

South Dakota Board of Regents

Fiscal Year 2011 Budget Hearing
Joint Appropriations Committee
January 21-22, 2010

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- Terry Baloun, President
Seneca
- Kathryn Johnson, Vice President
Hill City
- James Hansen, Secretary
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Rapid City
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Five Highest Priorities

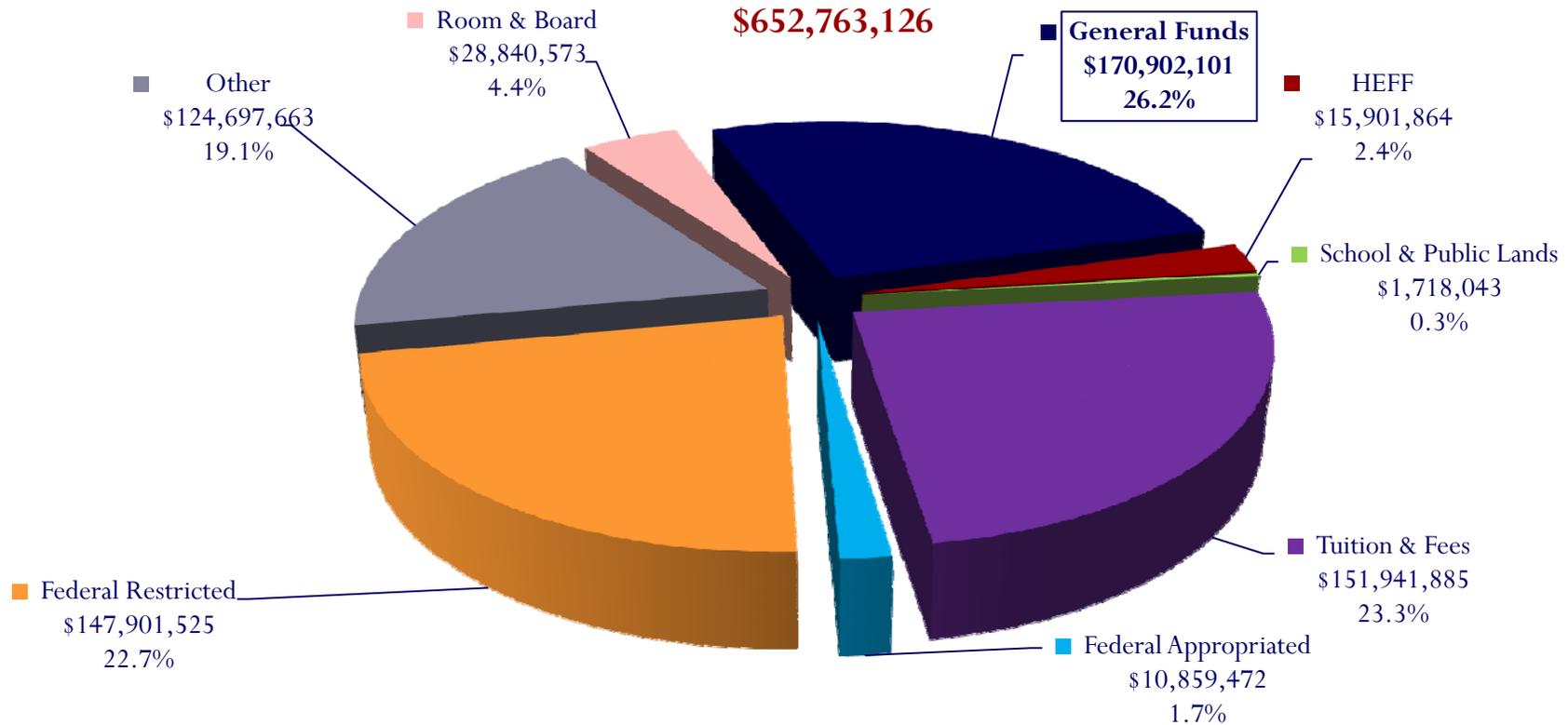
- Build the public universities' research enterprise and contribute to South Dakota's economic development;
- Grow enrollment to meet workforce demands;
- Graduate and retain more students in South Dakota;
- Manage tuition increases to keep tuition and mandatory fees affordable for students and their families;
- Improve academic quality and student performance.

The State of Public Higher Education in South Dakota

President Terry Baloun

26% of Public Higher Education Budget Supported by State Tax Dollars

**Board of Regents
FY10 All Funds by Fund Source
\$652,763,126**



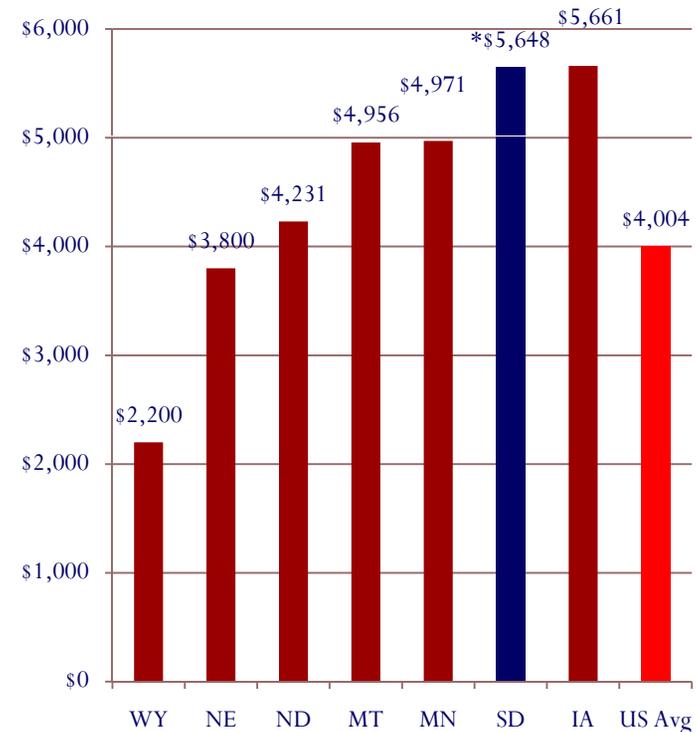
**State investment of \$170.9 million
leverages \$652.8 million in total spending.**

Limited State Support Puts Pressure on Tuition to Fill Funding Gaps

**Appropriations Per FTE
FY08 Public Postsecondary
Education**



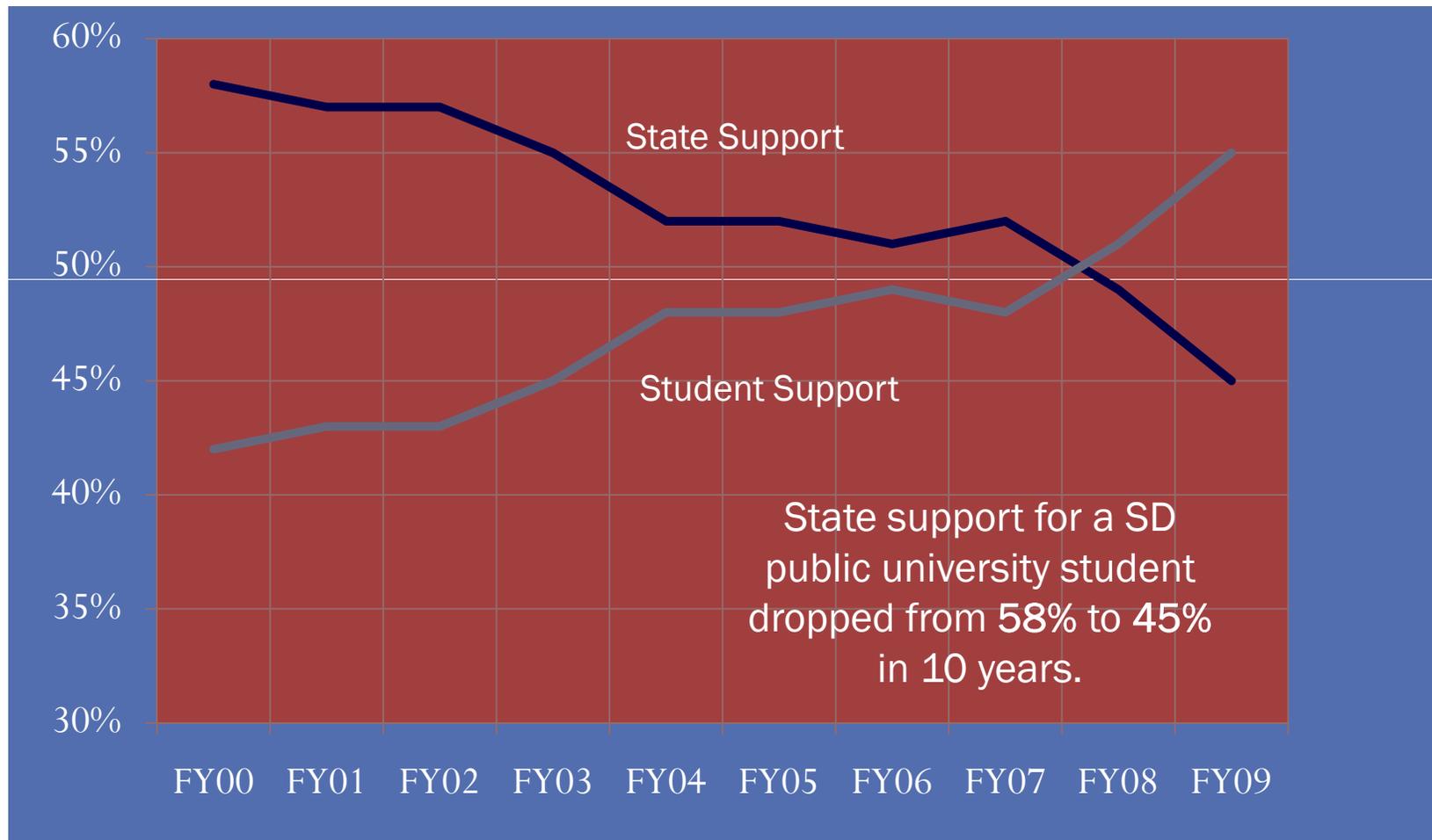
**Net Tuition Revenue Per FTE
FY08 Public Postsecondary
Education**



* Includes \$491 per FTE for debt service;
only SD uses tuition for capital debt.

Declining State Support Drives Up Tuition & Fees

. . . and Limits Access to Lower-Income Students

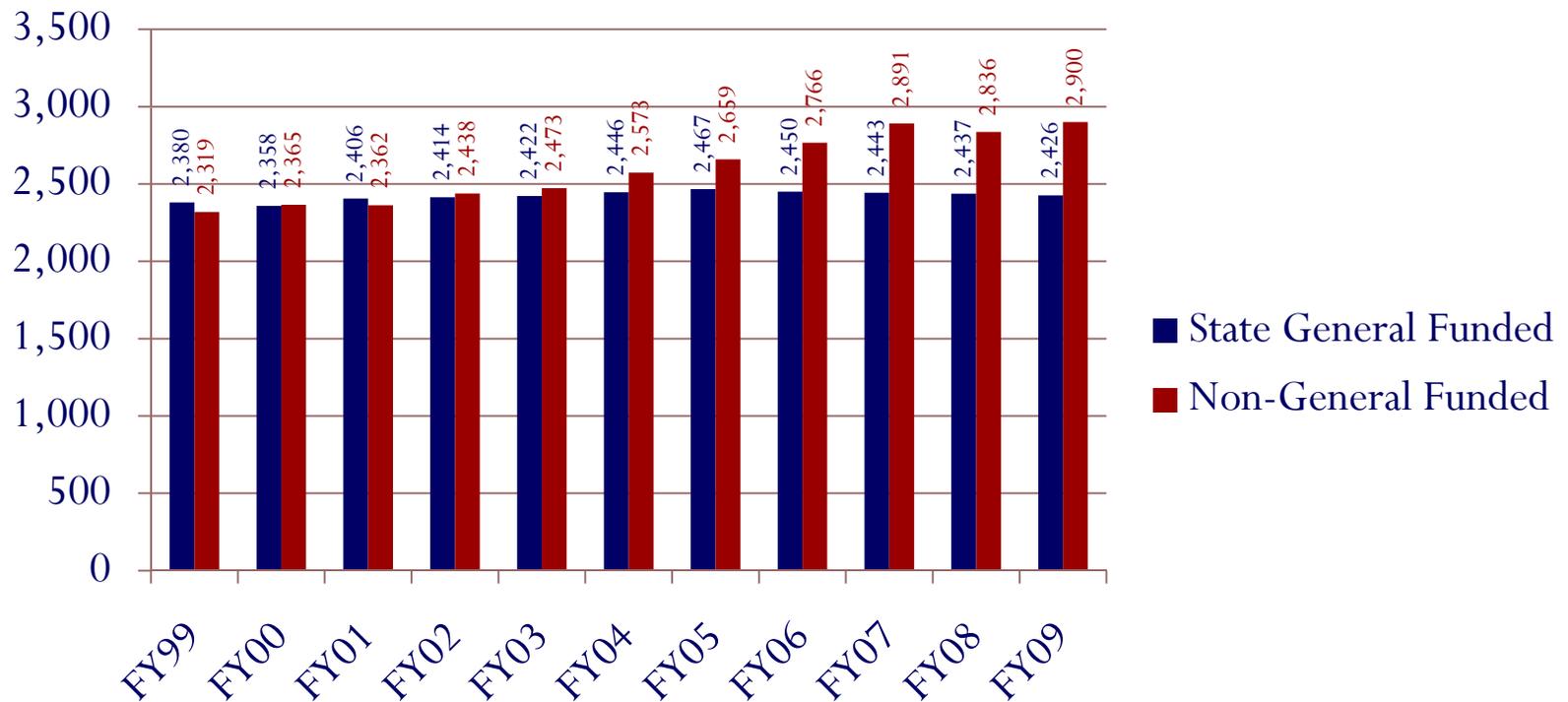


Note: Excluded from state support are ADRDL, AES, CES, School of Medicine, and the special schools.

Source: Fact Book Fiscal Year 2010

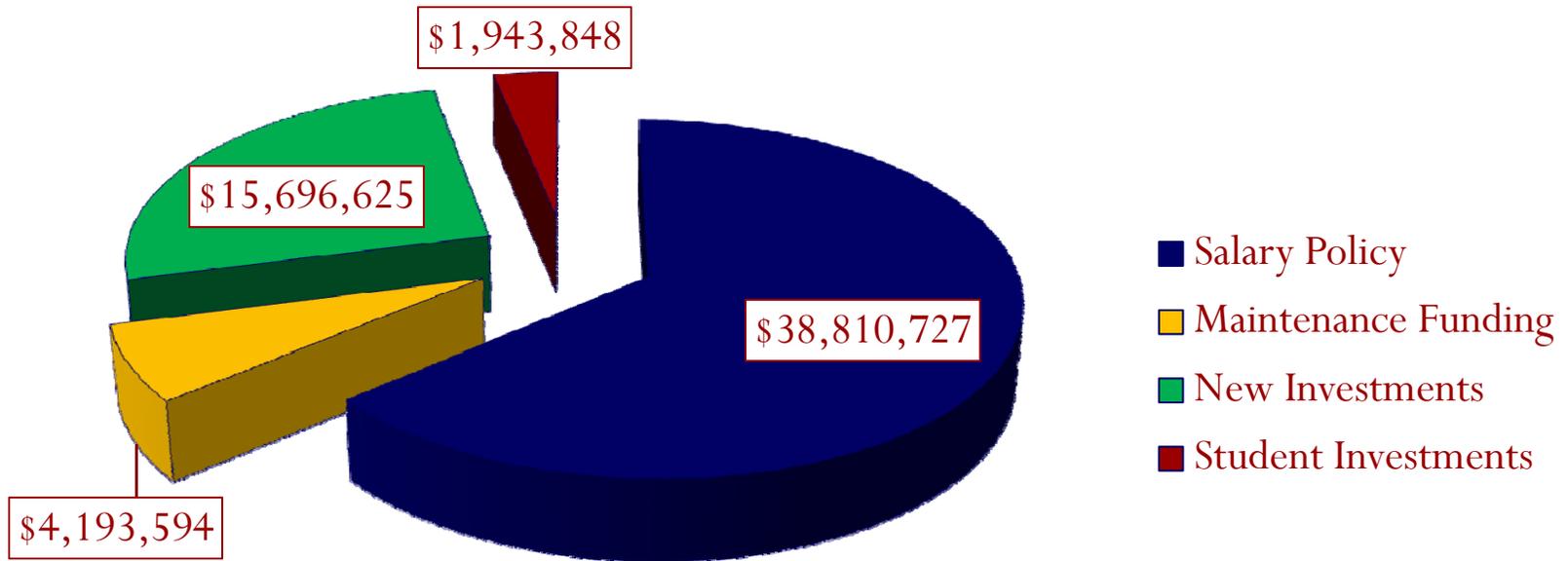
State-Funded FTE Remains Constant

- At the same time that **student headcount is up 24% (6,383)**.

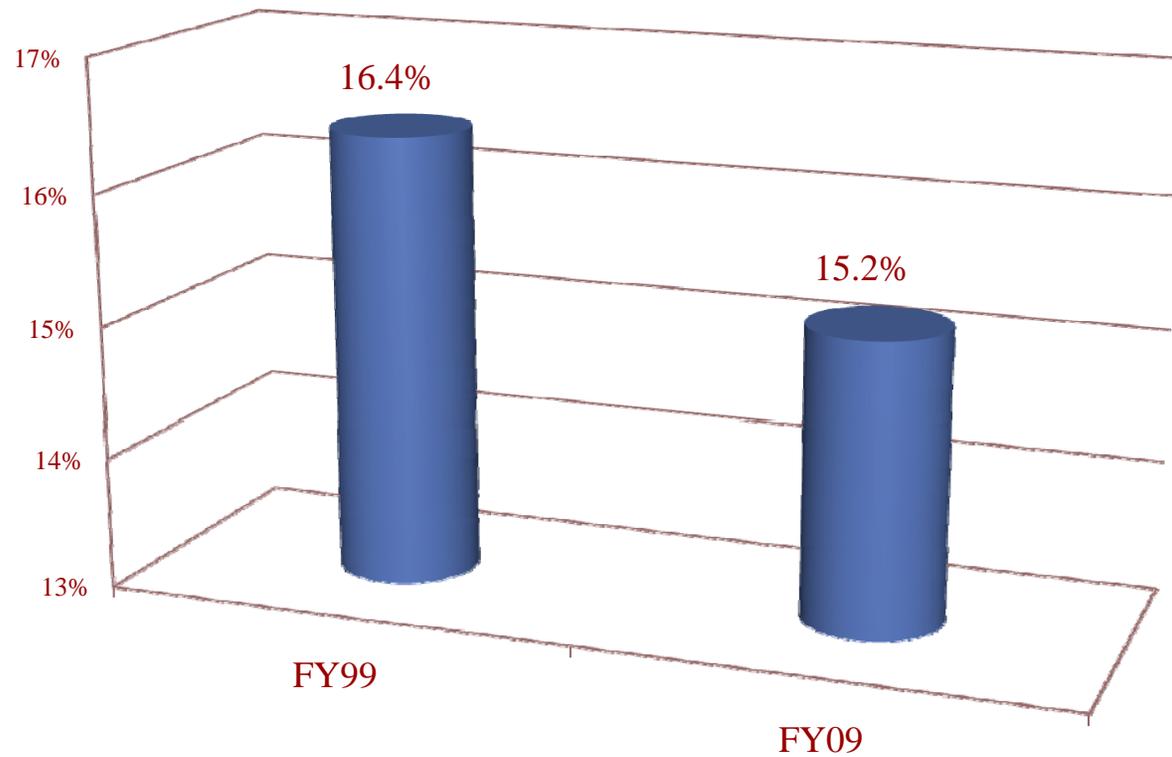


10-Year History of Increases in General Fund Appropriations to the Public University System

Majority of Increase Supported Salary & Benefit Costs



Percent Share of State General Fund Public University System



Institutional Facilities

- Plant value of more than \$1.4 billion.
- HEFF (20% of tuition) is only dedicated fund source to build and maintain academic facilities.
- Residential facilities built and maintained with rent revenues.
- Student unions and wellness facilities built and maintained with mandatory student fees.
- Student taking 30 credits will pay \$740/year to support facilities.
- SD is only state in region that pays for capital debt service and maintenance & repair with tuition.
- Three university centers, serving the non-traditional student population, supported entirely by student tuition and fees.
- State appropriations support debt service of \$32.5 million on a \$65 million bond for science and lab facilities—Thank You!

Facility Authorization in 2010

- HB 1025—Motor pool building at SDSU (\$234,300)
- HB 1026—Phase II of the Electrical Engineering and Computer Science Building at SDSU (\$5,125,000)
- HB1027—McCrary Gardens' visitor center at SDSU (\$4 million)
- SB 26—Joseph H. Barnett Center addition at NSU (\$3,200,000)

University Center Space Replacement

- Sioux Falls School District has expressed interest in University Center space currently under long-term lease at Southeast Technical Institute.
- School district plans to develop project-based learning high school.
- Public university system currently leases 50,000 square feet—proposes to replace a like amount.
- School district would pay about \$1.5 million for equity in facility.
- An addition and/or new space on the North campus costing \$10.5 million would replace the leased space.
- Bonds to support \$8,970,000 of construction costs would be repaid with HEFF, private, or other funds.

Important “Takeaways”

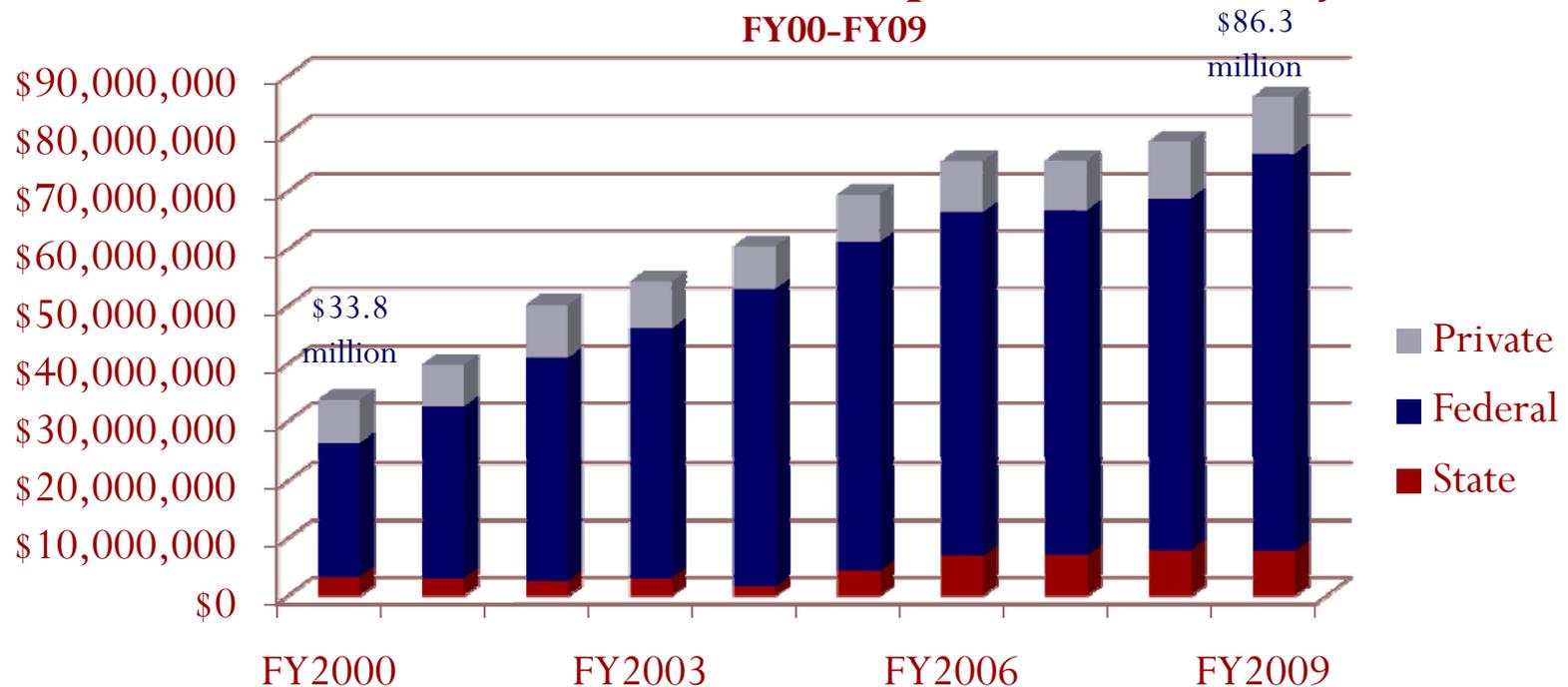
- State tax dollars support only 26% of the entire public higher education budget.
- Base budget was cut by \$3,602,998 in FY10.
- No new state resources to support inflation on base, or for enrollment growth since 1998.
- Majority of public higher education costs are paid by students through tuition and fees.
 - ✓ Students now pick up 55 percent of the costs of public higher education in South Dakota!
- Declining state support results in higher costs to students.
- For the most part, state tax dollars **do not** pay for capital construction projects at the public universities.

The Research Agenda

Vice President Kathryn Johnson

Build the Research Enterprise— Recent Successes

Grants and Contracts Expenditure History

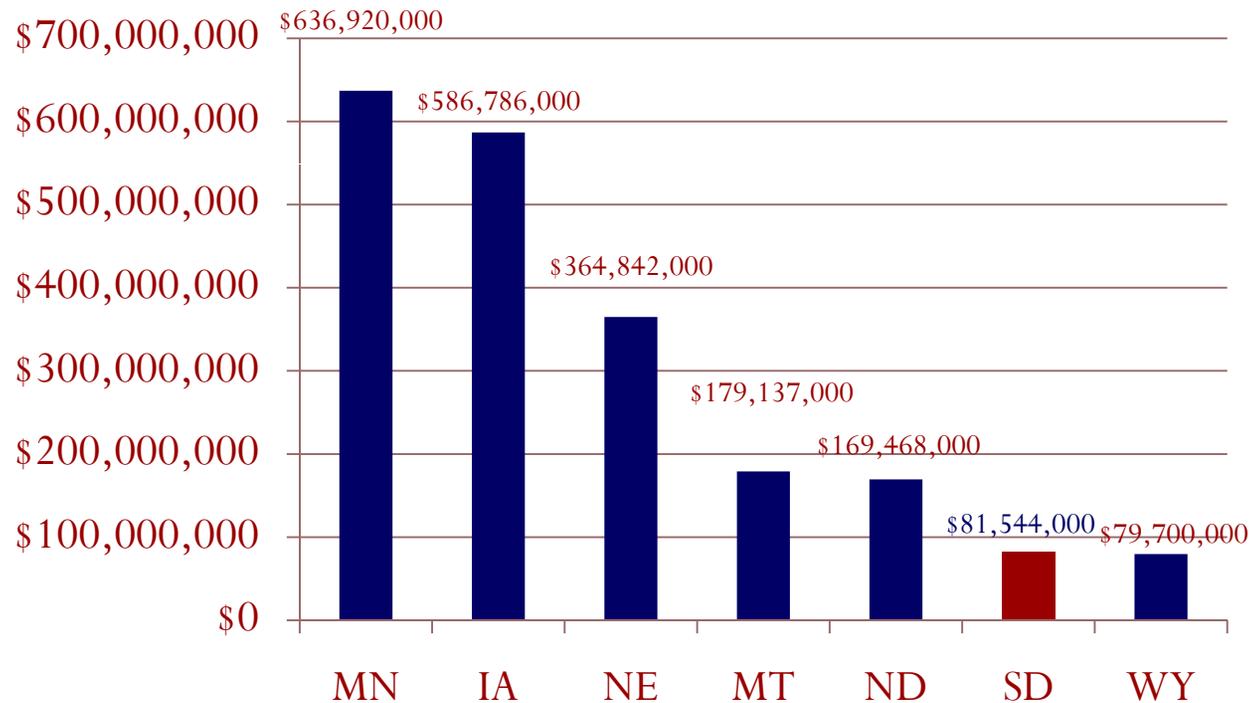


- Total expenditures increased from \$33.8 million in FY00 to \$86.3 million in FY09.
- This represents a 155% increase in expenditures FY00-FY09.
- Grant and contract expenditures have increased on average 11% each year.

Source: Fact Book FY10

Research—We Still Have a Need to Improve

Research & Development Expenditures at Universities and Colleges – FY07



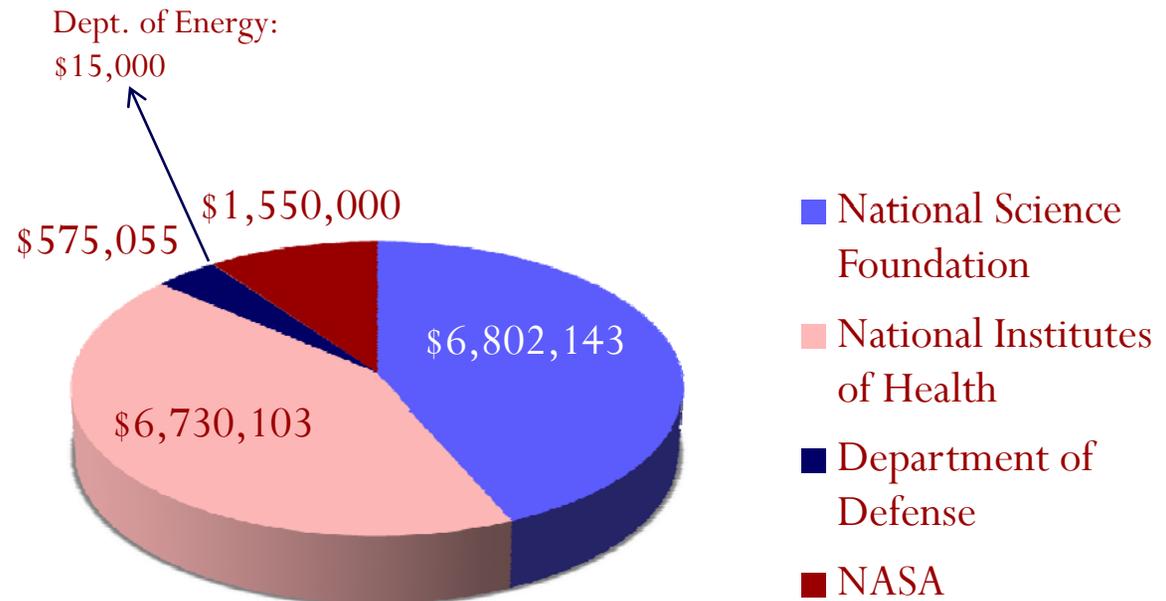
Source: National Science Foundation, 2008

Research Pays Dividends

In FY09, \$600,000 in state investment resulted in \$15,672,301 in EPSCoR research awards from five federal agencies, part of an overall \$20 million, 5-year EPSCoR award.

This translates into a return of \$26.12 for every \$1 of state investment.

Federal Research Grants

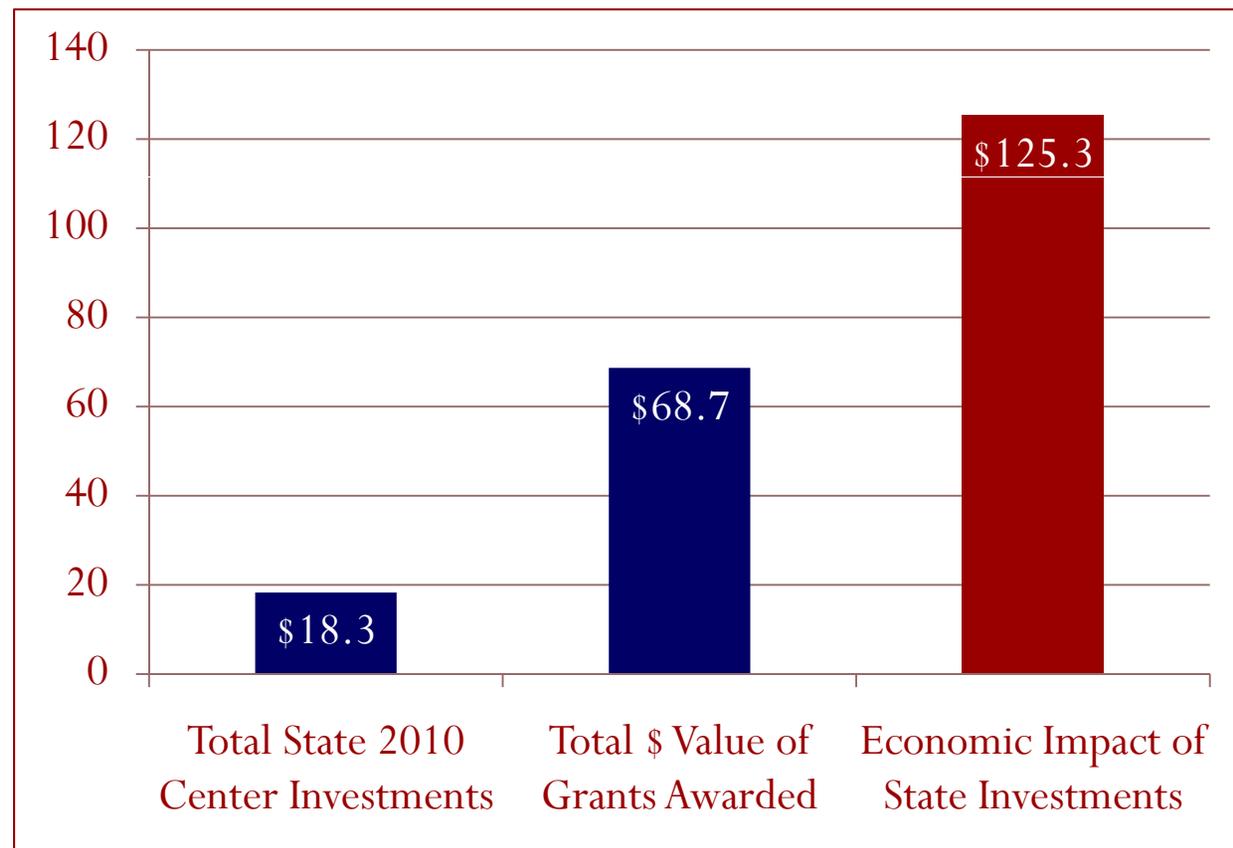


Source: Funds Awarded to SD from Federal Agency EPSCoR Programs, FY09

Research Pays Off in Economic Impact

- Ten 2010 research centers
- \$18.3 million state investment garnered \$68.7 million in federal, private, and other state revenue
- Result: **\$125 million economic impact**, based on a conservative model, through July 2009
- Latest data (through Dec. 2009) estimates economic impact at \$184 million

2010 Centers' Grant Activity FY05-09



(in millions of dollars)

Example

#7 on CNN's Top 10 Health Innovations for 2009: Antimicrobial Paint Developed at USD

- Associate Professor Yuyu Sun and Research Associate Zhengbing Cao, Biomedical Engineering Program.
- Initial research with Kevlar, created to protect people from exposure to biochemical hazards; Dr. Sun developed a germ-killing molecule that can be added to cloth and Kevlar to create antimicrobial properties. Example: athletic socks.
- N-halamine, a potent germ-fighting substance, also can be added to paint to help hospitals fight infectious “superbugs.”
- Patent-pending technology was licensed to Antimicrobial Technologies Group, a South Dakota start-up company that will roll out a line of antimicrobial products this year.

South Dakota Research Initiatives— The Sweet Smell of Success!

Video produced by USD and
Antimicrobial Technologies Group

System Ph.D. Degree in Physics

- Only two states do not offer a Ph.D. in physics (SD and VT).
- Physics program needed to fully engage South Dakota scientists and students in SUSEL/DUSEL research.
- Request was for \$2,396,619, faculty FTE of 10.5, and 16 graduate assistant FTE.
- Governor proposed partial funding in FY11 of \$970,000 and 17.0 FTE.
- USD, SDSU, and SDSM&T agreed to redirect dollars and utilize potential grant revenues totaling \$614,700.
- Must have second year of funding—\$811,919—or program is not viable.

Five Priorities and Response to the Committee's Specific Areas of Interest

Executive Director & CEO Jack Warner

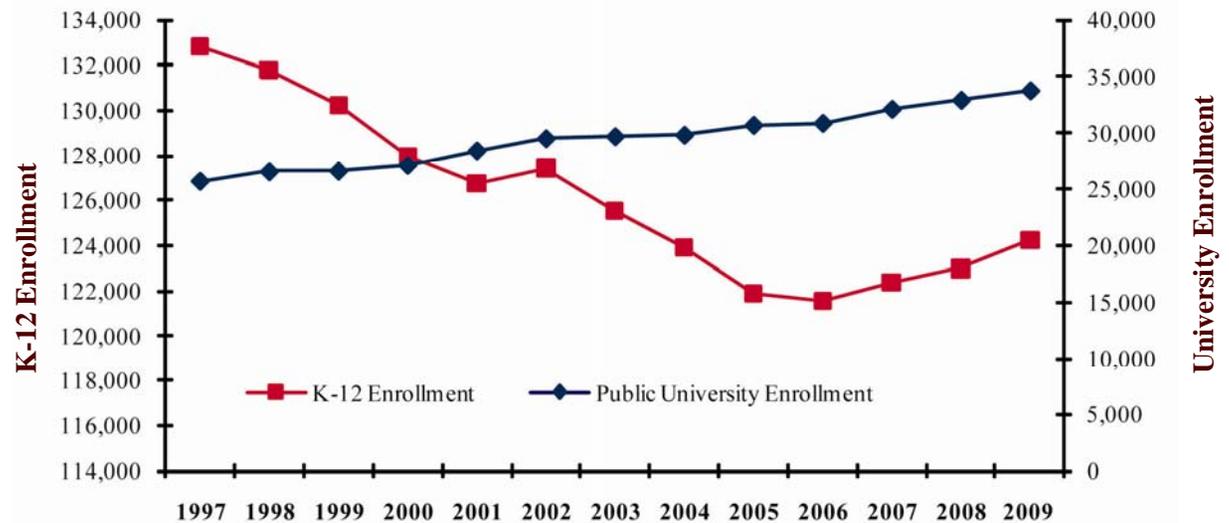
Becoming Internationally Competitive by 2025

- **Population Age 25-44 with Postsecondary Degrees**
 - Highest Performing Countries – 55%
 - South Dakota – 41%
 - 203,809 Needed to Match Best Performing Countries

Current Number with Postsecondary Degree	82,619
Degrees Produced at Current Annual Rate of Production	139,920
<hr/>	
State Total	222,539
Total Individuals with Postsecondary Degrees	222,539
Expected Student Migration	-26,951
<hr/>	
Additional Degrees Needed	195,588
Additional Degrees Needed by 2025	8,221
Additional Degrees Needed Per Year	411

Grow Enrollment: Record Number of Students Served in South Dakota

- Record high headcount of 33,779—system headcount is up 8,060 students since 1997.
- Enrollments have grown by 3,862 FTE in 10 years—17.8% increase.
- Record number of university students served at a time when K-12 enrollments have trended downward, then leveled.



Source: Fact Book Fiscal Year 2010

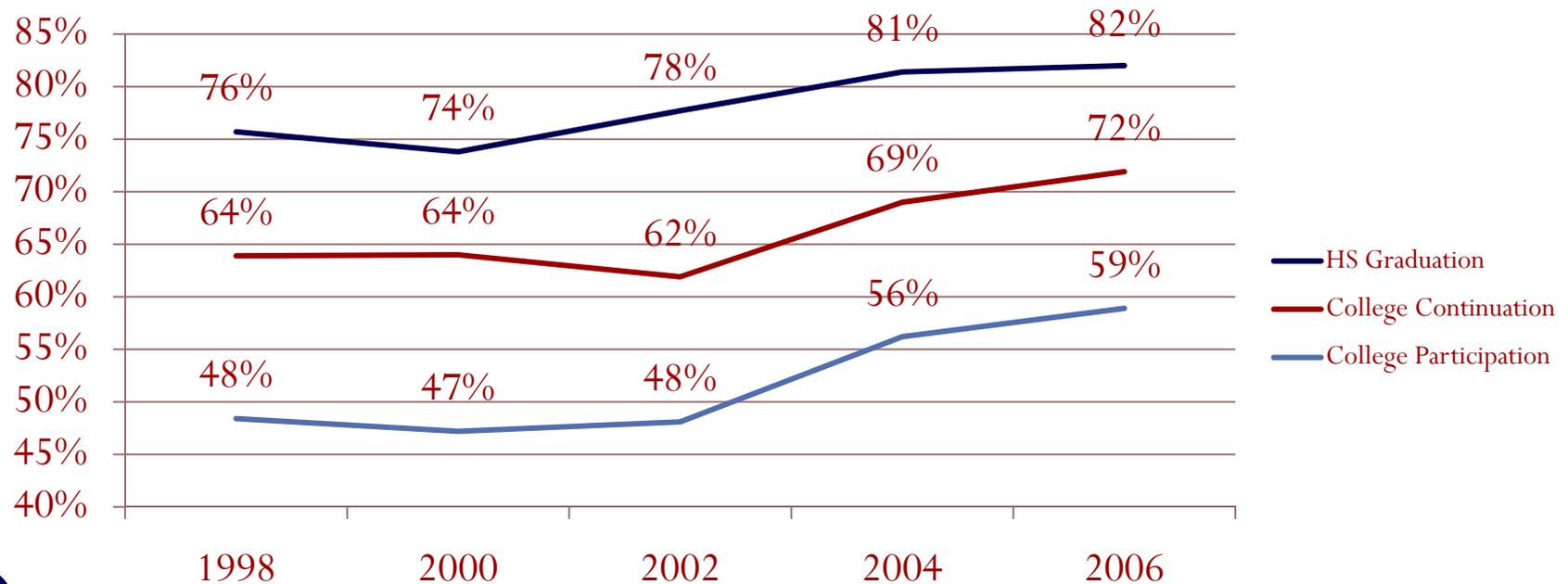
Enrollments & Graduate Growth

<i>Groups</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>% Change 05-09</i>
First-Time Freshmen	4,865	4,773	4,721	4,880	4,876	+0.2%
UG. Graduates	3,624	3,728	3,914	4,004	4,211	+16%
<i>Grad Rate</i>	<i>74%</i>	<i>78%</i>	<i>83%</i>	<i>82%</i>	<i>86%</i>	<i>+12%</i>
Fall Enrollment	29,844	30,720	30,901	32,148	33,779	+ 13%
Fall FTE Enrollment	24,534	24,089	24,144	24,512	25,468	+ 3%
<i>Total Graduates</i>	<i>4,885</i>	<i>4,918</i>	<i>5,082</i>	<i>5,263</i>	<i>5,445</i>	<i>+ 11%</i>

Postsecondary Participation

- **South Dakota Graduates**

- Public High School Graduation Rate 82% (5th in Country)
- College Participation Rate 59% (1st in Country)
- College Continuation Rate 72% (4th in Country)



Manage Tuition & Fee Increases: Keeping Costs Affordable to Students

FY10 Resident Undergraduate Tuition & Total Costs



Source: 2010 Tuition Survey

Total Cost includes tuition and required fees, plus room and board.

All numbers are weighted averages.

■ Tuition & Fees ■ Total Cost

Improve Academic Quality: Opportunity Scholarship – Impact Factors

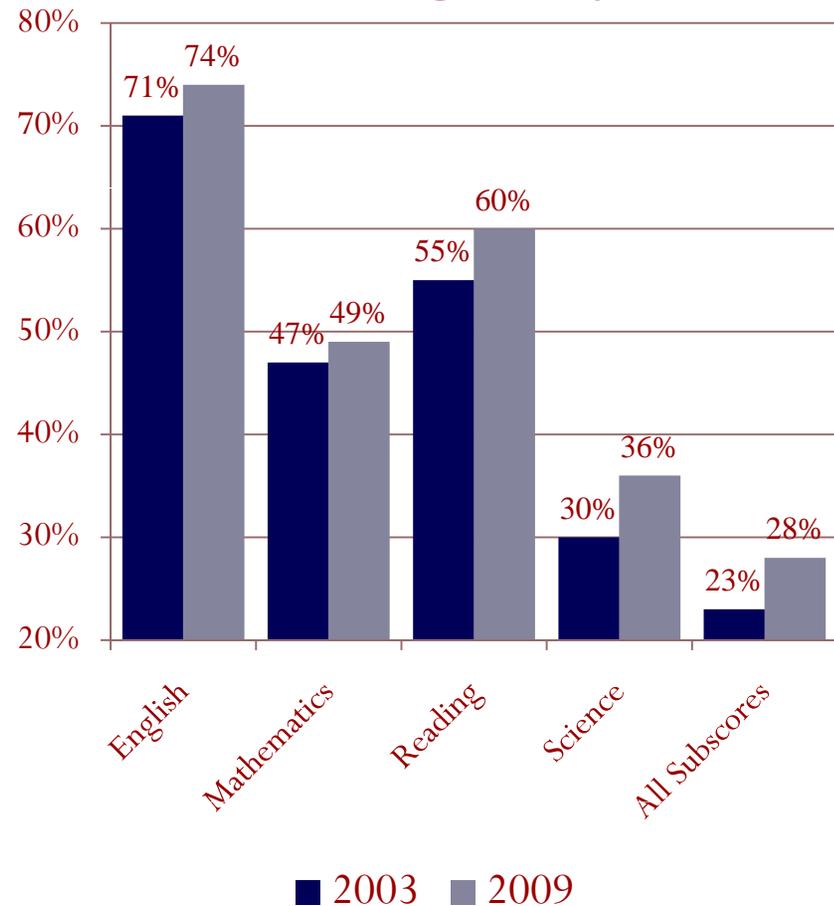
- **Rigorous Curriculum**

- + 3% in SD Graduates Entering System
- + 6% in Graduates Scoring 24 or Higher on ACT
- + 5% of 24 or Higher on ACT Entering System
- + 10% of 24 or Higher on ACT Students Retained

- **Remediation**

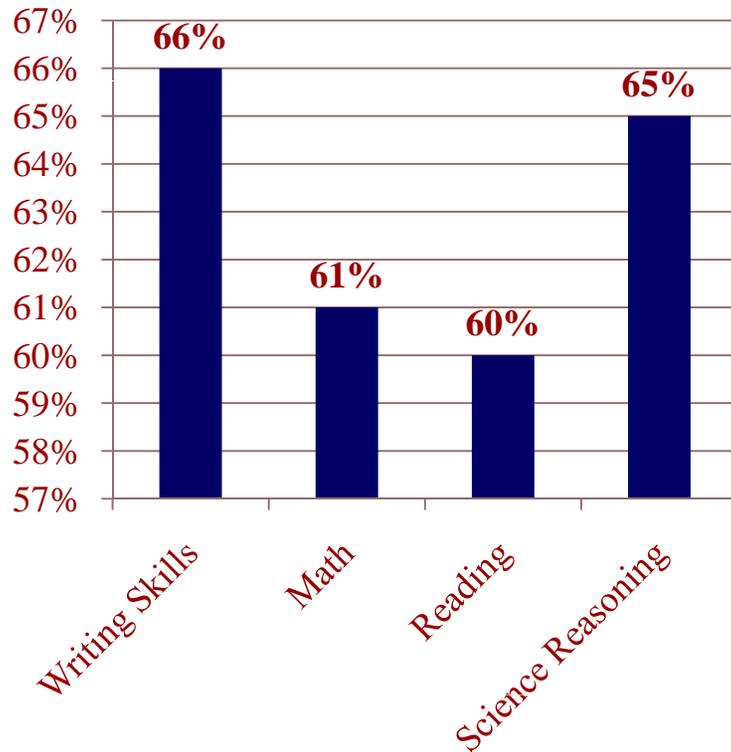
- -3% Requiring Remedial English
- -8% Requiring Remedial Math
- -6% Requiring At Least One Remedial

Gains in Percentage of SD Students Who Are College Ready



Improve Academic Quality: CAAP Examination & Licensure Exams

**CAAP Examination: % of SD
Students Performing
Above the National Mean**



Licensure Examinations

- **100% Pass Rate**

	<u>Nat'l Pass Rate</u>
• Audiology	n/a
• Clinical Psychology	n/a
• Dental Hygiene	97%
• Occupational Therapy	75%
• Pharmacy	98%
• Physical Therapy	89%
• Physician Assistant	94%
• Speech/Language Pathology	n/a
- **Above National Pass Rate**

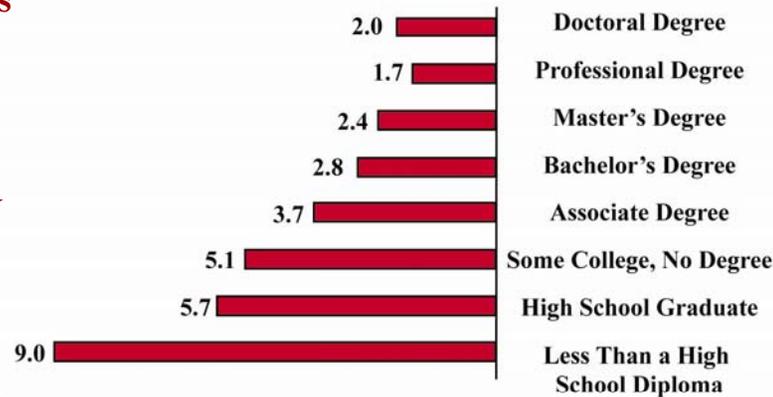
• Medicine-98%	96%
• Nursing-93%	87%
• Respiratory Care-90%	79%
• Teacher Preparation-99%	n/a

Education Pays Dividends

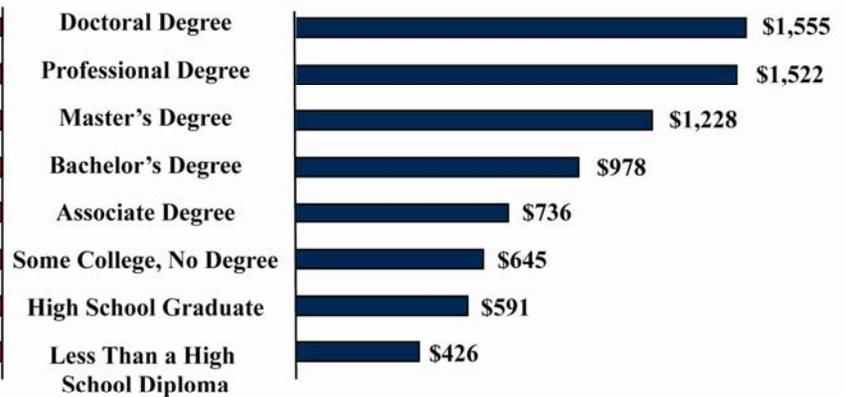
U.S. Bureau of Labor Statistics data show increasing levels of education pay off in higher earnings and lower unemployment rates.

In this recession, the results are even more dramatic.

Unemployment Rate in 2008



Median Weekly Earnings in 2008



Educational Attainment	Unemployment Rate – Dec. 2009 (Seasonally Adjusted)
Less than a high school diploma	15.3%
High school graduates, no college	10.5%
Some college or associate degree	9.0%
Bachelor's degree or higher	5.0%

Committee Questions

1. What analysis is utilized in deciding to seek new programs in the face of budgetary shortfalls at the state level?

Factors Essential to New Program Approval

- Demonstrated student demand.
- Quality of the proposal.
- Demonstrated workforce need.
- Program cost and revenue generation projections.
- Relationship to institutional mission and priorities.
- Necessary vs. unnecessary program duplication.

Committee Questions

2. We understand the Board of Regents is reviewing under-utilized programs. What is the status of this review?

Under-Enrolled Program Review

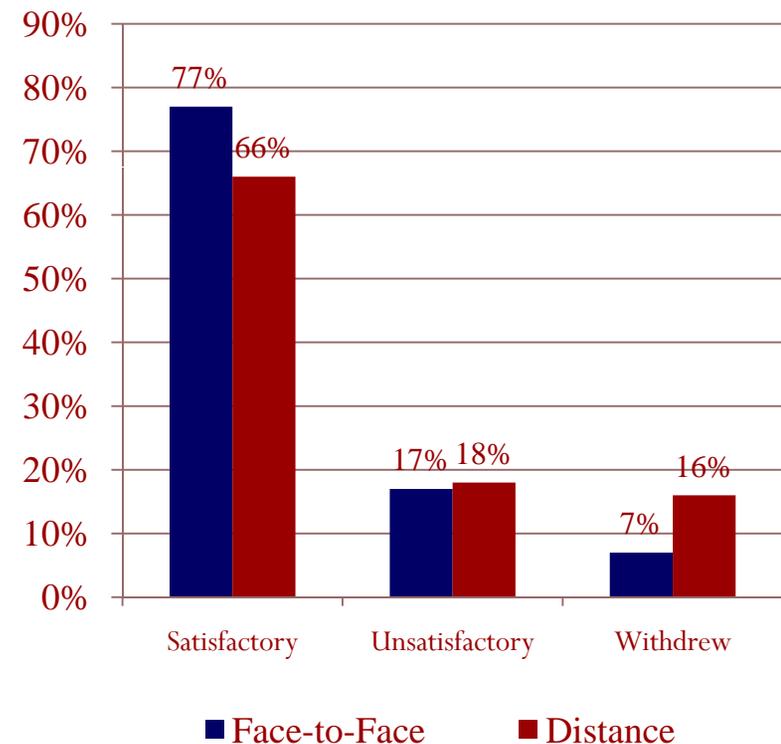
- October 2009: Board mandates review of all associate and baccalaureate programs graduating 5 or fewer students per year and all graduate programs graduating 3 or fewer per year.
- Faculty and academic administrators are conducting the review of identified programs. Common evaluation criteria are used. For example, is the program central to the mission of the institution? Is there demand for graduates, especially within SD? Is it a unique program?
- Using criteria, each program will be assigned to a category, with rationale/justification provided:
 - Retain because of critical need;
 - Retain with further review required;
 - Consolidate with another program on campus;
 - Consolidate with another program(s) within the system;
 - Terminate. (*Program will be phased out by suspending initial enrollment.*)
- Initial recommendations will be considered at the March meeting.

Committee Questions

3. What is the percentage completion rate of online lessons? What are the Board's future plans in this regard?

Student Success in Distance Courses

- **Equivalent Distance & Face-to-Face Course**
 - 12 Most Popular Courses
 - Satisfactory = A, B, C, S
 - Unsatisfactory = D, F, U
 - Withdrew/Incompletes
- **Future Plans**
 - Improve orientation materials
 - Reinforce unique aspects of the online learning environment
 - Offer introductory online learning course



Committee Questions

4. We are interested in the percentage of Opportunity Scholarship recipients who remain in South Dakota upon completion of their studies. Please review the status and preliminary results of the ongoing effort to determine this statistic.

South Dakota Opportunity Scholarship – Retaining Talent

- **Graduation Survey – 56% Response Rate**

- 68% employed or enrolled in graduate education in South Dakota.

- **Employment**

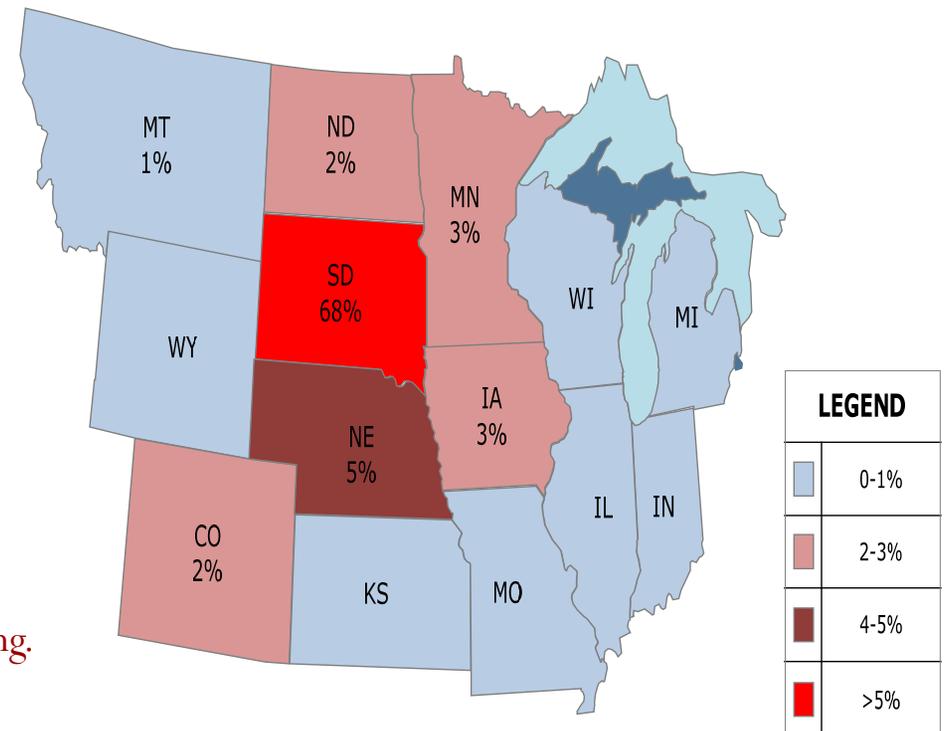
- 71% of those employed are employed in South Dakota.

- **Graduate Education**

- 66% pursuing graduate work in South Dakota.

- Future reports are planned, using wage record matching.

Regional Placement of SDOS Graduates Employed or Enrolled in Graduate Programs



Overview of FY11 Budget Request

Monte Kramer, System Vice President for Administration

FY11 Request & Recommended

FY11 General Funds	Request		Recommended	
	\$	FTE	\$	FTE
Utilities	\$628,293		(\$12,912)	
HEFF Match	\$1,770,906		\$0	
REED Base Budget Support	\$208,808		\$106,241	
Financial Support Staff	\$359,274	6.0	\$0	0.0
Quality Library Initiative	\$500,000		\$0	
USD Master of Social Work	\$237,249	4.8	\$0	0.0
System Ph.D. in Physics	\$2,396,619	26.5	\$970,000	17.0
Research Ed Coordinator	\$146,502	1.0	\$0	0.0
BHSU Science Ed Academy	\$199,868	2.0	\$0	0.0
SDSM&T Inst. for Prof Ed	\$203,428	2.0	\$0	0.0
Lease Adjustments	(\$2,708)		(\$2,708)	
Health Insurance Increase	\$0		\$705,297	
ARRA Funds Replacement	\$0		\$109,427	
Performance Pool	\$0		(\$500,000)	
Subtotal	\$6,648,239	42.3	\$1,375,345	17.0
Opportunity Scholarship	\$2,011,385		\$1,995,510	
Total	\$8,659,624	42.3	\$3,370,855	17.0

Utility Budgets and Expenses

Utility Budgets and Expenses

	<u>Budget</u>	<u>Estimated</u>	<u>Short/Long</u>
FY11**	\$8,409,585	\$9,050,790	(\$641,205)
FY10**	\$7,728,026	\$8,685,774	(\$957,748)
		<u>Actual</u>	
FY09	\$7,269,780	\$8,363,184	(\$1,093,404)
FY08	\$6,967,677	\$7,526,207	(\$558,530)
FY07	\$4,925,514	\$7,157,878	(\$2,232,364)
FY06	\$4,074,905	\$6,947,799	(\$2,872,894)
FY05	\$3,427,576	\$5,490,107	(\$2,062,531)
FY04	\$3,427,576	\$4,861,339	(\$1,433,763)
FY03	\$3,427,576	\$4,553,594	(\$1,126,018)
FY02	\$3,427,576	\$3,985,273	<u>(\$557,697)</u>
			(\$13,536,154)

** Reflects proposed cut to FY10 budget of \$694,471 and cut to FY11 of \$12,912

Utility Budget—Apply System Savings

- SB 49 cuts \$694,471 from the system's FY10 utility budget.
- Energy costs are down, but even with the energy cost reductions, projections show we will be short \$263,277 in FY10.
- With the cut, our shortfall will be \$957,748.
- Savings should be applied to ongoing deficit the system has covered since FY02.
- System has identified FY10 savings at SDSD of \$677,836 that we will request be realigned to cover utilities.
- The \$677,836 could be reallocated in FY11 to cover a major portion of the FY12 request of \$811,919 for the second year of the Physics Ph.D. program—leaving a balance of only \$134,083.

Accounting for FTE Changes over Time

FY03 Utilized FTE and Budgeted FY11 FTE

FY03 Utilized			4,894.9
FY11 Recommended Budget			<u>5,600.8</u>
Change			705.9
Accounting for Change FY03 to FY11			
		<u>FY03</u>	<u>FY11</u>
General Funds:			<u>Change</u>
		2,416.8	2,506.3
			89.5
NSU E-Learning	21.4		
Computer Security Position	1.0		
Office of Medical Education	4.0		
Nursing Expansion	27.6		
Teacher Ed Assessment	1.5		
Research Infrastructure	2.0		
Ph.D. Programs & Grad Assistants	59.0		
Ph.D. in Physics	17.0		
FY10 Cut of \$1,969,999 (Estimate)	<u>(44.0)</u>		
	89.5		
Grants and Contracts		533.8	759.8
			226.0
Federal Appropriated		108.6	112.9
			4.3
Tuition and Fees		1,021.1	1,385.1
			364.0
Room & Board		220.0	181.9
			(38.1)
Auxiliary Enterprise and Sales and Service		<u>594.6</u>	<u>599.0</u>
			4.4
		4,894.9	5,545.0
			650.1
FTE Cushion is 1.0% of Total Projected			<u>55.8</u>
FY03 to FY11 Change			705.9

FTE “Takeaways”

- FTE growth in general funds is limited by appropriations—we cannot grow without money.
- Federal and other grants FTE growth is all about jobs—added FTE means added jobs at no cost to state coffers.
- Growth in enrollments must be met with faculty, support, and service FTE.
- **Only 44% of public university system positions and salaries are paid by general funds.**
- 85% of FTE growth is related to grants and contracts, or supported by student enrollment growth.