

87<sup>th</sup> Legislative Session – 2012

Committee: Joint Appropriations

Tuesday, January 31, 2012

P - Present  
E - Excused  
A - Absent

Roll Call

P Wismer  
P Dennert  
P Sutton  
P White  
P Dryden  
P Bolin  
P Romkema  
P Deelstra  
P Peters  
P Novstrup (Al)  
P Heineman  
P Haverly  
P Juhnke  
P Putnam  
P Carson  
P Tidemann  
P Wink, Vice-Chair  
P Brown, Chair

OTHERS PRESENT: See Original Minutes

The meeting was called to order by Chairman Corey Brown.

**Board of Regents**

**Dr. Jack Warner**, Executive Director and CEO of the Board of Regents (BOR), introduced the board members present at the meeting – Dr. Kathryn Johnson, Mr. Randy Scheafer, and Dr. James Hansen.

For FY2013, the Governor recommends a budget of \$798,198,077; comprised of \$167,362,324 in general funds, \$223,729,774 in federal fund expenditure authority, and \$407,105,979 in other fund expenditure authority; and 5,039.4 FTEs. This request is a total increase of \$15,520,126 – made up of an increase of \$16,613,536 (11.0%) general funds, a decrease of \$19,238,571 (7.9%) federal funds, and an increase of \$18,145,161 in other fund expenditure authority – from the FY2012 budget. The recommendation also includes an increase of 27.0 FTEs from the FY2012 budget.

**Dr. Kathryn Johnson**, President of the Board of Regents, distributed a PowerPoint presentation summarizing the agency's FY2013 budget request. (**Document #1**) She stated that the BOR priorities are to enroll and graduate more citizens, to attract new residents to the state, to leverage university-based research and development, and to grow graduate programs.

According to the U.S. Bureau of Labor statistics, increased levels of education results in higher earning and lower unemployment rates. A higher education also serves the local community, state and nation in that it:

- Attracts and retains high-tech business and industry;
- Lowers unemployment rates;
- Lowers health costs;
- Improves voter participation and civic engagement;
- Results in better education for children; and
- Raises aggregate earning and income potential.

A near record number of students are being served by South Dakota public universities; at the same time, the K-12 enrollments have declined and leveled. Based on the trend, the BOR is expecting an increase in the number of high school graduates and postsecondary enrollment during the 2017-2018 school year.

Dr. Johnson said that the national average student loan debt has exceeded the average credit card debt of the nation as a whole. The average student loan debt in 2011 was \$25,250 nationally and \$24,986 in South Dakota. Although South Dakota remains lower than many of the surrounding states for total undergraduate resident tuition and fee cost, the BOR is working to ensure higher education remains affordable for all citizens. Last year, the BOR reduced the number of credit hours needed to graduate for most majors to 120 credits.

Since FY2004, the state has experienced no growth in state funded FTEs, but at the same time, the student headcount is up 6,259 (21%). The declining state support increases student tuition and fees. In FY2001, state support was 57% and student support was 43%. That has changed to 61% student support and 39% state support in FY2012. This has occurred for many reasons. Some include:

- 15.6% cut in general fund support over three years is equal to a \$27.8 million cut to the higher education's budget;
- No new state dollars since FY1998 to fund state support enrollment growth of 869 students equals a shortfall of \$3.1 million;
- \$18 million shortfall in state funding of utility costs; and
- No inflationary dollars on base operating expenses equals a \$3 million loss in purchasing power since 1998.

Dr. Johnson noted that a 3% salary policy increase for BOR employees would result in a 4.2% - 4.5% tuition increase for students. She also noted that a one-time payment bonus for employees would require a match of funds by the universities.

The BOR FY2012 budget consists primarily of \$150,748,788 (19%) general funds, \$189,958,731 (24%) from tuition and fees, \$233,674,572 (30%) federal restricted, and \$218,919,284 (27%) from all types of other funds. Dr. Johnson noted that FY2012 is the last year of the federal ARRA funds.

To meet the goal in producing more college graduates, the BOR has implemented policy changes. Some are:

- Reduced the credit hour requirement for most bachelor and associate degrees (from 128 to 120 for bachelor degrees and from 64 to 60 for associate degrees);
- Redesign of remedial coursework;
- New general studies degree for "ready adult" learners;
- Beefed-up articulation agreements with technical institutes; and
- College readiness initiatives with the Department of Education.

**Representative Dean Wink** asked about the percentage of students required to take remedial coursework. Dr. Johnson stated that about 28% of students need remedial coursework. The number of students in remedial courses has decreased because of increased high school graduation standards. The entrance levels based on ACT exams have been constant, but some schools have increased the admission standard.

Slide 16 of Document #1 shows a snapshot of where high school graduates go after high school. There are 33% attending the state public regental system, 14% attending the state technical institutes, 9% attending private/for-profit institutions, 17% attend out-of-state institutions, and 28% did not continue with postsecondary education. Dr. Johnson noted that included in the 28% that do not attend postsecondary education are the students that are in the military.

In response to **Senator Jeffrey Haverly's** question, Dr. Warner stated that the BOR can account for 83% of students in the state public regental system either graduate or are still working on

completing a degree after six years. He noted that a typical student usually attends three different universities before graduating from college.

Senator Phyllis Heinemann asked what the BOR is doing to address the 28% that do not attend postsecondary education. Dr. Johnson responded that the BOR created a website ([www.selectdakota.org](http://www.selectdakota.org)) that features all the state public universities and technical institutes. The website provides information for students to create a clear path for approaching postsecondary education.

Senator Havelry requested the BOR to track the successes of the university centers for both traditional and nontraditional student by center.

Slide 17 of Document #1 shows a breakdown of the 2010-2011 undergraduate degrees awarded at South Dakota public universities based on workforce segments. There were 940 health professionals, 890 STEM (science, technology, engineering, and mathematics) disciplines, 615 business, and 573 in education. Dr. Johnson stated that the public universities are producing graduates that meet the state needs.

With the assistance of the Department of Labor and Regulation, the BOR performed an accurate assessment of where graduates are employed. Currently, 70% of South Dakota resident students remain in the state after college graduation to work or pursue additional education. About 30% of out-of-state students remain in South Dakota after graduation. Dr. Johnson noted that the figures are conservative because the military is not included in the assessment.

Senator Billie Sutton asked if the plans by the BOR to retain more graduates align with the Governor's workforce initiative. Dr. Johnson replied that the areas of job shortages the Governor outlined aligns with the degrees that the BOR is producing. However, more graduates are needed. One key way to keep graduates in the state is to provide jobs.

Dr. Johnson stated that another measure of performance success is the low student loan default rate in South Dakota. The state ranks 10<sup>th</sup> in the nation for students from all South Dakota institutions and 4<sup>th</sup> in the nation for state public universities for repayment. From 2006-2009, the postsecondary loan default rate for the regental system ranged from 1.81% to 4.0%. Dr. Warner commented that South Dakota public university graduates are paying their student loan debt because they can afford to.

A state investment of \$176 million to public universities in South Dakota generates about \$1.97 billion a year in long-run annual economic impact to the state. The public universities directly support 5,326 jobs in South Dakota.

The record levels of university research leads to a more robust state economy. The state research awards have increased from \$33,187,272 in FY2000 to \$134,893,278 in FY2011. There was a

255% increase in research expenditures from FY2000 to FY2011 with expenditures increasing from \$33.8 million to \$120.1 million. The awards peaked in FY2010. Dr. Johnson stated that without a salary policy the last three years, the BOR lost 8 productive research faculty members with federal research grants. Therefore, FY2012 could show another year of decline.

In response to Representative Susan Wismer's questions, Dr. Johnson said that there are two types of state investment. They are two major parts to the research agenda: (1) those that were started and sustained under the 2010 research centers; and (2) the rest of the university research. In the research center area, the state has invested \$24.6 million since 2004. The \$179 million is actual money that have been garnered from the state in terms of research awards. The other state investment is the funding of several new Ph.D. programs with new money. There were 4 that BOR received new money and remain in the base budget.

The South Dakota Experimental Program to Stimulate Competitive Research (EPSCoR) Program is one of 20 in the nation that is eligible for the federal funding. The state first received the award in 1989. The state provides a \$600,000 match that has historically been used to leverage a 25:1 return. Dr. Johnson noted that the rule is that the match is supposed to be 1-1. The EPSCoR program is up for rebid in FY2014 and with the rules the program will need to show a sharper focus and a link between the EPSCoR and the request to divide funds to private schools, technical institutes, and tribal schools. She stated that there is discussion that the state might need to increase the match amount.

Since 2004, eleven research centers have been established. There are five in the third year of funding, five that have graduated, and one that was terminated early. From these research centers, there have been spinoff companies, licenses, and other encouraging signs that outcomes will be transferred to the industry and businesses in the future.

Dr. Johnson stated that the U.S. Department of Energy will be funding the Sanford Deep Underground Science and Engineering Laboratory (DUSEL). The National Science Foundation (NSF) will fund the two large experiments – LUX and Majorana projects. She noted that South Dakota is lacking a physics PhD program, which is needed for more state researchers to become involved and conduct research at DUSEL.

In response to Senator Sutton's questions, Dr. Johnson stated that of the 8 researchers that left the regental system, 5 went to industry, 2 moved to another university, and one retired. Seven of the researchers could have left for compensation issues.

Senator Al Novstrup asked about the three year salary freeze. Dr. Warner responded that BOR always experiences turnover and retirement, but in the last two years, some of the more promising faculty members became impatient with the inability to receive raises and looked elsewhere for higher paying employment. During South Dakota's three year salary freeze, other

states have granted raises that went into the employee's base salary. However, most of those states also implemented furloughs.

Senator Brown requested a report on turnover in the state public university system.

Dr. Warner informed the committee that one of the top FY2013 budget concern is a salary policy increase for all state employees. The BOR supports the Governor's FY2013 budget recommendation for a 3% salary policy increase and a 5% one-time bonus payment in FY2012. To fund the one-time bonus, against a total obligation of \$12.5 million, the BOR will receive \$5.1 million from the state, the BOR would need to find about \$1.1 million in federal grants, and \$6.1 million in other revenue sources. Although this will be difficult to fund, the BOR is committed to providing the one-time bonus.

Three years ago, the BOR had a budget cut of \$3.7 million and only 19% of that was backfilled with tuition and fee increase. The remainder was a cut to the operating budget. In FY2011, the BOR raised tuition and fees by 4.6% and backfilled 38% of the total \$6.5 million budgets that year. In FY2012, the 6.9% tuition and fee increase backfilled 52% of the total base cut of \$17.5 million. In total, the BOR was able to backfill 44% of the budget cuts they system absorbed by increasing tuition and fees.

Dr. Warner stated that finding \$6.1 million in other revenue sources to fund the 5% one-time bonus will present significant challenges. The BOR has submitted a specific plan as to how the money would be found, but it does take opportunities away from enhancing programs and services for the students.

Dr. Warner said that the other BOR FY2013 budget concerns include:

- \$1,202,709 needed to educate and train more physicians and physician assistants;
- \$10,623,423 to replace federal stimulus dollars;
- \$83,774 to support the E-Learning at Northern State University (NSU); and
- \$5,922,158 in one-time funding for initiatives important to South Dakota's economy.

The Governor recommends one-time investments for FY2013. They include:

- Match universities contribution to a Performance Fund pool - \$3 million;
- Foster research growth - \$2 million;
- Fund student success initiatives by redefining the degree audit tool and piloting new student remediation programs - \$805,932; and
- Support advance placement course delivery at NSU's Center for Statewide E-Learning - \$116,226.

Dr. Warner explained that the Legislature approved \$1.5 million in one-time investments in FY2012 for student success and research initiatives. They included:

- Purchasing statewide early-alert system that targets students most in need of academic support and gets them the help they need - \$380,000;
- Funded research projects at all six public universities - \$920,000; and
- Supported course delivery to state school districts from the NSU Center for Statewide E-Learning - \$200,000.

In response to Senator J.E. “Jim” Putnam’s question about the 30% increase in medical students, Dr. Warner stated that the federal government told BOR that there are not enough medical professionals to meet the national increase of the aging population of the baby-boomer generation.

Dr. Warner said that the BOR institutional facilities are valued at more than \$1.7 billion. Most of this is supported by student tuition dollars. A state appropriation of \$32 million allowed the BOR to upgrade and renovate the science laboratories. The residential facilities, student unions, and wellness facilities are supported by student fees and BOR flows revenue bonds to enhance those funds.

For FY2013, the BOR is proposing another 10 year capitol plan (HB1051). This would invest \$200 million against a total valued infrastructure of \$1.2 billion. Dr. Warner informed the committee that due to increased enrollment, there is a need for increased space for professors and researchers to conduct their work. The proposed plan addresses \$28.6 million in infrastructure needs and \$76.4 million in construction and renovation needs. The institutions are required to raise \$99.5 million in federal, private, or other monies for the renovations to occur. The bill includes 172,000 square feet of renovated space, 176,000 square feet (net increase) of new academic space, and 252,000 square feet of new research space.

In response to Senator Larry Tidemann’s question, Dr. Warner said that the additional space for research will be developed at South Dakota School of Mines and Technology (SDSMT), South Dakota State University (SDSU), and the University of South Dakota (USD).

Senator Putnam requested information on the HEFF Fund including the cash flow and bond payment.

In response to Representative Fred Romkema’s question, Dr. Warner said that the BOR will provide the amount of general funds from the HEFF Fund distributed to each university.

Dr. Johnson stated, in response to Representative Wismer’s question, that the HEFF Fund distribution method was changed so that the tuition will be returned to the campus in the amount they generated proportionality.

Dr. Warner told the committee that there are three bills submitted this legislative session for facility authorization at SDSU. They are:

- Senate Bill 45 – extends the availability of appropriations to replace storage facilities at SDSU’s Cottonwood Agricultural Experiment Station (increase appropriation from \$200,000 to \$450,000);
- Senate Bill 46 – purchase of airport structure for use by SDSU aviation instruction program (\$1,100,000);
- Senate Bill 47 – Increases authorized square footage for motor pool building at SDSU (increase from \$234,300 to \$304,300).

Distributed was a document outlining each university’s FY2012 funding, current enrollment, highlights, and areas that will be changed in FY2013 (**Document #2**)

### **South Dakota State University**

For FY2013, the Governor recommends a budget of \$253,289,956 and 1,617.7 FTEs; which is an increase of \$4,667,759 (13.6%) in general funds, an increase of \$480,006 (0.7%) in federal fund expenditure authority, and an increase of \$2,135,112 (1.4%) in other fund expenditure authority from the FY2012 budget.

**Dr. David Chicoine**, President of South Dakota State University (SDSU), said that during FY2012, SDSU had an enrollment of 12,725 with 1,362 graduate students and 325 Ph.D. students. Currently, 65% of the students are South Dakota residents and 53% are female. There are 670 faculty members in 7 colleges and 34 academic departments.

In response to Representative Wink’s question, Dr. Chicoine stated that online courses have increased 87% since 2006. Currently, SDSU has students taking 30,718 online credit hours.

The FY2012 operating revenues included \$246,007,080 from the university, \$37,807,116 from the Agricultural Experiment Station, and \$15,507,914 from the Cooperative Extension Service for a total of \$299,322,110.

Dr. Chicoine stated that resident tuition and fees for 32 credit hours is \$7,346, which is a 28% increase over 2008. The 2012 HEFF program plan involves \$12 million for infrastructure maintenance and repair (M&R) and \$32.4 million for 5 key projects.

In 2011, SDSU received \$67.1 million in grant and contract awards from eight federal agencies and other sources, which is a 74% increase since FY2008. There is \$72.4 million expended for research, which is a 52% increase since FY2008. There have been 144 research-derived invention disclosures over the last four years – 82% of all BOR disclosures. There were four start-ups based on SDSU intellectual property in FY2011.

Agricultural Experiment Station

For FY2013, the Governor recommends a budget of \$38,546,534 and 276.5 FTEs; which is an increase of \$322,896 (3.5%) in general funds, an increase of \$253,769 (1.6%) in federal fund expenditure authority, and an increase of \$162,753 (1.3%) in other fund expenditure authority from the FY2012 budget.

**Dr. Barry Dunn**, Dean of the Agricultural Experiment Station (EAS) and Director of the Cooperative Extension Services (CES), said that 40% of the state economy and over 40% of the state workforce is related to agriculture. There will be significant growth in the agricultural industry in the next decade.

The AES has the potential to have a substantial impact on the local, national, and global economy by providing a backbone for progressive agriculture and bioscience industries. There is a huge opportunity to bolster South Dakota's economy through associated and direct revenues. As populations increase worldwide, the demand for South Dakota material and intellectual agricultural and bioscience will grow. The return on investment ranges from 15:1 to 25:1 for state resources. Therefore a \$10 million state investment in AES can return \$150 million to \$250 million back to the state's economy.

Dr. Dunn said that as the ag industry grows, there will be a need to feed 10 billion more people in 50 years. The agricultural community will need to produce more food than ever previously done with less land. The state needs to invest in ag research because there will be large payoff in the state's economy in the future.

Senator Putnam asked about the ability of AES to manage the increase growth with the recent budget cuts. Dr. Dunn said that as a result of state and federal budget cuts, two research stations were closed in 2011. Nearly 13,000 square feet of space on campus, formerly used for service labs was repurposed for research. Salary spending was reduced by \$1 million by cutting 73 faculty positions from 12 to 10 month appointments and by eliminating 21.5 FTEs. Looking forward, projected federal cuts for FY2013 and in the future will result in further reduced research and productivity due to additional cutting of positions and research capacity.

Cooperative Extension Services

For FY2013, the Governor recommends a budget of \$15,966,511 and 200.4 FTEs; which is an increase of \$250,506 (3.4%) in general funds, an increase of \$182,429 (2.8%) in federal fund expenditure authority, and an increase of \$25,662 (1.5%) in other fund expenditure authority from the FY2012 budget.

Dr. Dunn informed the committee that state and federal budget cuts in FY2012, combined with state budget reductions in the two previous years, exceeded \$1.2 million. This budget reduction was accomplished by cutting 50 FTEs and creating a new operating plan that is based on regional

Extension centers and an increased emphasis on the use of technology. Today's CES is leaner, learning community-focused, and driven by business plans for each program. Extension programs are now based on state and federal support, combined with appropriate levels of cost recovery from program participants.

A restructuring of CES was implemented in October 21, 2011. Under the plan, eight regional extension offices were created; five program directors, 47 field specialists, and 33 4-H program advisors were hired; and eighteen field specialist positions remain to be filled. The restructuring was accomplished on time and on budget. The total one-time cost was \$936,000, which includes the establishment of the new regional extension centers, supporting technology, and staff relocation.

#### Dakota State University

For FY2013, the Governor recommends a budget of \$33,926,813 and 284.8 FTEs; which is an increase of \$805,138 (10.7%) in general funds, an increase of \$73,329 (1.2%) in federal fund expenditure authority, and an increase of \$316,393 (1.7%) in other fund expenditure authority from the FY2012 budget.

**Dr. Doug Knowlton**, President of Dakota State University (DSU), referred the committee to the university's budget information on page 2 and 3 of Document #2. He said that DSU has a total head count of 3,102 for the fall 2011. There are 36 undergraduate programs, 5 master's programs, and 1 doctor of Science in Information Systems program. Currently, DSU is offering online 19 of the 42 programs, tutoring, and student orientation for distance students.

Dr. Knowlton stated that the need for IT people in the state is increasing. A recent job fair at DSU had 40 companies looking for IT graduates. The health field is a major recruiter of IT graduates because of the recent need for electronic medical records.

Dr. Knowlton updated the committee on the Continuous Quality Improvement (CQI) Initiative that was adopted by DSU last year to address challenges of continuous improvements and the delivery of outstanding and cost-effective higher education. Distributed was a handout entitled "CQI In Action" (**Document #3**).

In response to Representative Wink's question, Dr. Knowlton stated that South Dakota retains 80% - 85% of DSU graduates because of the financial industry and other businesses.

Senator Putnam asked if DSU receives money from the U.S. Homeland Security to develop programs. Dr. Knowlton stated that the National Science Foundation, Department of Homeland Security, and the National Security Agency fund scholarships. DSU also has funds in the 2010 research center for particular research activities. DSU is also designated by the Homeland Security and the National Security Agency as a Center of Excellence in Information Security.

**Northern State University**

For FY2013, the Governor recommends a budget of \$36,429,351 and 336.5 FTEs; which is an increase of \$1,108,436 (10.7%) in general funds, an increase of \$36,230 (0.8%) in federal fund expenditure authority, and an increase of \$344,668 (1.7%) in other fund expenditure authority from the FY2012 budget.

**Mr. Jim Smith**, President of Northern State University (NSU), stated that the headcount at NSU increased from 3,296 in 2010 to 3,580 in 2011. The online course enrollment has increased from 152 in 2007 to 1,356 in 2011. There are 485 students receiving the WolfPACT scholarship with private contributions totaling \$750,000 in 2011 for the program.

The residence halls are now at 103% of capacity. To address the increased need, NSU is converting day rooms into residence rooms. Other renovation projects include:

- Lincoln and Graham Hall Project - \$3 million to upgrade mechanical and electrical systems and add central air conditioning;
- Barnett Center Addition - \$3.2 million to develop two-story, 24,000 square foot addition; and
- NSU Student Center Renovation - \$6 million to expand dining options and create additional space for student activities.

The Statewide Center for E-Learning delivered courses to 107 school districts in 2011, with 1,094 students currently enrolled. Mr. Smith noted that without the courses provided with this program, some students would not qualify for the South Dakota Opportunity Scholarship.

Distributed to the committee was a letter from Representative David Sigdestad concerning the possibility of offering Mandarin Chinese through the Statewide Center for E-Learning. Mr. Smith stated that \$83,200 would be needed to fund the program. Without the additional funding appropriated, NSU is not able to offer the program.

Mr. Smith stated, in response to Senator Heineman's question, that NSU tries to provide classes through the Statewide Center for E-Learning to all districts regardless of size. With the recent budget cuts, NSU was mindful of the mission to provide the classes to smaller school districts. But there are larger districts that it is more cost effective to offer a class via E-learning than have an actual class due to the class size. He noted that the program is offered to school districts at no cost.

**Black Hills State University**

For FY2013, the Governor recommends a budget of \$50,043,698 and 410.5 FTEs; which is an increase of \$790,402 (12.2%) in general funds, an increase of \$122,460 (1.4%) in federal fund expenditure authority, and an increase of \$586,273 (1.8%) in other fund expenditure authority from the FY2012 budget.

**Dr. Kay Schallenkamp**, President of Black Hills State University (BHSU), said that there are 4,415 students enrolled in 2011 with a 10% enrollment growth over the past 5 years. Students at BHSU are comprised of 5% American Indian students, 35% adult learners, 3% Hispanic students, and 9% military.

There are 72 fields of study including five master's degree programs. Nearly 60% of graduates in May 2010 had transferred to BHSU. The number of STEM (science, technology, engineering, and mathematics) graduates has increased by 141% over the last three years.

BHSU received the 2011 Christa McAuliffe Award for excellence in teacher education. The national award was earned for the PRIME (Promoting Reflective Inquiry in Mathematics in Education) program, which is a partnership program with the Rapid City School District and TIE.

In response to Representative Wismer's questions, Dr. Schallenkamp stated that the three years of no salary policy was a significant reason for the turnover of many young faculty members. BHSU lost two faculty members from the college of business, several members from the English department, and a couple faculty members from the science department.

#### University Center – Rapid City

Dr. Schallenkamp said that the purpose of the University Center is to meet the educational needs of working adults. Students enrolled are primarily working fulltime and supporting their families. For 2011, students are enrolled in 10,086 self support credit hours.

#### South Dakota School of Mines and Technology

For FY2013, the Governor recommends a budget of \$128,595,085 and 383.8 FTEs; which is an increase of \$1,567,969 (12.6%) in general funds, an increase of \$629,861 (0.8%) in federal fund expenditure authority, and an increase of \$9,965,805 (35.5%) in other fund expenditure authority from the FY2012 budget.

**Dr. Duane Hrcir**, Provost/Vice President of Academic Affairs for South Dakota School of Mines and Technology (SDSMT), said that there are 2,311 students enrolled comprised of 26% female and 74% male. There are 16 undergraduate programs, 14 master's programs, and 7 Ph.D. programs.

Dr. Hrcir noted that over 90% of the students at SDSMT participate in internships, co-ops, or undergraduate research. The placement rate is 95% with the average starting salary being \$56,723.

Senator Brown requested a breakdown of the 95% placement rate for students that remain in South Dakota after graduation.

In response to Senator Heineman's question, Dr. Hrcir state that about 30% of the students take college algebra. However, it does not help the students get their degree.

Dr. Hrcir stated that the research award declined in 2011 because of the National Science Foundation and federal decision to address earmarks. That was a \$21 million loss to the university.

Twenty-four companies have started from technology created on campus by faculty, students, or alumni. Of the 24, 20 are located in South Dakota.

Senator Sutton asked about faculty turnover. Dr. Hrcir stated that of the eight research faculty members and grants that were lost, three of them were from SDSMT. One accepted a position with the State of Texas due to the salary. Two left for industry and had larger grants. A salary policy increase is needed to be competitive in recruiting and retaining new faculty.

#### University of South Dakota

For FY2013, the Governor recommends a budget of \$122,001,242 and 1,026.2 FTEs; which is an increase of \$3,406,327 (12.6%) in general funds, an increase of \$267,355 (1.4%) in federal fund expenditure authority, and an increase of \$1,119,821 (1.6%) in other fund expenditure authority from the FY2012 budget.

**Dr. Jim Abbott**, President of the University of South Dakota (USD), said that the university continues to recruit and graduate a better prepared and more diverse student body. The retention rate increase from about 72% last year to about 78% in 2011. There were 136 students in the honors program in the fall 2011.

USD is one of 14 universities to receive a grant from the Bush Foundation. The grants were awarded for the purpose of redesigning teacher education programs. USD will received \$4 million over a six year period to support its redesign efforts

Dr. Abbott said that USD realized all-time record high grant productivity in FY2011, both in the number of grants and in the total dollars awarded. Despite decline in federal support, research funding has increased in recent years. Areas of accomplishment include:

- Highly purified materials for detectors;
- Materials for renewable energy;
- Materials for human health; and
- Molecular basis of disease.

#### University of South Dakota School of Medicine

For FY2013, the Governor recommends a budget of \$56,788,838 and 356.6 FTEs; which is an increase of \$3,293,715 (21.4%) in general funds, an increase of \$255,710 (1.4%) in federal fund

expenditure authority, and an increase of \$336,037 (1.8%) in other fund expenditure authority from the FY2012 budget.

**Dr. Rodney R. Parry MD**, Sanford School of Medicine, told the committee that the population is aging for both South Dakota and the United States. Because of technological advancements and new expectations, older and younger patients are treated more successfully. To address this issue, the medical school will be expanding two programs.

Dr. Parry explained that the medical school student enrollment number will increase by four seats. This expansion will cost \$1,070,011 and 5.8 FTEs. Select third-year medical students will live and train for nine months in rural communities under the supervision of family physician preceptors. Preceptors will mentor students in the professional and personal aspects of being a physician. Students will learn clinical medicine in a rural community setting. These students will experience the full spectrum of rural medicine care as they follow patients and their families through a disease process or pregnancy. Students will see patients in clinics, hospitals, emergency rooms, nursing homes, hospice, at home, and in the community. The rural track will give students a strong foundation in clinical and communication skills and a confident professional approach. Students will develop trusting and respectful relationships with physicians, clinics, and hospital staff patients. The length of the experience will allow students to become more involved in the business of providing health care services as well as in community health education.

The other program that will be expanded is for physician assistants. The physician assistant program currently accepts 20 students annually (10 South Dakota residents and 10 non-residents). Approximately 53% of the graduates, mostly South Dakota residents, stay in South Dakota. The goal of the expansion request is to increase the number and percentage of graduates who stay in South Dakota. This request will increase the total number of physician assistant students per class to 25 (20 South Dakota residents and 5 non-residents) and increase the number of physician assistants who will stay and practice in South Dakota. This will cost \$132,698.

Dr. Parry stated that the medical program is under review by the accrediting body. The review two years ago raised some concerns due to budgeting. Representative Wismer requested the letter of concern from the accrediting agency.

Representative Bolin asked about the barriers to get physicians to practice in rural areas. Dr. Parry stated there is a financial issue that most physicians in rural areas have lower pay and the average cost of medical school is about \$150,000. In addition to that, many physicians are married to a person in the medical field, and it is often difficult to find two medical positions in a rural area.

### **South Dakota School for the Deaf**

For FY2013, the Governor recommends a budget of \$3,259,260 and 21.5 FTEs; which is an increase of \$41,457 (1.6%) in general funds, an increase of \$2,071 (1.5%) in federal fund expenditure authority, and a decrease of 15.4 FTEs (41.7%) from the FY2012 budget.

**Dr. Marjorie Kaiser**, Superintendent of the South Dakota School for the Blind and Visually Impaired (SDSBVI) and South Dakota School for the Deaf (SDSD), informed the committee that the SDSBVI and SDSD share administrative functions of the superintendent, business manager, human resources, and payroll.

In collaboration with Augustana College, Communication Services for the Deaf, and Parent Connection, several new activities were initiated including a beginning sign language class for families, a preschool group, a teen group, and family language learning day. The summer program for deaf children in Sioux Falls moved to the SDSD campus.

In response to Representative Wink's question, Ms. Kaiser stated that the sign language class for families is held in the evenings for parents to learn sign language and expand communication with their children. The class met for about 8-10 weeks in the fall and will continue soon for the rest of the 2011-2012 school year.

#### **South Dakota School for the Blind and Visually Impaired**

For FY2013, the Governor recommends a budget of \$3,241,899 and 52.6 FTEs; which is an increase of \$72,476 (2.9%) in general funds and an increase of \$8,391 (2.7%) in federal fund expenditure authority from the FY2012 budget. The only FY2013 budget change is for the Governor's proposed salary policy.

In Aberdeen, family activities are regularly scheduled to provide opportunities to expand parent's knowledge of vision loss and learn ways to implement the Expanded Core Curriculum (blindness skills) at home. A Family Learning Day brought parents from a wide geographic area to the campus.

Major studies have been conducted recently at both schools to determine the best way to deliver education services to students with sensory impairments in the state. Currently, the schools are involved in needs assessment to determine gaps in the service delivery system for children with hearing or vision loss. The information gained will help determine which programs and services should be addressed by SDSD and SDSBVI in the strategic plan, which will be completed in the 2012-2013 school year. Ms Kaiser stated that the schools will do as much of the planning as possible with the available resources, but if additional personnel is required to implement the initiatives, the needs will be brought to the appropriations committee later.

#### **BOR Follow-up**

Senator Peters asked Dr. Warner how the Salary Competitiveness Fee aligns with the Governor's proposed salary policy.

In response to Representative Wismer's question, Dr. Warner stated that through the annual review process, 44 majors/degree programs, 15 minors, and 160 concentrations have been phased out due to low participation (less than 20 graduates in the program over 4 years). This review process will be continued annually.

Additional documents distributed to the committee:

- "South Dakota University System and Special Schools Funding a 5% One-Time Payment in FY2012" (**Document #5**); and
- "South Dakota Board of Regents Fiscal Year 2013 Budget Request" (**Document #6**).

MOTION:     ADJOURN

Moved by:     Peters  
Second by:    Carson  
Action:        Prevailed by voice vote.

Lisa Shafer  
Committee Secretary

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Corey Brown, Chair