,295,068	208,354	2,300,482	2,376,743	76,261	2,450,000
HEFF--Physical Plant O&M	34,093	34,093	0	34,093	34,093	0	34,093
School and Public Lands	133,022	133,022	0	133,022	133,022	0	133,022
Other Grants and Contracts	720,000	810,970	90,970	750,000	860,000	110,000	910,000
Indirect Cost Recovery	1,457,570	2,037,862	580,292	1,725,000	2,160,000	435,000	2,290,000
Other Financial Aid	1,180,000	1,583,717	403,717	1,500,000	1,595,000	95,000	1,600,000
Sales and Services of Aux Ent	1,800,000	1,848,886	48,886	1,900,000	1,849,500	(50,500)	1,960,000
Other Sales and Services	1,500,000	988,023	(511,977)	1,200,000	1,118,577	(81,423)	1,150,000
Transfer Funds to P & L	(525,000)	(658,983)	(133,983)	(650,000)	(650,000)	0	(650,000)
Plant Funds	1,764,136	957,474	(806,662)	2,800,000	239,493	(2,560,507)	250,000
Loan Funds	460,000	49,308	(410,692)	550,000	50,000	(500,000)	50,000
Total	46,449,529	43,326,580	(3,122,949)	53,583,705	50,129,888	(3,453,817)	52,251,326

Federal financial aid includes all forms of financial aid, except student loans.

## Northern State University

Dr. Patrick Schloss, President

The mission of Northern State University is to serve as a multi-purpose, regional institution of higher education; to continue to diversify offerings to address the emerging needs of the students, community, and region; to continue to include teacher preparation as an important feature of the institutional mission, as well as programs in the arts and sciences, business, and fine arts; to provide quality teaching and learning through undergraduate and graduate programs; to provide distance delivery technology in all degree programs, especially all levels of teacher preparation; to offer students a breadth and depth in the liberal arts and in professional studies to ensure development of effective and productive professionals and citizens; to create and nurture a community of students, faculty, and staff; to support communication, student and faculty research, and professional growth; to design programs to meet academic, social, cultural, and economic needs of the community and area in order to provide lifelong learning opportunities; to provide a center for the arts and recreation; and to support regional development.

The Governor recommends a total appropriation of \$33,982,355 and 345.5 FTEs for FY09. The recommended changes include \$394,710 increase from the general fund, \$27,331 increase in federal fund expenditure authority, and \$972,227 increase in other fund expenditure authority. These amounts are 3.3%, 0.6%, and 5.9% more than the FY08 amounts, respectively. The FTE level is recommended to increase by 1.2%.

Item	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	18,801,434	20,257,481	20,724,457	21,048,707	791,226	3.9%
Travel	594,434	999,004	1,031,721	1,031,721	32,717	3.3%
Contractual Services	2,998,234	4,160,935	4,593,829	4,231,739	70,804	1.7%
Supplies & Materials	2,224,926	2,491,761	2,710,575	2,531,832	40,071	1.6%
Grants And Subsidies	3,834,985	3,747,000	3,997,000	3,997,000	250,000	6.7%
Capital Outlay	1,029,810	931,906	2,077,981	1,141,356	209,450	22.5%
Other	5,227	0	0	0	-	0.0%
<b>Total</b>	<b>29,489,050</b>	<b>32,588,087</b>	<b>35,135,563</b>	<b>33,982,355</b>	<b>1,394,268</b>	<b>4.3%</b>
<b>Funding Types</b>						
General	11,209,002	11,787,659	13,611,135	12,182,369	394,710	3.3%
Federal	3,850,149	4,370,011	4,370,011	4,397,342	27,331	0.6%
Other	14,429,898	16,430,417	17,154,417	17,402,644	972,227	5.9%
<b>Total</b>	<b>29,489,049</b>	<b>32,588,087</b>	<b>35,135,563</b>	<b>33,982,355</b>	<b>1,394,268</b>	<b>4.3%</b>
FTE	335.1	341.5	345.5	345.5	4.0	1.2%

### Budget Notes

- A. The Governor recommends the University's request for \$102,670 in general funds and 2.0 FTEs for the technical support required for the mobile computing environment.
- B. The University requests additional spending authority in the amount of \$724,000 in other funds and 2.0 FTEs. The increase in other funding comes from student fees, Salary Enhancement Fee, Technology Fee, room and board, increased scholarships, athletic camp activity, etc. The Governor recommends the request.

- C. The salary policy for the University (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$292,040 in general funds, \$27,331 in federal fund expenditure authority, and \$248,227 in other fund expenditure authority.

## Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	10,875,766	11,209,002	333,236	11,230,282	11,794,447	564,165	12,120,122
One-Time Appropriations				0	172,700		
State Grants and Contracts	245,000	114,930	(130,070)	220,000	120,000	(100,000)	120,000
State Financial Aid	0	82,500	82,500	141,014	148,000	6,986	164,000
Federal Grants and Contracts	1,550,000	1,572,367	22,367	1,127,916	1,575,000	447,084	1,575,000
Federal Financial Aid	2,800,000	2,391,786	(408,214)	2,515,000	2,392,000	(123,000)	2,392,000
State Support Tuition Allocation	3,765,643	3,706,340	(59,303)	3,815,378	3,699,459	(115,919)	3,739,703
Self-Support Tuition	800,000	755,526	(44,474)	1,002,434	793,302	(209,132)	832,967
Student Fees	4,392,390	4,716,584	324,194	4,651,960	4,858,082	206,122	5,003,824
Room and Board	3,132,183	2,244,623	(887,560)	2,323,496	2,311,961	(11,535)	2,381,320
HEFF--Physical Plant O&M	36,293	36,293	0	36,293	36,293	0	36,293
School and Public Lands	183,393	183,393	0	183,393	183,393	0	183,393
Other Grants and Contracts	45,000	318,379	273,379	110,000	375,000	265,000	375,000
Indirect Cost Recovery	60,000	82,595	22,595	55,000	83,000	28,000	83,000
Other Financial Aid	1,320,000	1,646,235	326,235	1,372,955	1,695,622	322,667	1,746,490
Sales and Services of Aux Ent	1,485,000	1,373,393	(111,607)	1,453,990	1,387,127	(66,863)	1,400,998
Other Sales and Services	1,415,000	1,539,834	124,834	1,517,930	1,586,029	68,099	1,633,610
Transfer Funds to P & L	(332,000)	(508,763)	(176,763)	(785,000)	(509,000)	276,000	(509,000)
Plant Funds	1,007,000	1,917,470	910,470	1,200,000	1,450,000	250,000	1,380,000
Loan Funds	880,000	903,287	23,287	990,000	905,000	(85,000)	905,000
Total	33,660,668	34,285,774	625,106	33,162,041	35,057,415	1,722,674	35,563,720

Federal financial aid includes all forms of financial aid, except student loans.

## Black Hills State University

Dr. Kay Schallenkamp, President

The mission of Black Hills State University is to provide programs in: the liberal arts and sciences, education, human services, wellness, business, travel industries management, and tourism; to complement these programs with a series of preprofession, one-year and two-year terminal, and junior college programs; and to authorize degrees at the associate, baccalaureate, and masters level.

The Governor recommends a total appropriation of \$52,435,632 and 444.4 FTEs for FY09. The recommended changes include \$404,080 increase from the general fund, \$129,042 increase in federal fund expenditure authority, and \$891,859 increase in other fund expenditure authority. These amounts are 5.0%, 0.8%, and 3.4% more than the FY08 amounts, respectively. The FTE level is recommended to decrease by 2.5, which is -0.6%.

Item	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	23,067,428	26,572,881	27,003,555	27,380,302	807,421	3.0%
Travel	769,507	1,420,181	1,423,181	1,423,181	3,000	0.2%
Contractual Services	3,785,681	6,836,659	7,891,309	7,707,344	870,685	12.7%
Supplies & Materials	3,473,789	8,813,367	8,408,867	8,408,867	(404,500)	(4.6%)
Grants And Subsidies	4,500,170	6,275,935	6,294,310	6,294,310	18,375	0.3%
Capital Outlay	857,539	1,091,628	2,273,205	1,221,628	130,000	11.9%
Other	594,337	0	0	0	-	0.0%
<b>Total</b>	<b>37,048,451</b>	<b>51,010,651</b>	<b>53,294,427</b>	<b>52,435,632</b>	<b>1,424,981</b>	<b>2.8%</b>
<b>Funding Types</b>						
General	7,885,081	8,125,304	9,929,445	8,529,384	404,080	5.0%
Federal	6,982,310	16,710,958	16,710,958	16,840,000	129,042	0.8%
Other	22,181,059	26,174,389	26,654,024	27,066,248	891,859	3.4%
<b>Total</b>	<b>37,048,450</b>	<b>51,010,651</b>	<b>53,294,427</b>	<b>52,435,632</b>	<b>1,424,981</b>	<b>2.8%</b>
FTE	441.2	446.9	444.4	444.4	(2.5)	(0.6%)

### Budget Notes

- A. The Governor recommends the University's request for \$179,672 in general funds and 3.5 FTEs for the technical support required for the mobile computing environment.
- B. The University requests an increase in other fund spending authority in the amount of \$479,635 and a reduction of 6.0 FTEs. The increase in other funding comes from student fees: General Activity Fee for the Student Union Expansion as approved by a student vote; room and board, and dining services are being changed from a self-operated service to a contracted service. The Governor recommends the request.
- C. The salary policy for the University (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$224,408 in general funds, \$129,042 in federal fund expenditure authority, and \$412,224 in other fund expenditure authority.

## Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	8,178,670	7,889,476	(289,194)	7,857,831	8,007,818	149,987	8,127,935
State Grants and Contracts	1,400,000	372,747	(1,027,253)	331,262	378,338	47,076	384,013
State Financial Aid	115,000	106,000	(9,000)	124,865	106,575	(18,290)	108,173
Federal Grants and Contracts	7,750,000	4,117,417	(3,632,583)	5,940,802	4,179,177	(1,761,625)	4,241,865
Federal Financial Aid	4,350,000	3,522,393	(827,607)	4,000,000	3,575,229	(424,771)	3,628,857
State Support Tuition Allocation	4,820,180	5,231,729	411,549	5,022,309	5,388,680	366,371	5,550,341
Self-Support Tuition	4,070,000	3,933,733	(136,267)	4,334,929	4,130,419	(204,510)	4,336,940
Student Fees	5,830,030	6,159,649	329,619	5,875,791	6,344,438	468,647	6,534,771
Room and Board	2,210,000	2,558,908	348,908	2,250,000	2,635,675	385,675	2,714,745
HEFF--Physical Plant O&M	31,161	31,161	0	31,161	31,161	0	31,161
School and Public Lands	173,360	173,360	0	173,360	173,360	0	173,360
Other Grants and Contracts	351,510	728,638	377,128	250,000	510,046	260,046	517,697
Indirect Cost Recovery	450,000	525,937	75,937	450,000	533,825	83,825	541,833
Other Financial Aid	1,060,000	1,394,955	334,955	1,090,000	1,415,879	325,879	1,437,117
Sales and Services of Aux Ent	3,250,256	3,443,922	193,666	3,309,623	3,495,580	185,957	3,548,014
Other Sales and Services	715,500	1,041,903	326,403	760,000	1,057,531	297,531	1,073,394
Transfer Funds to P & L	(1,331,199)	(1,074,384)	256,815	(1,300,000)	(1,289,261)	10,739	(1,482,650)
Plant Funds	2,070,000	2,487,268	417,268	2,070,000	2,524,577	454,577	3,029,492
Loan Funds	93,000	67,512	(25,488)	68,000	68,524	524	69,552
Total	45,587,468	42,712,324	(2,875,144)	42,639,933	43,267,571	627,638	44,566,610

Federal financial aid includes all forms of financial aid, except student loans.

## Dakota State University

Dr. Douglas D. Knowlton, President

The mission of Dakota State University is to specialize in programs of computer management, computer information systems, and other related undergraduate and graduate programs outlined in SDCL 13-59-2.2; to place special emphasis on the preparation of elementary and secondary teachers with expertise in the use of computer technology and information processing in the teaching and learning process; and to offer two-year and one-year programs as well as short courses for application and operator training in areas authorized.

The Governor recommends a total appropriation of \$28,026,294 and 282.0 FTEs for FY09. The recommended changes include \$465,331 increase from the general fund, \$221,371 increase in federal fund expenditure authority, and \$517,994 increase in other fund expenditure authority. These amounts are 5.8%, 7.7%, and 3.3% more than the FY08 amounts, respectively. The FTE level is recommended to increase by 4.0, which is 1.4%.

Item	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	14,914,743	15,474,938	15,916,515	16,291,777	816,839	5.3%
Travel	416,139	452,731	452,731	455,888	3,157	0.7%
Contractual Services	3,342,774	5,938,772	6,602,214	6,320,972	382,200	6.4%
Supplies & Materials	2,407,123	1,911,009	1,911,009	1,911,509	500	0.0%
Grants And Subsidies	2,437,945	2,423,724	2,423,724	2,423,724	-	0.0%
Capital Outlay	1,644,933	620,424	1,257,295	622,424	2,000	0.3%
Other	109,882	0	0	0	-	0.0%
<b>Total</b>	<b>25,273,539</b>	<b>26,821,598</b>	<b>28,563,488</b>	<b>28,026,294</b>	<b>1,204,696</b>	<b>4.5%</b>
<b>Funding Types</b>						
General	7,591,864	8,001,664	9,243,554	8,466,995	465,331	5.8%
Federal	2,426,041	2,882,862	3,082,862	3,104,233	221,371	7.7%
Other	15,255,633	15,937,072	16,237,072	16,455,066	517,994	3.3%
<b>Total</b>	<b>25,273,538</b>	<b>26,821,598</b>	<b>28,563,488</b>	<b>28,026,294</b>	<b>1,204,696</b>	<b>4.5%</b>
FTE	261.0	278.0	280.0	282.0	4.0	1.4%

### Budget Notes

- A. The Governor recommends the University's request for \$102,670 in general funds and 2.0 FTEs for the technical support required for the mobile computing environment.
- B. The University requested \$310,717 in general funds for the technical support associated with the Northern Tier Research Network (NTRN). The request also included 4.0 FTEs. The Governor recommended \$155,359 which includes salary and operating funding and 2.0 FTEs.
- C. The University requests an increase in federal fund spending authority in the amount of \$200,000 and other fund spending authority in the amount of \$207,866. The increase in federal funding comes from anticipated grant awards and the other funding comes from a

residence hall fee increase of 8% for partial funding of the Residence Hall renovation project, and self-support tuition increases.

- D. The salary policy for the University (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$207,302 in general funds, \$21,371 in federal fund expenditure authority, and \$310,128 in other fund expenditure authority.

## Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	6,830,895	7,616,524	785,629	7,780,390	8,003,463	223,073	8,003,463
State Grants and Contracts	669,391	785,470	116,079	790,915	785,470	(5,445)	785,470
State Financial Aid	0	74,500	74,500	143,465	74,500	(68,965)	74,500
Federal Grants and Contracts	566,034	709,485	143,451	635,766	709,485	73,719	709,485
Federal Financial Aid	1,905,436	1,726,264	(179,172)	1,891,261	1,726,264	(164,997)	1,726,264
State Support Tuition	3,176,189	3,268,258	92,069	3,268,258	3,338,711	70,453	3,338,711
Self-Support Tuition	1,829,360	2,307,958	478,598	1,885,302	2,307,958	422,656	2,307,958
Student Fees	3,290,055	4,219,555	929,500	4,194,081	4,219,555	25,474	4,219,555
Room and Board	1,843,502	1,957,973	114,471	1,776,681	2,157,973	381,292	2,257,973
HEFF--Physical Plant O&M	22,362	22,362	0	22,632	22,362	(270)	22,362
School and Public Lands	173,360	173,360	0	173,360	173,360	0	173,360
Other Grants and Contracts	812,239	542,181	(270,058)	809,260	542,181	(267,079)	542,181
Indirect Cost Recovery	20,050	233,808	213,758	60,000	233,808	173,808	233,808
Other Financial Aid	625,000	822,913	197,913	466,938	822,913	355,975	822,913
Sales and Services of Aux Ent	1,301,949	1,313,463	11,514	1,061,875	1,313,463	251,588	1,313,463
Other Sales and Services	577,357	648,061	70,704	616,396	648,061	31,665	648,061
Transfer Funds to P & L	(450,000)	(325,314)	124,686	(350,000)	(325,000)	25,000	(325,000)
Plant Funds	927,902	540,272	(387,630)	600,000	540,272	(59,728)	540,272
Loan Funds	393,954	441,093	47,139	450,000	441,093	(8,907)	441,093
Total	24,515,035	27,078,186	2,563,151	26,276,580	27,735,892	1,459,312	27,835,892

Federal financial aid includes all forms of financial aid, except student loans.

## South Dakota School for the Deaf

Mr. Terry Gregersen, Superintendent

The mission of the School for the Deaf is to provide statewide services to the sensory impaired children and youth of the state of South Dakota; to serve in a dual leadership and resource model in the statewide efforts to meet the educational needs of sensory impaired children from birth through age twenty-one; and to carry out this mission through cooperative efforts with all appropriate state agencies, educational cooperatives, local education agencies, colleges, and universities.

The total recommended budget for this program includes increases of \$74,541 from general funds, \$1,743 from federal funds, and \$1,789 from other funds. The School's request and the Governor's recommendation are identical with the exception of the recommended salary policy.

Item	Actual	Budgeted	Agency Req.	Gov Rec.	Inc/Dec	% Change
	FY07	FY08	FY09	FY09	FY09	From FY08
Personal Services	2,521,981	2,722,932	2,722,932	2,801,005	78,073	2.9%
Travel	61,452	102,618	102,618	102,618	-	0.0%
Contractual Services	724,147	991,246	1,137,147	991,246	-	0.0%
Supplies & Materials	134,704	221,713	221,713	221,713	-	0.0%
Grants And Subsidies	0	0	0	0	-	0.0%
Capital Outlay	115,472	139,398	139,398	139,398	-	0.0%
Other	74	0	0	0	-	0.0%
<b>Total</b>	<b>3,557,830</b>	<b>4,177,907</b>	<b>4,323,808</b>	<b>4,255,980</b>	<b>78,073</b>	<b>1.9%</b>
<b>Funding Types</b>						
General	3,476,589	3,614,146	3,760,047	3,688,687	74,541	2.1%
Federal	66,011	138,422	138,422	140,165	1,743	1.3%
Other	15,229	425,339	425,339	427,128	1,789	0.4%
<b>Total</b>	<b>3,557,829</b>	<b>4,177,907</b>	<b>4,323,808</b>	<b>4,255,980</b>	<b>78,073</b>	<b>1.9%</b>
FTE	48.5	58.9	58.9	58.9	-	0.0%

### Budget Notes

A. The salary policy for the SDSD (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$74,541 in general funds, \$1,743 in federal fund expenditure authority, and \$1,789 in other fund expenditure authority.

### Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	3,351,479	3,476,605	125,126	3,490,953	3,476,605	(14,348)	3,476,605
Federal Grants and Contracts	65,000	67,282	2,282	72,000	67,000	(5,000)	68,000
Student Fees							
School and Public Lands	75,000	97,959	22,959	75,000	97,959	22,959	97,959
Sales and Services of Aux Ent	1,800	1,417	(383)	1,700	1,500	(200)	1,500
Other Sales and Services	110,350	59,105	(51,245)	40,000	42,000	2,000	50,000
<b>Total</b>	<b>3,603,629</b>	<b>3,702,368</b>	<b>98,739</b>	<b>3,679,653</b>	<b>3,685,064</b>	<b>5,411</b>	<b>3,694,064</b>

## South Dakota School for the Blind and Visually Impaired

Dr. Marjorie Kaiser, Superintendent

The mission of the School for the Blind and Visually Impaired is to provide statewide services to the visually impaired children and youth of the state of South Dakota and to serve in a dual leadership and resource model in the statewide efforts to meet the educational needs of sensory impaired children from birth through age twenty-one; and to carry out this mission through cooperative efforts with all appropriate state agencies, educational cooperatives, local education agencies, colleges, and universities.

The total recommended budget for this program includes increases of \$66,769 from general funds and \$6,345 from federal funds. The School's request and the Governor's recommendation are identical with the exception of the recommended salary policy.

Item	Actual FY07	Budgeted FY08	Agency Req. FY09	Gov Rec. FY09	Inc/Dec FY09	% Change From FY08
Personal Services	2,497,925	2,629,337	2,629,337	2,702,451	73,114	2.8%
Travel	35,941	30,859	30,859	30,859	-	0.0%
Contractual Services	201,570	219,562	263,053	219,562	-	0.0%
Supplies & Materials	182,418	205,239	205,239	205,239	-	0.0%
Grants And Subsidies	307	0	0	0	-	0.0%
Capital Outlay	0	46,385	46,385	46,385	-	0.0%
Other	4,640	0	0	0	-	0.0%
<b>Total</b>	<b>2,922,801</b>	<b>3,131,382</b>	<b>3,174,873</b>	<b>3,204,496</b>	<b>73,114</b>	<b>2.3%</b>
<b>Funding Types</b>						
General	2,482,696	2,588,958	2,632,449	2,655,727	66,769	2.6%
Federal	277,748	305,300	305,300	311,645	6,345	2.1%
Other	162,359	237,124	237,124	237,124	-	0.0%
<b>Total</b>	<b>2,922,803</b>	<b>3,131,382</b>	<b>3,174,873</b>	<b>3,204,496</b>	<b>73,114</b>	<b>2.3%</b>
FTE	49.9	52.6	52.6	52.6	-	0.0%

### Budget Notes

- A. The salary policy for the SDSBVI (2.5% COLA, 2.5% midpoint, and health ins.) proposed by the Governor includes \$66,769 in general funds and \$6,345 in federal fund expenditure authority.

### Revenues

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
State Appropriations	2,389,769	2,482,696	92,927	2,542,544	2,588,958	46,414	2,588,958
Federal Grants and Contracts	290,292	282,688	(7,604)	297,131	305,300	8,169	305,300
School and Public Lands	94,712	94,712	0	94,712	94,712	0	94,712
Other Sales and Services	142,412	182,460	40,048	142,412	142,412	0	142,412
<b>Total</b>	<b>2,917,185</b>	<b>3,042,556</b>	<b>125,371</b>	<b>3,076,799</b>	<b>3,131,382</b>	<b>54,583</b>	<b>3,131,382</b>

**Other Departmental Issues**

**A. FY07 Interim Actions and Budget Transfers (FY07 and FY08 Year-To-Date)**

FY2007 Legislative Actions	General Funds	Federal Funds	Other Funds	Total	FTE
<b>Opportunity Scholarships</b>	<b>571,476</b>			<b>571,476</b>	
Additional revenue from the Dakota Cement Trust. 2007 HB 1244					
<b>SB59 Amend 2007 General Bill</b>					
Central Office	17,160	100,084	1,387,487	1,504,731	
USD	106,343	6,850	3,543,799	3,656,992	
USD School of Medicine	55,439	8,062	1,367,930	1,431,431	20.0
SDSU	144,917	978,324	1,179,493	2,302,734	
CES	19,770	5,699	691	26,160	
AES	29,772	6,041	3,996	39,809	
SDSMT	43,291	6,285	11,416	60,992	
NSU	35,030	1,656	9,563	46,249	
BHSU	32,871	5,769	15,960	54,600	
DSU	15,586	290,955	749,486	1,056,027	
School for the Deaf	9,383	67	64	9,514	
School for the Blind	7,251	30,296	28,548	66,095	
<b>Total SB59</b>	<b>516,813</b>	<b>1,440,088</b>	<b>8,298,433</b>	<b>10,255,334</b>	<b>20.0</b>
<b>Total Legislative Actions</b>	<b>1,088,289</b>	<b>1,440,088</b>	<b>8,298,433</b>	<b>10,826,810</b>	<b>20.0</b>

FY2007 Board Actions	General Funds	Federal Funds	Other Funds	Total	FTE
USD			1,450,100	1,450,100	
USD School of Medicine			683,212	683,212	
SDSU			914,147	914,147	
School of Mines			188,572	188,572	
NSU			71,669	71,669	
BHSU			86,946	86,946	
DSU			84,933	84,933	
<b>Total Board Actions</b>			<b>3,479,579</b>	<b>3,479,579</b>	<b>0.0</b>

**FY07 Budget Transfers**

\$3,254,571	Base Transfer	07/18/2006 approved by BFM
The Board of Regents transferred a net amount of \$2,460,799 in general funds, \$37,870 in federal fund expenditure authority, and \$755,902 in other fund expenditure authority. The transfer involved both personal services and operating expenses. The transfer was needed to distribute the pools, realign salary policy, and correct errors made in the budget load.		

\$19,230,577	Base Transfer	08/09/2006 approved by BFM
The Board of Regents transferred a net amount of \$5,053,314 in general funds, \$8,476,051 in federal fund expenditure authority, and \$5,693,145 in other fund expenditure authority. The transfer involved both personal services and operating expenses. It was done to realign the budget based on where BOR projects the expenditures to occur.		

**FY07 Budget Transfers, cont.**

\$2,641,863	Base Transfer	08/09/2006 approved by BFM
The Board of Regents transferred \$2,641,863 in other fund expenditure authority involving both personal services and operating expenses. It was done to realign the tuition authority based on where expenditures for the year were projected to occur.		

\$170,382 and 10.4 FTE	One-time Transfer	04/26/2007 approved by BFM
The Board of Regents transferred \$170,382 in general funds from the Central Office FY07 performance funding pool to the universities for performance in enrollment growth, security grants and contracts, and university performance. Also transferred 10.4 FTE from the Central Office to USD for Technical Institute articulation agreements.		

**FY08 Budget Transfers (To Date)**

\$13,890,220	One-time Transfer	07/05/2007 approved by BFM
The Board of Regents transferred a net of \$4,093,397 in general funds, \$2,384,221 in federal fund expenditure authority, and \$7,412,602 in other fund expenditure authority. This one-time transfer involved both personal services and operating expenses. The funds were available due to salary savings and lower than expected expenditures. The funds will be used for the banner system payments and other one-time unexpected costs.		

\$2,481,164	Base Transfer	06/27/2007 approved by BFM
The Board of Regents transferred both personal services and operating expenses for the salary competitiveness pool, utilities, and salary policy distribution. The Central Office also transferred funds to the Agricultural Experiment Station to pay the School and Public Lands tax.		

<b>FY2008 Board Actions</b>	General Funds	Federal Funds	Other Funds	Total	FTE
USD			1,064	1,064	
USD School of Medicine			11,575	11,575	
SDSU			(522,844)	(522,844)	
School of Mines			(12,309)	(12,309)	
NSU			(7,748)	(7,748)	
BHSU			(1,376)	(1,376)	
DSU			(6,931)	(6,931)	
<b>Total Board Actions</b>			<b>(538,569)</b>	<b>(538,569)</b>	<b>0.0</b>

## **B. Audit Findings**

### **Finding No. 15000200601:**

Regental employees received a payroll advance in violation of state law.

#### Analysis:

South Dakota Codified Laws (SDCL) 3-8-6 states:

The compensation and expenses of all officers and employees, payable out of the state treasury, shall be paid at least once each calendar month, but no officer or employee may be paid in advance for any period of service. The Bureau of Finance and Management may designate pay periods.

The Board of Regents changed its payroll cycle from the 1<sup>st</sup> through the 31<sup>st</sup> of each month to a cut-off date of the 21<sup>st</sup> day of each month beginning in July 2006. To lessen the financial impact on the employees resulting from this payroll cycle transition, the Board decided to advance up to six days of pay for full-time employees which was to be repaid one-half day per month. This advance totaled in excess of \$2 million. Hourly employees, ten month contract employees and nine month contract employees also received a proportional advance with their first paycheck which advance also had to be repaid. The advance made to all types of employees was to be fully repaid by June 30, 2007.

#### RECOMMENDATION:

1. We recommend the Board of Regents comply with state law.

#### Auditee's Corrective Action Plan:

The Board of Regents strongly disagrees with the Department of Legislative Audit's finding.

The Board purchased a new human resource/payroll system in September 2005 with plans to implement the payroll module in FY07. The Board decided to change the payroll cycle starting in July of 2006 to accommodate payroll processing time and to address shortcomings in the legacy system.

The historical payroll cycle began the 1<sup>st</sup> of the month to the last day of the month, and was paid on the last working day of the month. Employees would turn in time 5 - 7 working days before the month ended and report hours worked through the end of the month. During the last days of the month some employees would end up taking leave or working overtime. Whenever there was an exception to what was reported, corrections had to be made in the next payroll for leave taken, for overtime worked, or for hours not worked. The only way to avoid these corrections was to transition to a live payroll period where employees are paid for actual hours worked. This required a change in the pay cycle starting in July of 2006. The pay cycle for July 2006,

was July 1 through July 21. The subsequent pay cycles would be the 22<sup>nd</sup> of the month through the 21<sup>st</sup>.

Changing the payroll cycle did not change the number of hours worked by the employee for July or any other month. The employees still work the full month and are paid on the last day; however, the number of pay days in the July cycle is reduced by six full days. In order to accommodate this transition, the Board determined that the only option was to phase the transition in over a 12 month period by reducing employee pay by ½ day per pay cycle. This minimized the impact of the payroll cycle change to our employees, but allows the system to move to a payroll process that pays for actual hours worked.

To accomplish the transition, employees were provided a payroll adjustment amounting to six days of pay for full-time employees, which is repaid at the rate of ½ day per month. The result was that every employee worked the entire month of July, was paid on the last day of the month and received ½ day less of pay than in previous pay cycles. No employee was paid more than they had earned for the month.

### **C. General Fund Reversions**

FY03 – \$666  
FY04 – \$3,814  
FY05 – \$17  
FY06 – \$536,605  
FY07 – \$29,919

### **D. FY08 Letters of Intent**

The Joint Appropriations Committee requests a progress report of all construction projects at the first interim meeting of the committee, at one additional time during the interim, and at the agency's budget hearing during session.

### **E. Committee Questions**

Provide a report detailing a three-year history of FTEs paid through grant money and what happened to the FTE when the grant money ended.

Explain the need for the new FTEs requested for the Mobile Computing project.

Provide a list of improvements, requested by students or student organizations, to the Opportunity Scholarship program.

Provide more information on the \$10M savings you expect from the change in your payroll cycle.

Explain the substantial increase in the Other Sales and Services revenue at the Medical School.

Explain the decreases in projected FY08 revenue in Student Fees and Plant Funds at SDSMT.

Provide the total salaries and funding sources (state funds, federal funds, funds from foundations, etc.) for the university presidents and the special school superintendents.

## F. Other Board Items

Higher Education Facilities Fund (HEFF): The primary source of dollars for university academic facilities is the tuition dollars placed in the HEFF. Twenty percent of all state-support tuition revenue, with the exception of the first \$875,000 of medical school tuition revenue, is placed into HEFF. HEFF is also assessed on courses offered at the University Center in Sioux Falls to pay for the lease on that facility. HEFF supports new construction as well as the M&R needs of the universities and the long-term indebtedness for capital improvements.

### Higher Education Facilities Fund

	Actual FY2005	Actual FY2006	Actual FY2007	Est. FY2008	Est. FY2009	Est. FY2010
Starting Balance	5,300,652	7,116,911	8,271,288	11,764,374	6,476,059	6,146,371
Plus:						
Net 20% Tuition	11,852,876	12,541,481	13,011,444	13,395,421	13,797,283	14,211,202
Interest Revenue	847,380	492,125	261,337	353,500	339,042	325,855
Total Revenue	12,700,256	13,033,606	13,272,781	13,748,921	14,136,325	14,537,057
Less:						
Current FY Expenditures	4,513,097	5,385,970	4,502,454	10,831,641	6,160,062	6,418,246
Lease Payment	6,370,900	6,493,259	5,277,240	8,205,594	8,305,950	9,479,352
Total Expenditures	10,883,997	11,879,229	9,779,694	19,037,235	14,466,012	15,897,598
Ending Cash Balance	7,116,911	8,271,288	11,764,375	6,476,060	6,146,372	4,785,830
Obligated Unexpended	3,640,568	3,685,069	4,926,884			
Ending Balance as % of Total Expenditures	65.40%	69.63%	120.29%	34.02%	42.49%	30.10%
Ending Unobligated as % of Total	31.94%	38.61%	69.92%			

NOTES:

Assumes a 4% interest calculation based on the ending cash balance plus \$2M for unexpended M&R funds.

Assumes stable enrollments and an annual tuition increase of 3%.

Includes an annual inflationary growth to the M&R project funding equal to 4%.

Lease payments include the M&R bond payment and the Sioux Falls Center rent starting in FY01.

Bond debt is increased by \$41.7M in 2008 and \$21.4M in 2010 to fund projects on the 2005 ten-year plan.

Numbers may not add due to rounding.