

SOUTH DAKOTA BOARD OF REGENTS

Full Board

AGENDA ITEM: 20 - REVISED

DATE: March 28-29, 2012

SUBJECT: Base Budget Realignment Discussion

When the Board approved University Managed Resources it was agreed that a continued review of base budgets was needed. The Board discussed this at length at the Retreat in August. In addition to looking at funding per student FTE, the Board also looked at a formula model that looked at each of the NACUBO programs to identify the total funding need for each campus as well as total revenue available. The Board identified three tools available to address any inequities in the system: 1) increasing tuition, 2) approving program fees, and 3) realignment of the base. The preferred option to address any funding shortfalls in the system or inequities would be to add new state support dollars. This avenue may be pursued moving forward as the state looks at funding models for higher education or as part of the Board's future budget requests.

The tuition and fee items to be considered by the Board as part of the March agenda will include consideration of differential tuition and a couple of new program fees. Approval of these items will start to align cost of programs with the dollars charged to students. In addition to addressing funding shortfalls, the Board is being asked to consider a proposal to realign base budgets to address identified funding inequities within the system. This realignment is focused on the state dollars provided to each institution and not the dollars generated by student tuition and fees.

Attachment I shows the general funds appropriated to each institution and the resulting state funds per student based on the fall 2011 headcount and FTE figures. The general funds appropriated to BHSU are the lowest in the system. The system average is \$4,261 per student headcount and BHSU is \$2,763, or \$1,497 behind. A similar picture is shown when looking at student FTE. The system average is \$5,171 and BHSU is \$3,440, or \$1,731 behind.

Attachment II looks at the traditional funding sources previously managed by the Board, General (including ARRA), Tuition, and the Salary Competitiveness Fee. These sources were once held centrally and allocated based on the funding model utilized at the time. The campuses

(Continued)

RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

Discuss and consider the proposed realignments for action on the second day of the Board meeting.

now keep their own tuition dollars and SCF dollars under University Managed Resources. If we look at this expanded base of dollars, BHSU once again falls to the bottom when looking at funding per student headcount and FTE. In this view, BHSU is \$1,384 and \$1,487 behind the system average funding for headcount and FTE, respectively.

Taking a broader view and looking at total enrollments and including self-support tuition and all student fees, the funding differences are even more noticeable. Attachment III shows BHSU funding levels below the system average by \$2,503.54 per student FTE.

The reader should be cautioned when using these simple calculations that funding per student ignores a number of variables that influence cost. Those variables include the type of institution and the associated cost to attract and retain faculty, the difference in the cost of programs offered at each of the schools, the amount of research investment, or economies of scale. The Board has also looked at funding models that do consider these factors with very similar funding outcomes. The models are very complex and to date the Board has not adopted the formula models.

The recommended realignments to address the BHSU funding inequity are small steps to improving the situation. Attachment IV shows two options that focus on bringing BHSU more in-line with the other institutions. The first option is to move general funds based on the proportion of general funds. The second option simply moves \$100,000 from each school to BHSU. Option two better aligns with the funding per FTE analysis, taking fewer dollars from SDSU, which is the second lowest funded institution.

If the realignment is approved, it will be part of the budget transfers taken to the Interim Appropriations Committee for approval.

FY12 General Funding Per Student Headcount and FTE

| | <u>General</u> | <u>Fall 2011</u> <u>Student Headcount</u> | <u>Funding Per</u> <u>Student Headcount</u> | <u>Difference</u> <u>From System Avg</u> |
|--------|---------------------|--|--|---|
| BHSU | \$7,051,654 | 2,552 | \$2,763 | -\$1,497 |
| DSU | \$8,485,658 | 1,378 | \$6,158 | \$1,897 |
| NSU | \$10,228,556 | 1,992 | \$5,135 | \$874 |
| SDSM&T | \$13,606,677 | 2,286 | \$5,952 | \$1,692 |
| SDSU | \$36,245,692 | 10,928 | \$3,317 | -\$944 |
| USD | <u>\$34,544,787</u> | <u>6,720</u> | <u>\$5,141</u> | <u>\$880</u> |
| | \$110,163,024 | 25,856 | \$4,261 | |

| | <u>General</u> | <u>Fall 2011</u> <u>Student FTE</u> | <u>Funding Per</u> <u>Student FTE</u> | <u>Difference</u> <u>From System Avg</u> |
|--------|---------------------|--|--|---|
| BHSU | \$7,051,654 | 2,050 | \$3,440 | -\$1,731 |
| DSU | \$8,485,658 | 1,079 | \$7,864 | \$2,693 |
| NSU | \$10,228,556 | 1,677 | \$6,099 | \$928 |
| SDSM&T | \$13,606,677 | 1,962 | \$6,935 | \$1,764 |
| SDSU | \$36,245,692 | 9,077 | \$3,993 | -\$1,178 |
| USD | <u>\$34,544,787</u> | <u>5,458</u> | <u>\$6,329</u> | <u>\$1,158</u> |
| | \$110,163,024 | 21,303 | \$5,171 | |

Note: SDSU amount was reduced by \$1,528,278 for ADR&DL

NSU amount was reduced by \$854,060 for NSU k-12 E-Learning

ARRA funds were included

MD Program funding is excluded as well as 242 students

FY12 Operating Budgets - Traditional Funds Considered for Realignment

| | Salary | | | | |
|--------|----------------|----------------|-------------|------------------------|---------------------|
| | <u>General</u> | <u>Tuition</u> | <u>ARRA</u> | <u>Competitiveness</u> | <u>Total</u> |
| BHSU | \$6,476,547 | \$6,617,381 | \$575,107 | \$2,067,264 | \$15,736,299 |
| DSU | \$7,495,237 | \$3,113,510 | \$565,951 | \$990,421 | \$12,165,119 |
| NSU | \$9,530,233 | \$4,824,579 | \$698,323 | \$1,503,251 | \$16,556,386 |
| SDSM&T | \$12,447,556 | \$6,799,999 | \$1,159,121 | \$1,771,712 | \$22,178,388 |
| SDSU | \$32,701,083 | \$28,607,528 | \$3,544,609 | \$8,589,122 | \$73,442,342 |
| USD | \$31,986,364 | \$15,391,408 | \$2,558,423 | \$5,192,212 | <u>\$55,128,407</u> |
| | | | | | \$195,206,941 |

| | Fall 2011 | | Difference | | Funding Per | | Difference | |
|--------|---------------|---------------------|----------------|------------------|--------------|-----------------|------------------|--|
| | State-Support | Funding Per Student | Headcount | From System Avg | Student FTE | From System Avg | | |
| BHSU | 2,552 | \$6,166 | \$6,166 | (\$1,384) | 2,050 | \$7,676 | (\$1,487) | |
| DSU | 1,378 | \$8,828 | \$8,828 | \$1,278 | 1,079 | \$11,274 | \$2,111 | |
| NSU | 1,992 | \$8,311 | \$8,311 | \$762 | 1,677 | \$9,873 | \$709 | |
| SDSM&T | 2,286 | \$9,702 | \$9,702 | \$2,152 | 1,962 | \$11,304 | \$2,141 | |
| SDSU | 10,928 | \$6,721 | \$6,721 | (\$829) | 9,077 | \$8,091 | (\$1,072) | |
| USD | <u>6,720</u> | <u>\$8,204</u> | <u>\$8,204</u> | \$654 | <u>5,458</u> | <u>\$10,100</u> | <u>\$937</u> | |
| | 25,856 | \$7,550 | \$7,550 | | 21,303 | \$9,163 | \$0 | |

Note: SDSU amount was reduced by \$1,528,278 for ADR&DL

NSU amount was reduced by \$854,060 for NSU k-12 E-Learning

MD Program funding excluded as well as 242 students

**FY11 Revenue Per Student FTE
6/30/2011**

| | General Funds | Tuition | Self Support | Fees (1) | Total | Fall 2010 | | Difference From Average |
|-------|------------------|-----------------|-----------------|-----------------|------------------|-------------|----------------------------|----------------------------|
| | | | | | | Student FTE | Funding Per Student FTE | |
| BHSU | \$7,699,975.00 | \$5,672,749.29 | \$8,082,968.24 | \$7,554,183.75 | \$29,009,876.28 | 3,241 | \$8,950.90 | (\$2,503.54) |
| DSU | \$8,198,699.00 | \$2,816,099.96 | \$5,870,007.13 | \$4,207,950.78 | \$21,092,756.87 | 1,708 | \$12,349.39 | \$894.94 |
| NSU | \$10,535,180.00 | \$4,011,287.72 | \$3,049,365.48 | \$5,580,541.58 | \$23,176,374.78 | 2,097 | \$11,052.16 | (\$402.29) |
| SDSMT | \$13,676,770.00 | \$5,383,398.18 | \$383,911.52 | \$8,098,900.92 | \$27,542,980.62 | 1,997 | \$13,792.18 | \$2,337.73 |
| SDSU | \$39,209,131.00 | \$25,276,629.42 | \$12,090,708.11 | \$36,525,050.47 | \$113,101,519.00 | 10,513 | \$10,758.25 | (\$696.19) |
| USD | \$35,987,377.00 | \$15,581,299.05 | \$13,651,852.83 | \$23,058,656.55 | \$88,279,185.43 | 6,827 | \$12,930.89 | \$1,476.44 |
| | \$115,307,132.00 | \$58,741,463.62 | \$43,128,813.31 | \$85,025,284.05 | \$302,202,692.98 | 26,383 | \$11,454.45 | |

All dollar amounts above represent actual revenue figures for FY2011.

(1) - Includes the following Fees:

| | | | |
|------------------------|--------------------|----------------------------|------------------|
| Maint & Repair Fee | Salary Enhancement | Delivery Fee - Dr. Nursing | Late Payment Fee |
| General Activity Fee | Special Discipline | Campus Invest in Tech | Transcript Fee |
| University Support Fee | Lab Fee | Exam for Credit Fee | Application Fee |
| Salary Competiveness | Delivery Fee | International Student Fee | Student Charges |

(2) - Budget was reduced by \$821,256 for the E-Learning high school program

(3) - These totals do not included revenue pertaining to the MD Program

(4) - USD total student FTE for Fall 2010 was 7,069. 242 FTE have been subtracted from this balance to account for the FTE in the MD program.

Realignment Options

| <u>Realignment of \$500,000 to BHSU Based On FY12 General Fund Budgets</u> | | |
|---|----------------------|-----------------------|
| | FY12 Base Budgets | General Fund |
| | <u>General Funds</u> | <u>Realignment</u> |
| BHSU | \$7,051,654 | \$500,000 |
| DSU | \$8,485,658 | (\$38,514.09) |
| NSU (1) | \$10,228,556 | (\$46,424.63) |
| SDSM&T | \$13,606,677 | (\$61,757.01) |
| SDSU (2) | \$36,245,692 | (\$164,509.34) |
| USD | <u>\$34,544,787</u> | <u>(\$156,789.39)</u> |
| | \$110,163,024 | \$0 |
| (1) Reduced by \$854,060 for E-Learning | | |
| (2) Reduced by ADRDL in the amount of \$1,528,278 | | |

| <u>Realignment of \$100,000 from each University to BHSU</u> | | |
|---|----------------------|--------------------|
| | FY12 Base Budgets | General Fund |
| | <u>General Funds</u> | <u>Realignment</u> |
| BHSU | \$7,051,654 | \$500,000 |
| DSU | \$8,485,658 | (\$100,000) |
| NSU | \$10,228,556 | (\$100,000) |
| SDSM&T | \$13,606,677 | (\$100,000) |
| SDSU | \$36,245,692 | (\$100,000) |
| USD | <u>\$34,544,787</u> | <u>(\$100,000)</u> |
| | \$110,163,024 | \$0 |