



South Dakota Board of Regents

Fiscal Year 2015 Budget Hearing
Joint Appropriations Committee
February 4-5, 2014

Stewardship of Public Higher Education in South Dakota

South Dakota Board of Regents - 2014

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- **Bob Sutton, Pierre**

Jack Warner, Executive Director and CEO

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Our challenge... our vision

- Dean M. Krogman, President

What is our challenge?

- Deliver a Career-Ready, Job-Ready Workforce
- Strengthen Economic Development through Research
- Keep Higher Education Accessible, Affordable

Our Vision: Public Higher Education is Vital to South Dakota's Success

- All of this is important to South Dakota's future!
 - Develop the workforce
 - Educate more of our citizens to higher levels
 - Encourage out-of-state students to make South Dakota their new home for higher education and a future career
 - Use public university research capacity to strengthen South Dakota's economic development and to commercialize new ideas
 - Make the most of faculty expertise and high-tech research innovations
 - Expand access to public higher education for more South Dakota citizens
 - Help high school students become 'college ready'
 - Work directly with under-served student populations
 - Examples: low-income, first-generation, and American Indian students
 - Once enrolled, ensure each student's success, leading to graduation and preparation for a successful career

Access and Affordability: They Go Hand in Hand

- South Dakota public universities have become very tuition dependent
 - Students have picked up a bigger share of the cost each year, as state support fails to keep up with growing costs and growing enrollments
 - The greater the level of state (taxpayer) support, the greater the ability to offer South Dakota citizens a lower-cost public education
 - By many measures, South Dakota sits at the low end of state support for higher education in our region
 - Our vision:
 - Provide a quality education to all citizens
 - Prepare students to compete in a state, national, and international economy
 - Our challenge?
 - Reverse South Dakota's trend of cost shifting to students!

The state of public higher education in SD

- Jack Warner, Executive Director & CEO

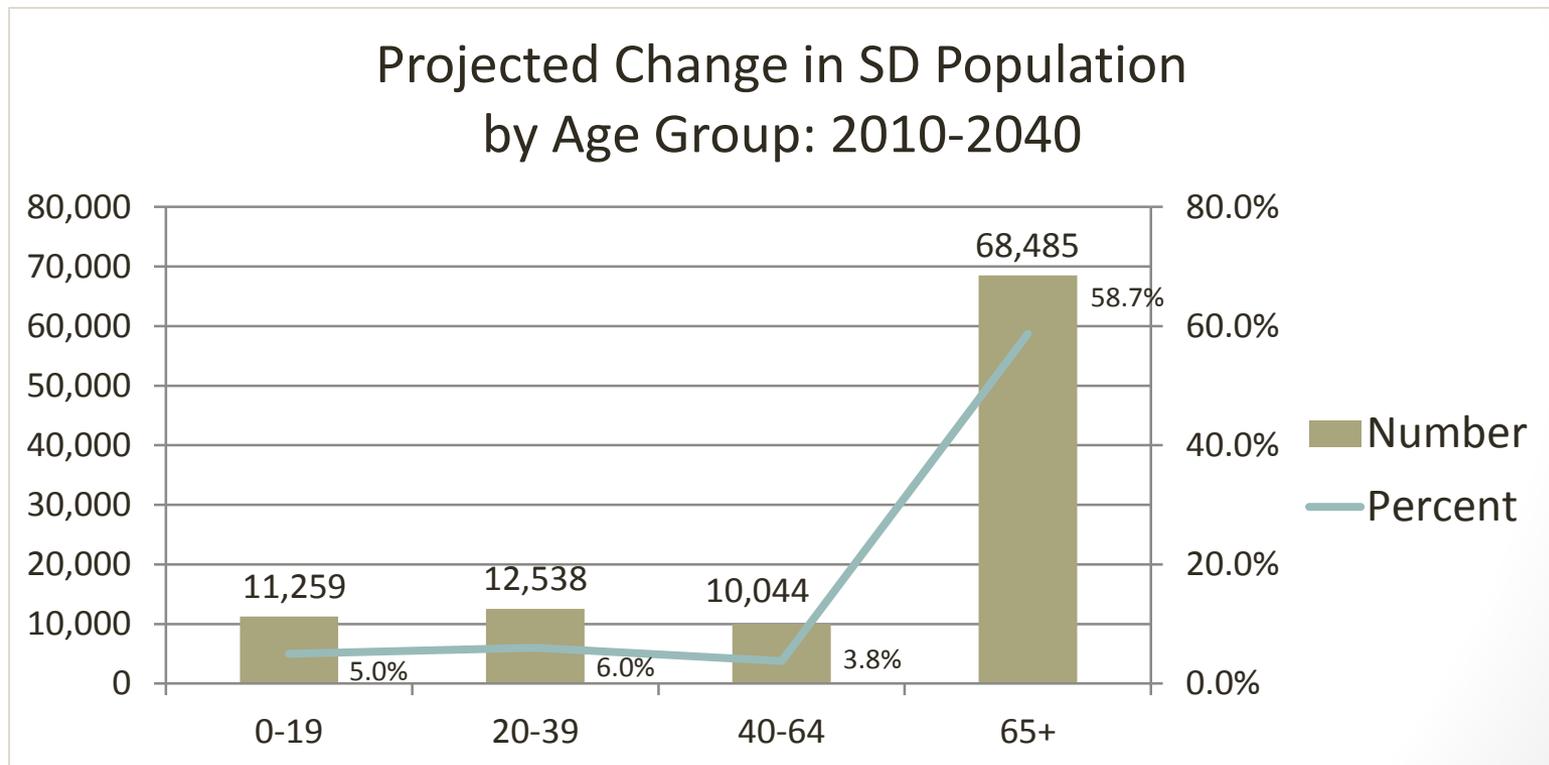
Higher Education and Workforce Development: A Strong Partnership

Our priorities are:

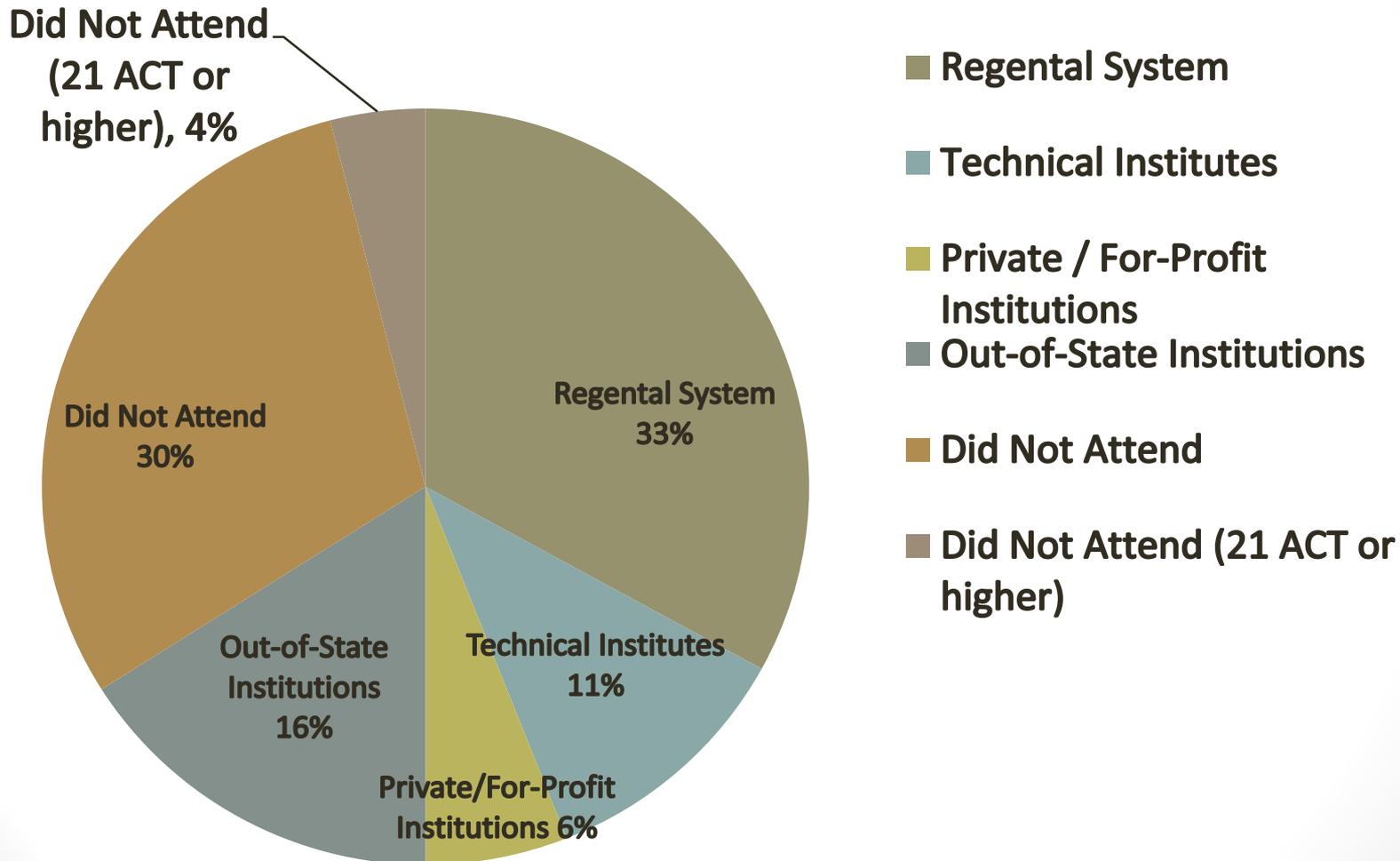
- Enroll and graduate more South Dakota citizens
- Attract new residents to South Dakota
- Leverage university-based research and development
- Grow graduate programs

Workforce Development

- Unique demographic challenges facing South Dakota

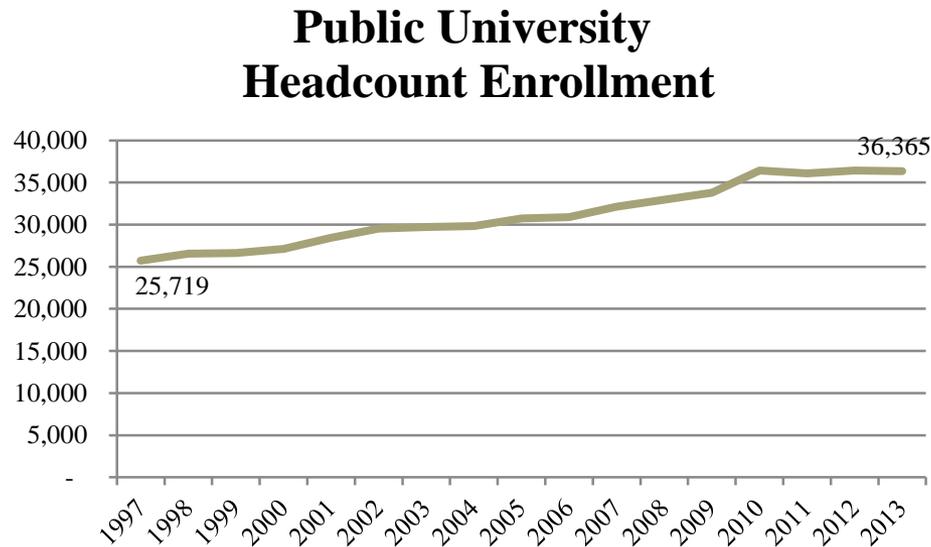


Postsecondary Placement of High School Graduates in South Dakota



As a State, We are Making Progress to Enroll More Students

- Steady growth in students being served by South Dakota's public universities.



Six Year Graduation Rates: Steady Improvement Over Time

	2005 Cohort	2006 Cohort	2007 Cohort
Completed Degree at Home Institution	49.2%	49.6%	51.6%
Completed Degree in Regental System	54.0%	54.1%	56.4%
Completed Degree at Institutions Outside of Regental System	59.7%	59.9%	61.9%
Continued Enrollment	67.2%	67.3%	69.1%

Source: Regents' Information Systems, National Student Clearinghouse

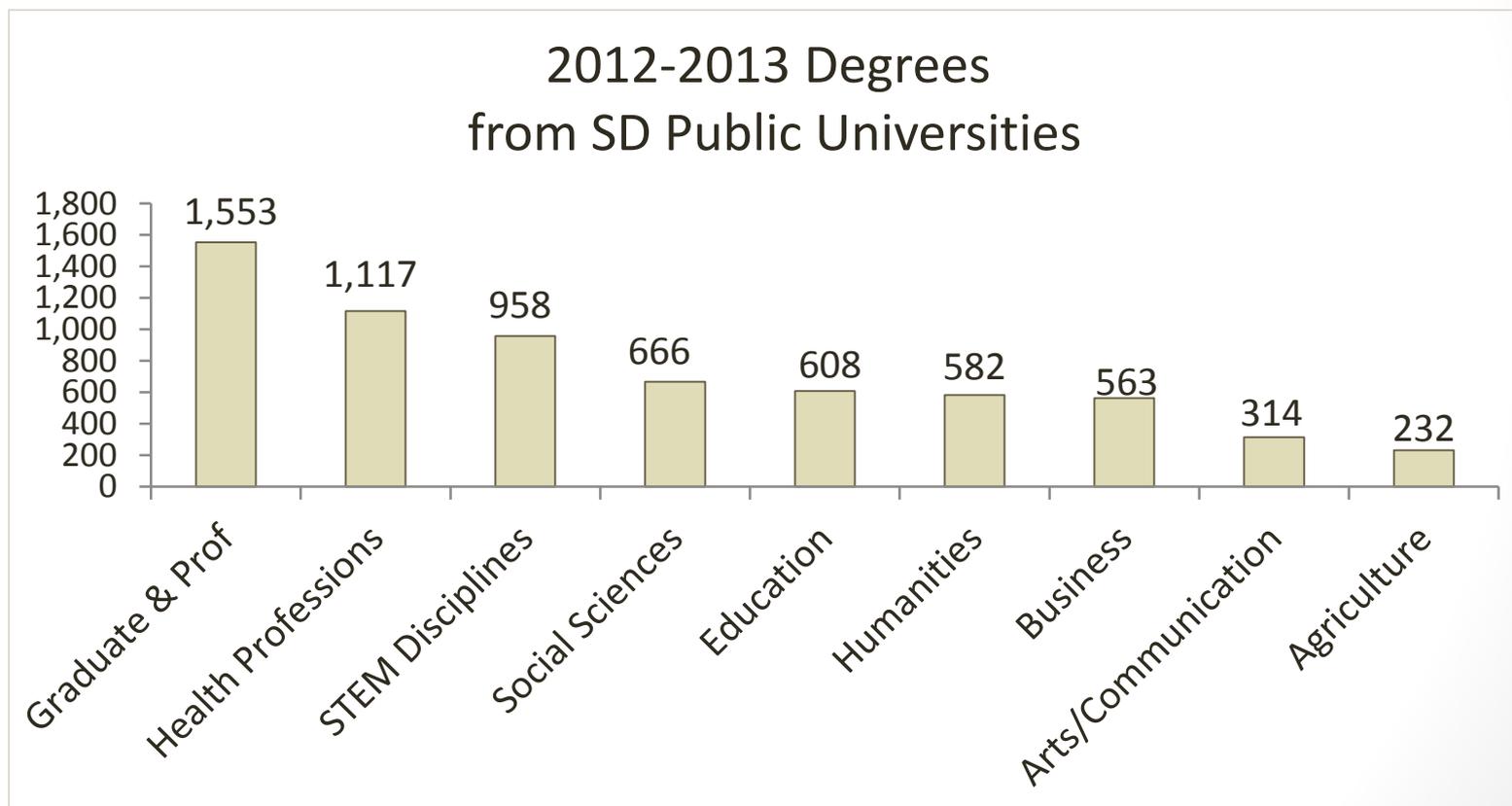
Attracting and Retaining a Future Workforce

- 2012 Freshmen Migration Study
 - South Dakota is a **net importer of college freshmen**:
 - 2,288 freshmen imported from other states
 - 1,458 freshmen lost to other states
 - Net gain to South Dakota = +830 students
 - Import-to-export ratio has improved steadily since 2000
 - Gain to SD improved by nearly 46% between 2008 and 2010
- Placement Study of Public University Graduates
 - 72% of South Dakota resident students **remain in state** after college to work or pursue additional education
 - 33% of out-of-state students also stay in the state following graduation



Filling the Workforce Pipeline

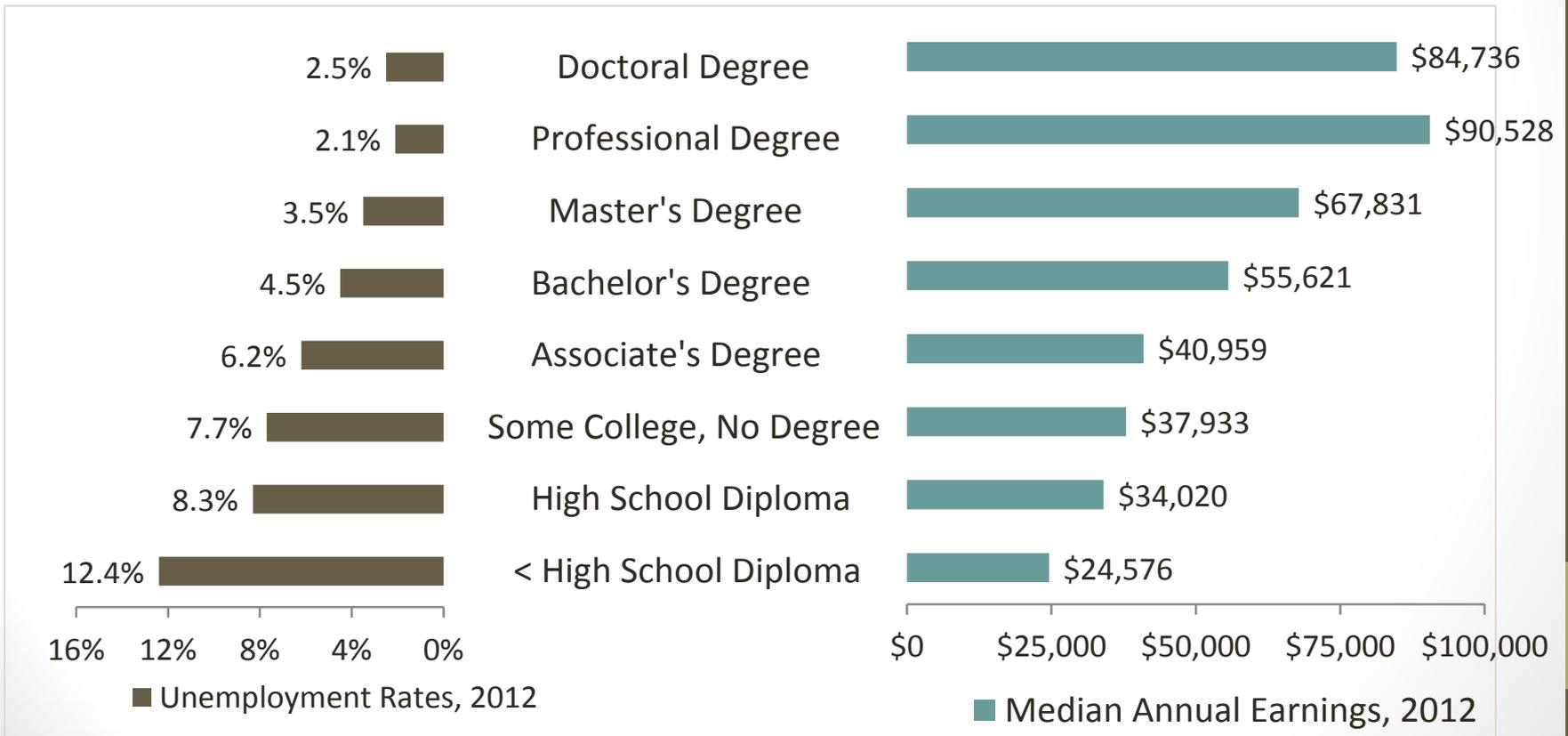
- Preparing South Dakotans for tomorrow's workforce



Benefits of Higher Education

- Benefits to the **individual**

Unemployment and Earnings by Educational Attainment, 2012 (US)

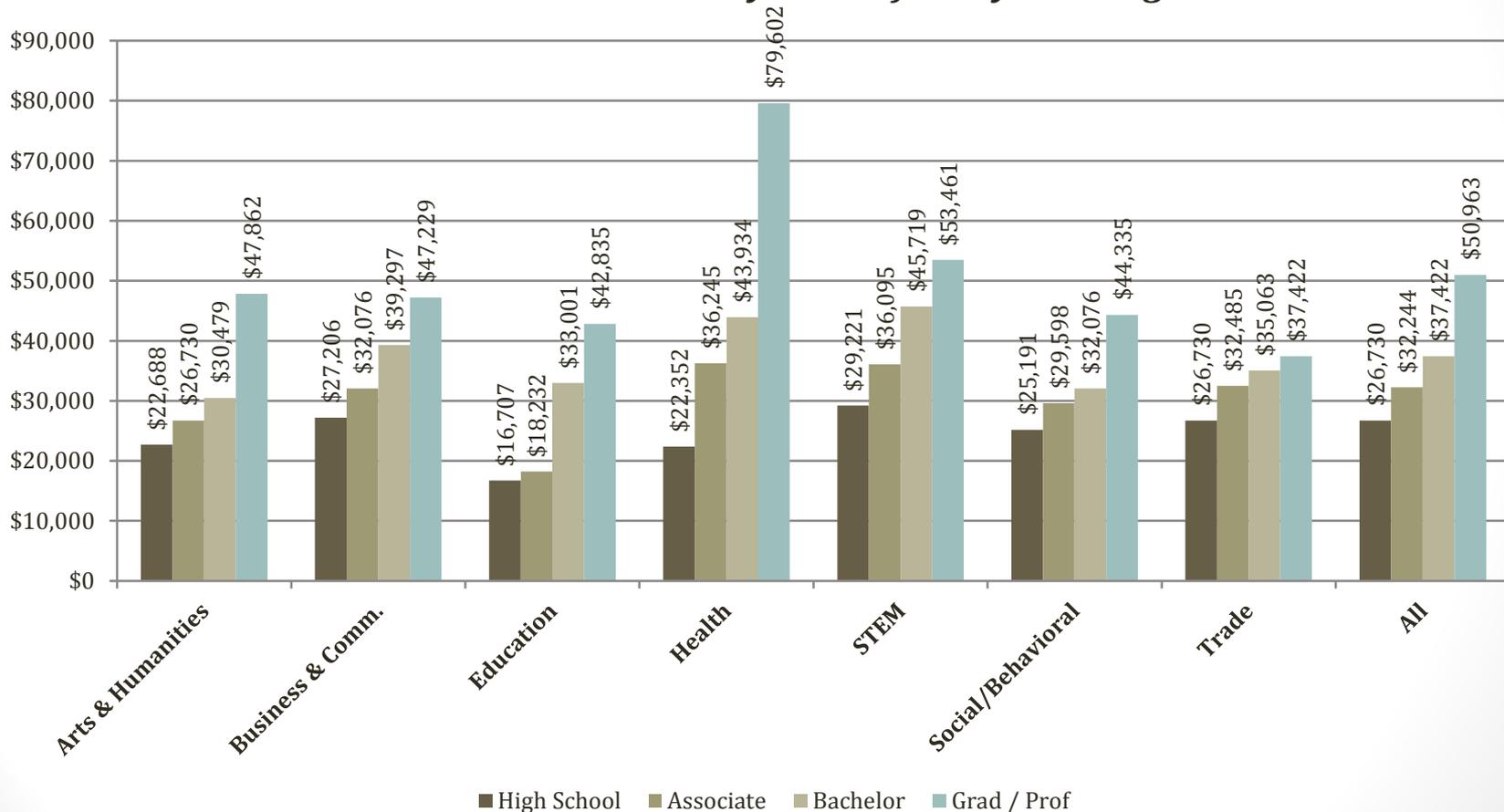


Source: U.S. Bureau of Labor Statistics, Current Population Survey

Wage Premiums:

The financial **value added** of higher education

South Dakota Median Income by Field of Study and Degree Level



Source: U.S. Census Bureau – American Community Survey (2006-2010 5-Yr Est.)

Higher Education Serves the Public Good, Builds Stronger Communities

- A more highly educated population:
 - Pays more taxes and relies less on income-support programs
 - Is more likely to receive health insurance and pension benefits
 - Leads healthier lifestyles, reducing health-care costs
 - Improves voter participation and civic engagement
 - Results in better education for children
 - Increases the chances that adults will move up the socio-economic ladder
- Who benefits?
 - Local communities
 - Our state
 - The nation

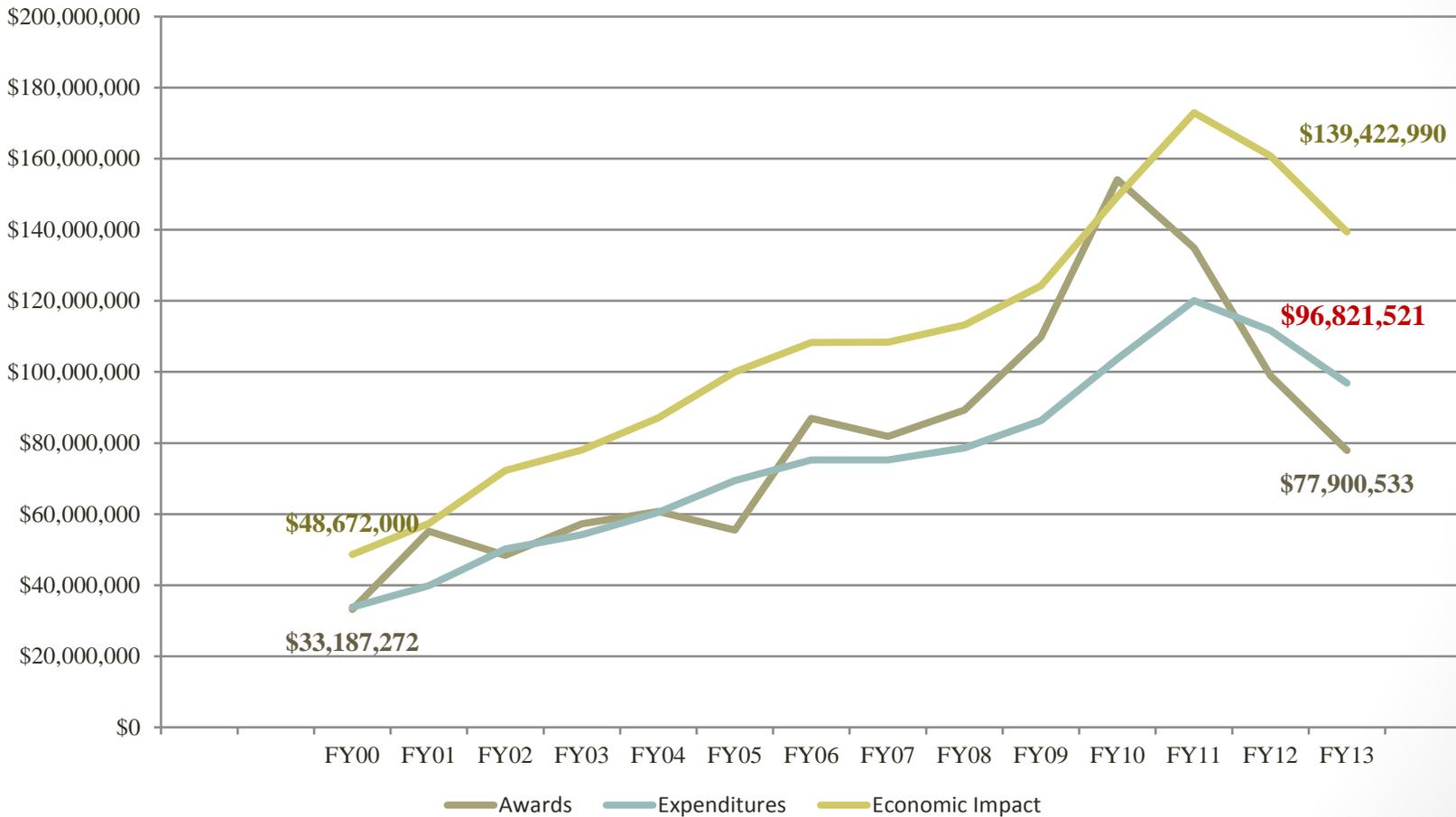


Source: The College Board,
"Education Pays 2013"

Growing research capacity to benefit South Dakota

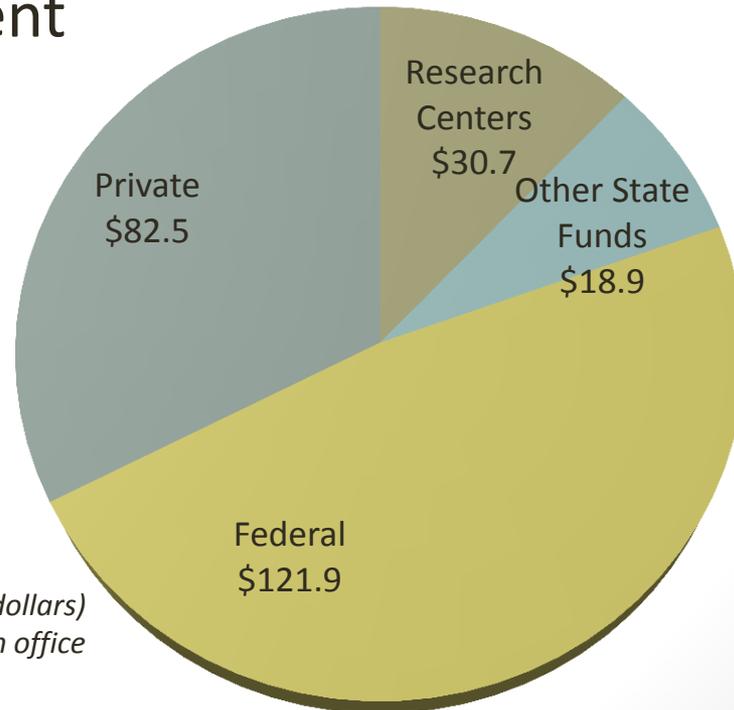
- Paul Turman, System Vice President of Research and Economic Development

Research is Economic Development



Governor Research Centers

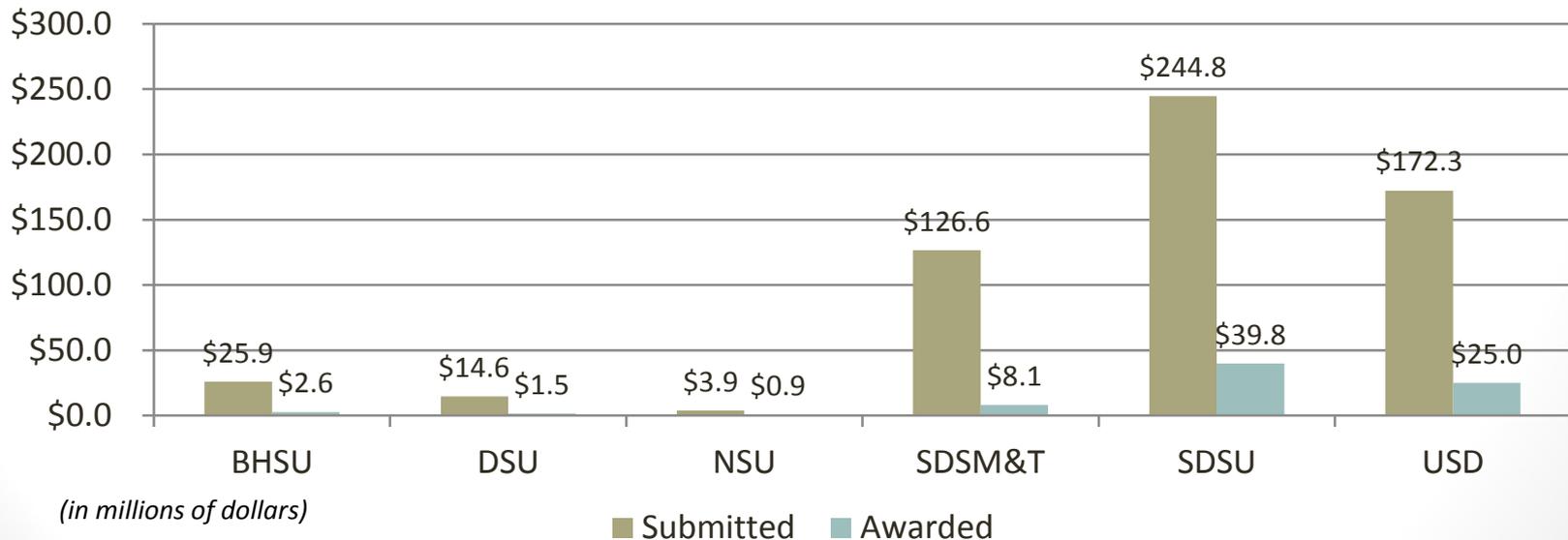
- Five initial research centers funded in FY05
- \$3.3 million state investment annually
- \$30.7 million total funding over eight years
- Generated \$222.5 million in external awards
- 7:1 return on investment



*(funding in millions of dollars)
Source: BOR system office*

Research is Job Development

- **Job creation - Faculty research efforts (FTE) – 607**
- **Research innovations – FY07-FY12**
 - Invention disclosures – 318
 - Patent & IP protections signed – 138
 - Patents/licenses issued – 65
- **Institutional-level grant activity**



Source: BOR system office

Examples of Commercialization Activity in South Dakota



Biorefinery World, LLC
Redefining refineries

tran**z**derm
solutions

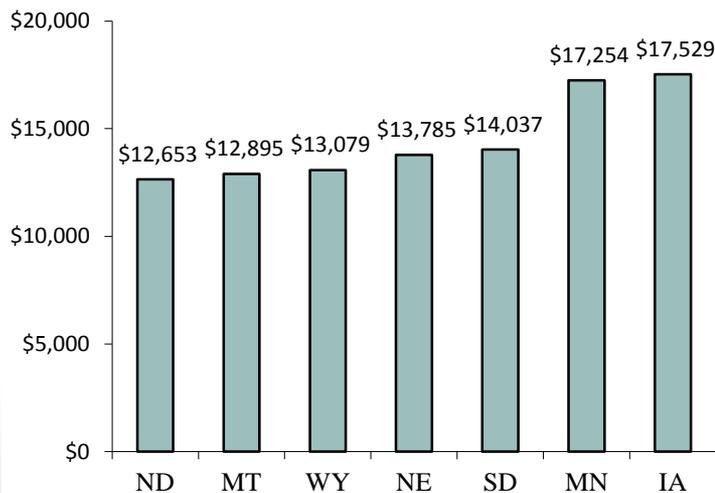


CalxAqua, LLC
Healthy Water for Society

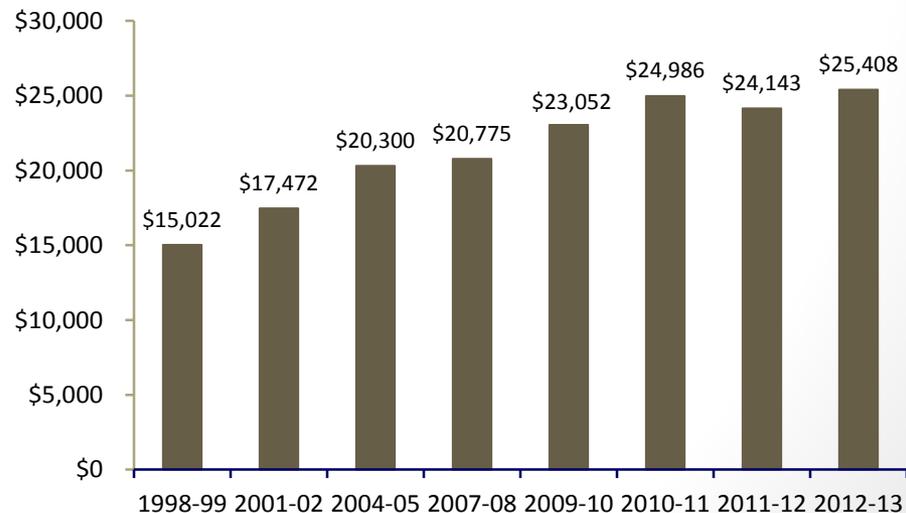
Access and Affordability

- Student debt is climbing; SD still below national average
 - National: 68% of students earning 4-year degrees graduate with debt
 - SD: 78% of students earning 4-year degrees graduate with debt
 - South Dakota's percent-with-debt figure is higher than any other state

Undergraduate Resident
FY14 Total Cost to Students



Average Student Loan Debt
South Dakota System
2012 National Average: \$29,400



Default Rates: South Dakota Students Pay Back Their Debts

Average Loan Default Rates for Institutions in the United States

2009-2011 (3-Year Averages)	All Institutions	Private	Proprietary	Public
South Dakota	7.7%	6.5%	14.3%	5.6%
Nation	9.3%	4.8%	14.1%	8.4%
SD State Rank	23	36	36	8

South Dakota Public University Loan Default Rates 2007-2011

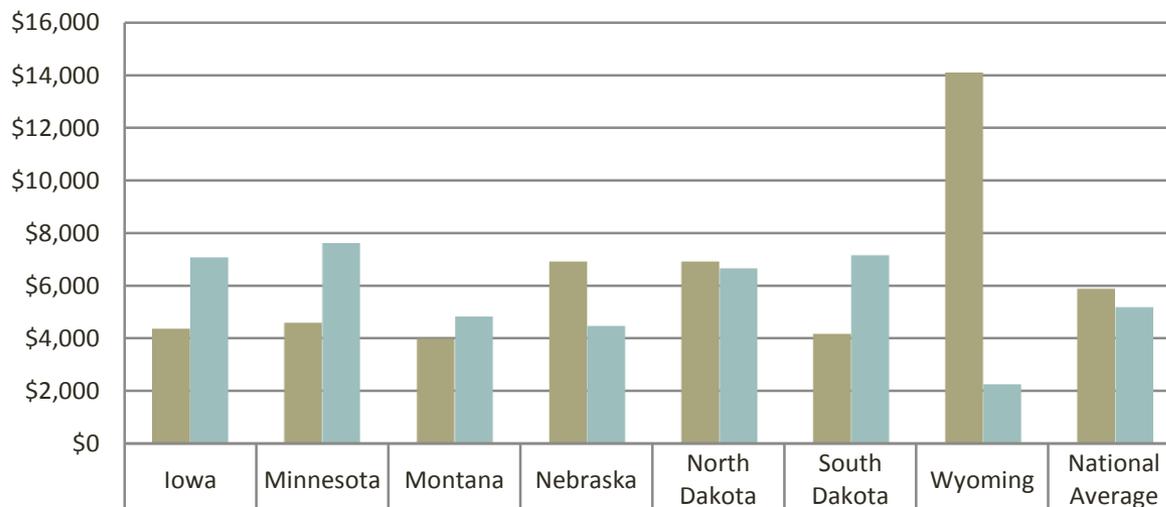
Institution Type	2007	2008	2009	2010	2011	5-Year
Regental	2.2%	2.6%	4.0%	5.2%	4.3%	3.7%

Source: U.S. Department of Education

Limited State Support Puts Pressure on Tuition to Fill Funding Gaps

- The connection between state funding and cost to students

**FY12 Public Postsecondary Education
Educational Appropriations and Net Tuition Revenue Per FTE**



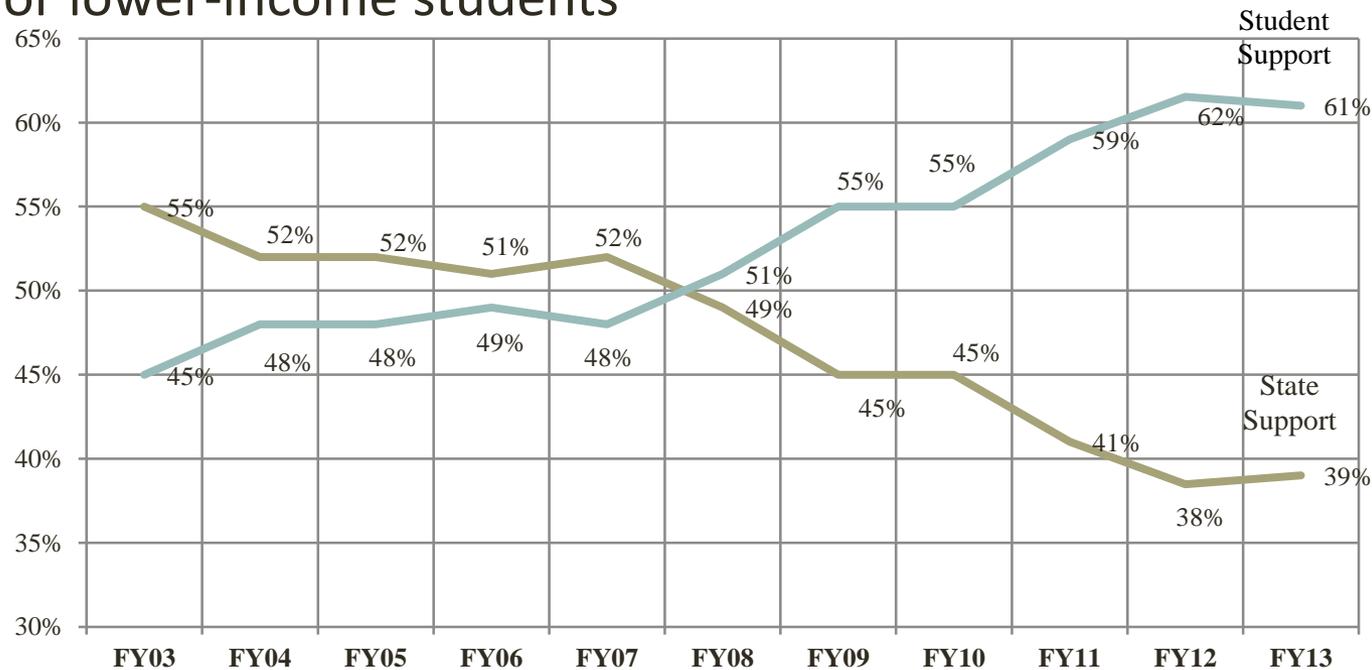
■ Appropriations per FTE	\$4,390	\$4,607	\$4,007	\$6,933	\$6,938	\$4,195	\$14,105	\$5,906
■ Net Tuition Revenue per FTE	\$7,060	\$7,589	\$4,834	\$4,477	\$6,647	\$7,129	\$2,253	\$5,189

Source: SHEEO State Higher Education Finance (SHEF) Report, 2012

(Note: SHEF data adjusted for enrollment mix and cost of living, so numbers will differ from BOR Fact Book.)

Today's Reality

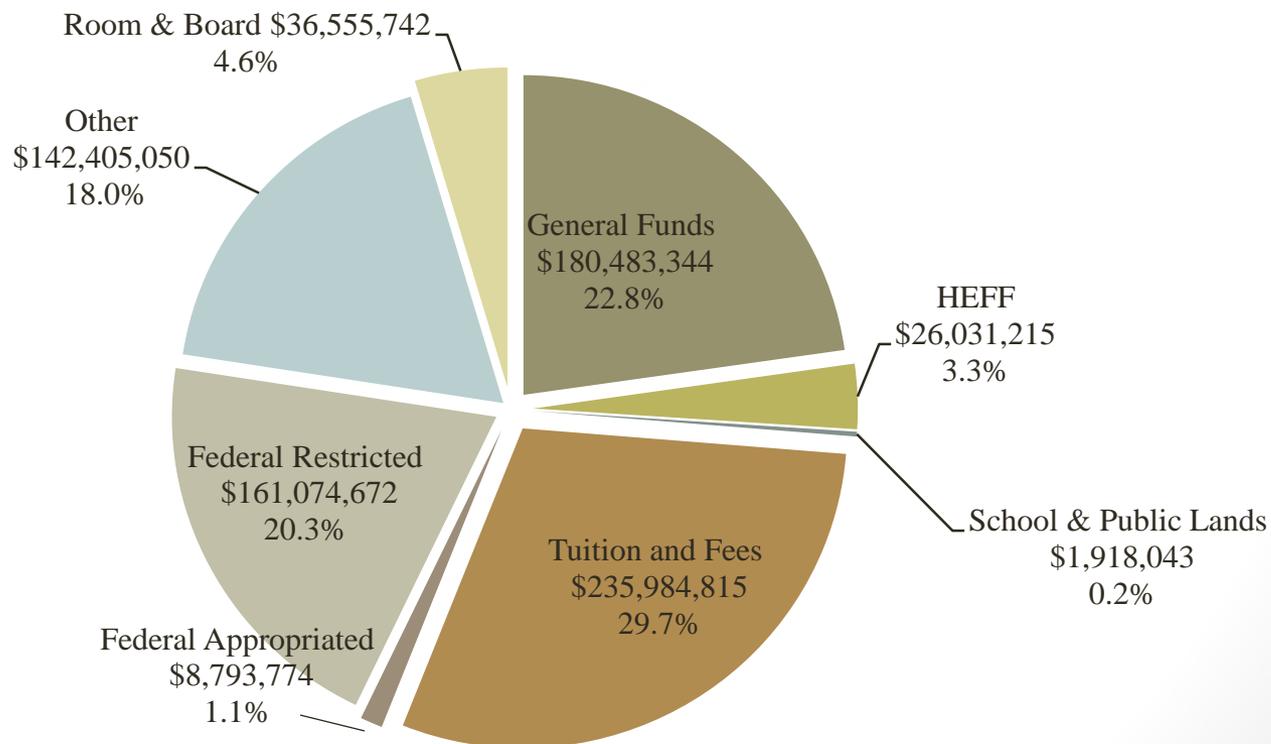
- Declining state support drives up tuition and fees, limits access for lower-income students



State support of South Dakota public higher education has dropped from 55% to 39% in 10 years.

39% of Educational Costs and 21% of Total Public Higher Education Budget Supported by State Tax Dollars

**Board of Regents All Funds by Funds Source
Fiscal Year 2014
\$793,246,655**



Source: BOR system office

Overview of FY15 Budget Request

FY15: Affordability for Students

Top Budget Concern

- **Our top priority: tuition buy-down for resident students**
 - \$3,955,862 to support salary policy, health insurance & benefits, operating inflation
 - Zeroes out tuition increases for state-supported resident students in FY15
- **Support Governor's 3% salary policy for all state employees**
- **\$1,647,447 for additional HEFF M&R match**
 - Year two of a four-year phased-in match
 - Brings HEFF M&R up to 2% of academic buildings' replacement value
- **\$1,161,671 for utilities' funding**
- **\$1,036,515 for USD School of Medicine expansion**
 - Increases class size by 11 per year = total of 44 new students
 - Addresses future need for new physicians
- **\$313,416 for Governor's faster Comprehensive Annual Financial Report**
 - Governor requests CAFR be audited and issued no later than Dec. 31; requires all agencies to shave at least 3 months off current timelines
 - Supports additional reporting capabilities and staff
- **\$260,000 for nursing practice preceptor reimbursements at SDSU**
 - Payments to mentors of Doctor of Nursing Practice students in practice settings
- **\$159,120 for NSU's E-learning Center**
 - Supports growth in e-learning courses
 - FY13: served 429 students from nearly 90 school districts
- **\$111,000 for additional PA preceptor funding at USD**
 - Supports mentorship of 5 new physician assistant students added in FY13

Details of HEFF M&R Match

- Campuses identified deferred maintenance needs over the next decade totaling \$258,123,679
- Student fee implemented FY94; this is on top of 20% of all tuition dollars into HEFF
- Board is increasing HEFF commitment at 6% per year

	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
Student M&R Fee	\$980,835	\$984,848	\$970,810
HEFF - 20% of Tuition	\$11,667,008	\$14,250,358	\$15,105,379
5%- 6% Increase	\$583,350	\$855,021	\$906,323
General Funds Year 1&2 of 4-Year Plan	\$0	\$1,729,824	\$1,729,824
FY15 Request	<u>\$0</u>	<u>\$0</u>	<u>\$1,647,447</u>
Total	<u>\$13,231,193</u>	<u>\$17,820,051</u>	<u>\$20,359,783</u>
Current Percent of Replacement Value	1.12%	1.51%	1.72%
Academic Facility Replacement Value			\$1,182,733,747
2% of Replacement Value Goal			\$23,654,675
Additional Need			\$4,942,340
3-Year Phase-In			\$1,647,447

Governor's FY14 One-Time Funding Recommendations

- \$2.6 million – FY14 Health Insurance Shortfall
 - Offsets portion of shortfall on tuition- and fee-funded employees
 - BOR still short \$1.9 million that needs to be covered (*see next slide*)
- \$599,524 – FY14 Utility Shortfall
 - Updated energy utilization data from BFM
- \$235,250 – Governor's Faster CAFR
 - Funds data modeling and report development, reporting tools, security software needed to generate state-required financial reports more quickly
- \$41,833 – South Dakota Opportunity Scholarship
 - Funding to cover all scholarship payments to current SDOS recipients

BOR Request for One-Time Funds – SB94 (Health Insurance Shortfall)

- December 2013: Governor recommended increase of \$2.6 million in general funds to help pay for BOR tuition/fee portion of increased state employee health insurance costs in FY14
- The actual shortfall amount is \$4.5 million.
- BOR still short \$1.9 million on insurance costs that need to be covered
 - Without state support, the only funding source to cover these increased insurance costs is the student!
- 21 Senate and House sponsors have filed Senate Bill 94 to cover the insurance shortfall for BOR employees compensated by tuition, fees, and other funds
 - Total request: \$1,894,008

Governor's Special Bill – HB1112 (SDSU Swine Unit)

- Unit supports research, teaching, and Extension needs of South Dakota's pork industry
- Outdated facility does not reflect current pork production methods or standards
- 2013: \$5.52 million project authorized, with private dollars
- 2014: \$2.5 million currently raised
- HB1112 completes funding package, allows project and important pork industry research initiatives to move forward this year
 - State general funds requested: \$2,037,000
 - Other authority requested to spend \$1 million from the Higher Education Facilities Fund (HEFF)

Committee questions

- Responses to questions from the Joint Committee on Appropriations
(letter dated December 11, 2013)

Activities to Eliminate, Initiate, or Significantly Change

- System-level actions under way to improve student success (supported by one-time funding in FY13)
 - Early Alert System
 - Tool to better connect students with faculty and support staff
 - Provides quick feedback to students
 - Ensures university has complete, integrated picture of student performance

Student Success Initiatives

- Student Planner
 - Each student will have detailed plan that leads to graduation
 - Integrated with advising, registration, and other processes
 - Helps undecided students identify a major
 - Allows exploration of 'what ifs'

Student Success Initiatives

- Redesign of placement/remediation
 - Focus on getting students into and through credit-bearing courses
 - Move to multiple measures for placement
 - Move from prerequisite to corequisite remediation coursework
 - Campuses awarded mini-grants for pilot projects
 - Successful efforts will be brought to scale
 - Revisions to policies and practice

Improving Operational Efficiency

- Eliminating underproductive programs (since 2010)
 - 59 academic degree programs
 - 123 specializations
 - 17 minors
- Policies driving student completions
 - Reduced credit-hour requirements for most bachelor and associate degrees
 - Bachelor: 128 to 120
 - Associate 64 to 60
 - New degree for 'ready adults'

Improving Operational Efficiency

- Policies driving student completions
 - Redesign of placement and remediation
 - Multiple measures used for placement
 - Corequisite remedial offerings
 - Bridge programs
 - College-readiness initiatives with DOE
 - Target high school seniors
 - Provide assessment and intervention

Improving Operational Efficiency

- Policies driving student completions
 - 15-to-Finish Campaign
 - Encourage students to enroll in at least 15 hours/semester, so they can complete degree in four years
 - Exploratory Studies Program
 - Require undecided students to select interest area
 - Enroll in classes leading to set of majors in the interest area

Performance Standards, Metrics

- Improved graduation rates
- Improved retention rates
- Growth in total graduates

FY14 General Bill Amendments

- NSU: awarded federal Title III grant to support student success initiatives over five years
 - Additional \$320,000 in federal authority
 - 4.0 FTE
- SDSM&T: ended a contracted maintenance agreement 12/31/13, services to be performed in house
 - 27.3 FTE

Impact of Federal Budget Reductions – Examples

- Sponsored research activity
- Business assistance programs
- Student support services (TRIO programs)
- DoD CyberCorps scholarships (DSU)
- Summer program at SDSBVI (DOE federal funds reduction)
- Federal grant funding (Title II grant to improve teacher quality)



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FY2015 Budget Hearings

Joint Appropriations Committee

Enrollment

Fall Total Headcount Enrollment

2008	9,291	2011	9,970
2009	9,617	2012	10,284
2010	10,151	2013	10,235

Source: SDBOR Fact Book Fiscal Year 2014

- USD fall 2013 first-time, full-time freshmen: 1,225
- Honors program enrolled 141 freshmen, average ACT 29
- Overall student body ACT 23.2
- Retention fall 2012 to fall 2013: 76 percent
- Off-campus/distance: fall 2012, 4,972; fall 2013, 4,841

Student Success



Alexa Duling, women's track athlete, won 2013 Walter Byers Postgraduate Scholarship, a \$24,000 annual award to one woman and one man in the NCAA for academic achievement

Martha Holstein

One of four Anne C. Carter Global Health Fellows for international medicine

Taylor Moore

Ed Bradley Scholarship from the Radio Television Digital News Association

Jeff Mettler

Summit League Scholar-Athlete of the Year

Brittany Youpee

Gilman International Scholarship

Academic Program Success

- **Medical Biology** major began fall 2012 with 21 students, grew to 71 by spring 2013 and to 182 by fall 2013
- Sanford School of Medicine's **Yankton campus** recognized as innovation leader by the American Association of Medical Colleges
- **SSOM** recognized among top 10 in nation for rural medicine
- USD, the state of South Dakota and **Eagle Creek Software Services** collaborate to train IT consultants and bring 200 jobs to Vermillion
- **BS in Nursing** accredited
- **Pre-nursing and Nursing** enrollments grew 15 percent fall 2011 to fall 2013
- **Health Sciences** graduates grew 34 percent from 2011 to 2013
- **Master of Social Work** accredited. Established minor in **Inter-professional Disabilities Services**

Research Highlights

USD Research Park at University Center in Sioux Falls underway. Financial partners include USD, BOR, Forward Sioux Falls, City of Sioux Falls, GOED and SDTBC

- USD Research Park hosted the National Institutes of Health 15th Annual Small Business Innovation conference with 370 attendees from 38 states learning how to bring medical technologies to market
- Research Park to be completed in 25 years
 - Nearly 600,000 square feet of space
 - More than 1,800 employees for innovation-based jobs
 - Generate more than \$4 million in new tax revenue

More Research Highlights

GEAR Center renovations

- USD partnering with Governor's Office of Economic Development to create Good Manufacturing Practices (GMP) production and training center
- Cost \$1,015,000
- Plans to open summer 2014
- Will provide FDA-qualified aseptic services for manufacture and clinical trials of pharmaceuticals, biologics and medical devices



Efficiencies and Accountability

Second year of RCM budget model

- Schools are responsible for their own bottom line
- Incentives linked to strategic goals
- Culture of accountability. Rewards each academic unit for increasing revenue and reducing cost

Campus Space Study

- Surveyed existing space in buildings
- Evaluated ongoing program needs
- Identified best use of space
- Create efficiencies by grouping common programs
- Selectively replace inefficient space

Governor's Recommended FY2015 Budget

Class expansion at Sanford School of Medicine

- Adds 11 students per class, up to 67 (four-year total 268)
- Estimated cost \$1,036,515 annually

Increase funding for Physician Assistant Clinical Faculty

- Second year of class expansion by five slots to 25 total
- Additional \$111,000 needed to pay more clinical faculty
- Increase approved in FY14 nearly doubled preceptorships in-state

Maintenance and Repair

- Average age of buildings exceeds 40 years
- Ten-year deferred maintenance more than \$70,000,000
- M&R historically underfunded at 1 percent of replacement value
- FY2014 begins four-year plan to increase funding to 2 percent of value

Looking Ahead

GEAR Second Building

- Current 22,000 square feet fully occupied
- Proposing second building estimated cost \$12.1 million
- Additional \$950,000 annual debt service required
- When fully developed, 66,500 square feet

Campus Projects

- Muenster University Center expansion completed
- Recommend demolition of Julian, Brookman and Noteboom Halls
- Spring 2014 ground breaking for sports complex including basketball/volleyball arena, outdoor track, soccer complex and academic space for Physical Therapy, Occupational Therapy and Kinesiology and Sports Medicine

Every day, people at

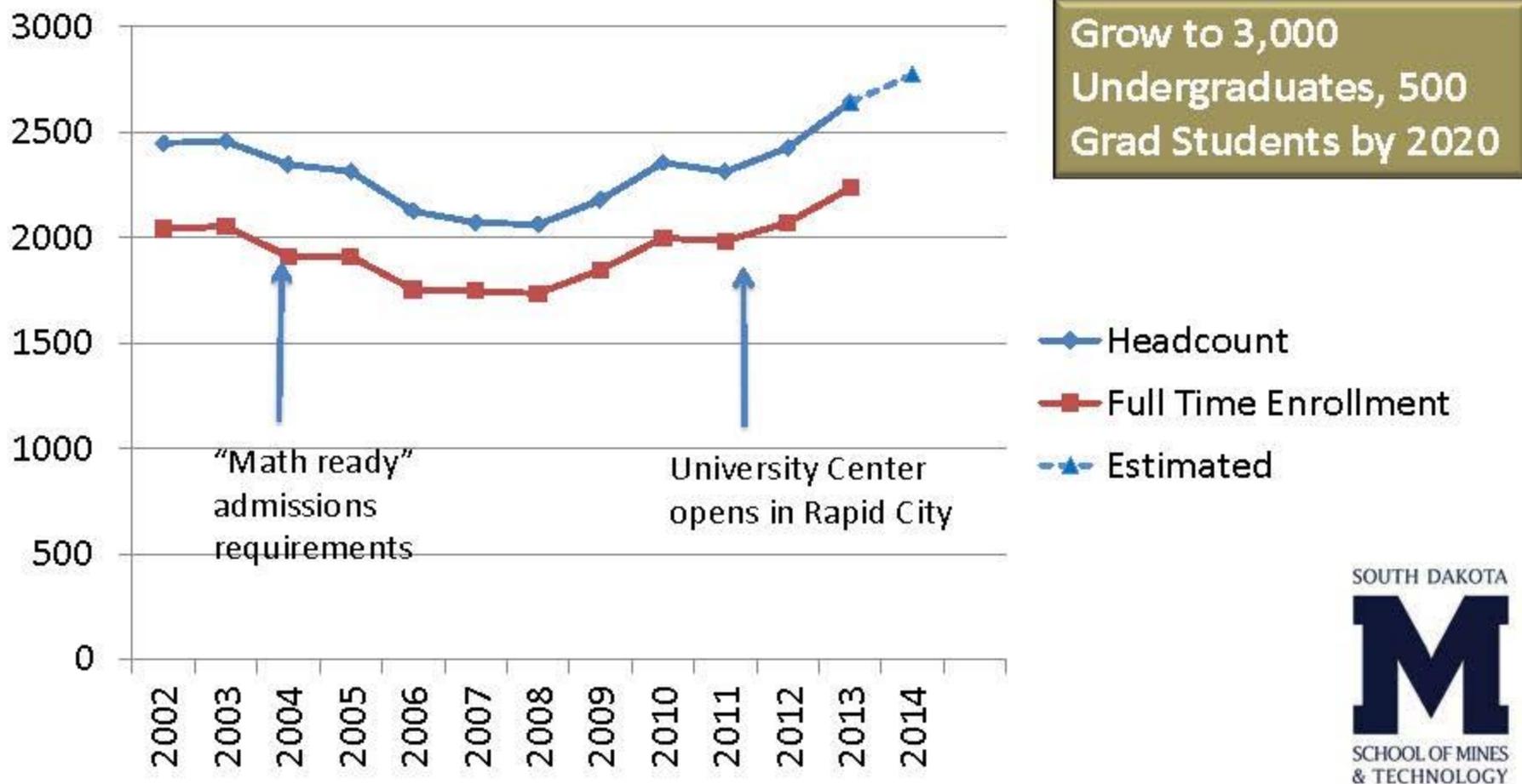
Mines

prepare leaders in engineering and science,
increase the world's knowledge and serve others.



Enrollment

The nation needs more engineers and scientists



Growing Campus

Rocker Square II

Newman Center

Rocker Square I

Surbeck



Student Wellness & Recreation Center

Fully funded by students, alumni, and private sector donors



- 24,000 new ft²
- 10,000 improved ft²
- 2 Rec Gyms
- Cardio
- Bouldering Wall
- Break ground April

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A Legacy of Excellence

Student Success



- 79% Retention (1st to 2nd year)
- 76% Students w/co-op/internships
- 55% Graduation Rate
- 98% Placement Rate
- \$62,400 Average Starting Salary

Attracting and Developing Talent



Of our top 100 employers, 28 are SD companies.

Research

- Comprehensive review of research strategy
- Less dependent on earmarks, and competitive federal grants
- PhD in Physics
 - Close collaboration with Sanford
 - 8 PhD Students
 - \$10M research proposals this year from Physics alone



Goal: Steady expenditure growth to 20 PhD graduates a year by 2020

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Driving Innovation

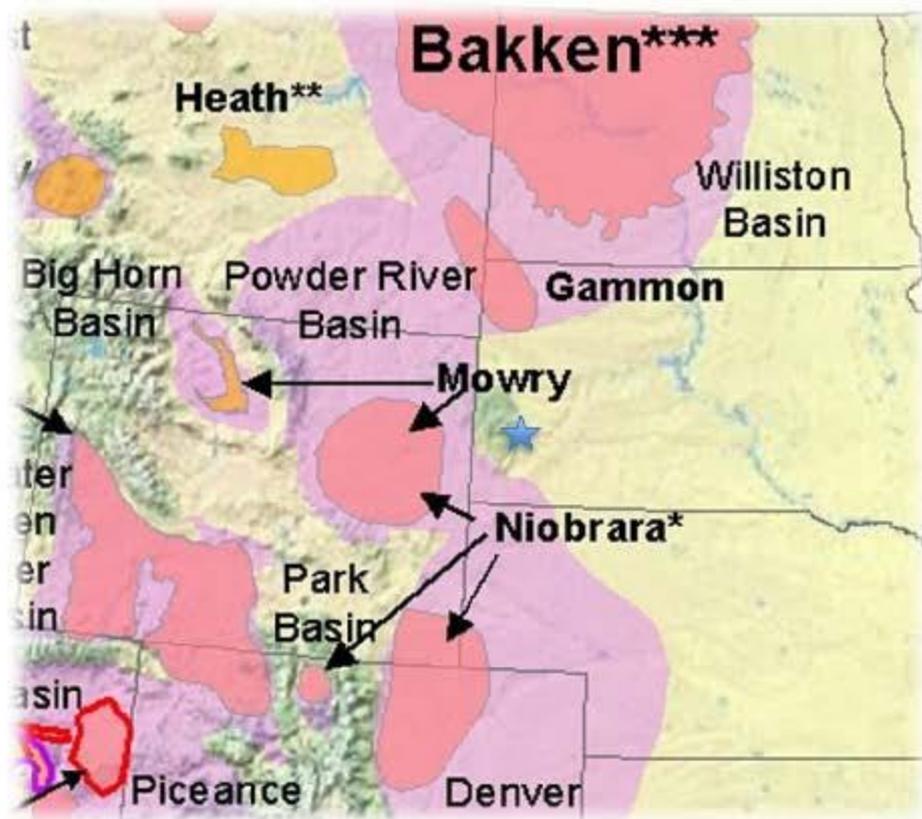
FY14 licenses, partnerships, and fee-for-service research



- 45+ Corporate Relationships
 - 4 Fortune 500 Companies
 - 7 local businesses
- 20 incubated companies Black Hills Business Development Center since 2007
- Most Active Areas:
 - Aerospace
 - Additive Manufacturing
 - Automotive and Advanced Materials
 - Anti-counterfeiting
 - Water purification
 - Filtration



Looking Forward: Energy Resources



- Teaching: Upstream exploration & production
- Teaching: Downstream refining
- Research: Fracing, modeling, water, bio-stimulation, materials

Leaders Serve

"We will not only be in this community, we will be of this community."



Over 5,400 student volunteer hours a year

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A Legacy of Excellence

Reaching the Next Generation

- 15 Youth Programs planned during academic year including: *Girls Day, Spring Science Series and Engineers Week*
- Summer Camp Programs:
 - 4 middle school*
 - 12-15 high school*
- Hosting SD GEAR Up for 22 years on campus



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FY15 Priorities

- Authorize 54.61 permanent FTE for custodial and maintenance
- Fund tuition freeze for South Dakota students
- Fund Salary Policy
- Fund Higher Education Facility Fund (HEFF) Match

