



Tuition Freeze (HB1230)

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Synopsis: House Bill 1230 would freeze tuition for four years at South Dakota’s public universities for continuously enrolled, full-time students seeking a baccalaureate degree. The bill does not take into account the reasons for tuition increases or how the revenue loss would be made up. The operational effect of this bill will not save the student money and will burden the administrative systems to track multiple tuition rates for multiple categories of students. Quality of education will suffer.

Potential Fiscal Impact of House Bill 1230

- You would have to freeze tuition on 74 percent of the undergraduate students. The public universities collect \$52.5 million annually from undergraduate students. Assuming a 4 percent increase in tuition, and that the universities would lose the increase on 74 percent of undergraduate tuition, the system would lose \$1.5 million the first year, \$1.6 million the second year, \$1.7 million the third year, and \$1.8 million the fourth year, for a **total loss over the four years of \$6.6 million**.
- If undergraduate tuition represents 84 percent of annual tuition revenue and the system could only increase that tuition on 26 percent of its students, there would not be money to cover salary policy for 413 of the 666 faculty and staff who are funded by tuition. The state would need to fund the salary policy shortfall of \$1.1 million a year.
- The system would lose \$1.35 million (20 percent of tuition) in the Higher Education Facilities Fund (HEFF) account in four years, growing the deferred maintenance backlog.
- The STUDENT system would have to track each student and their continuous enrollment so it is known when each student reached their four years of continuous enrollment. Along with multiple tuition rates, these changes would necessitate major system modifications with a large price tag.
- The public university system would effectively lose 4 percent on the tuition operating expense base each year, further diminishing purchasing power.

Operational Solution

To stay even, the system would have to increase annual tuition for each new class on the front end in order to cover the freeze for the following three years. The increase the first year would be 10 percent instead of 4 percent. Here is what would happen to a full-time student taking 32 credits in a year:

HB1230 in Operation	Base FY07	FY08	FY09	FY10	FY11	4-Year Revenue
Current Process - 32 Credit Hours	\$2,540.80	\$2,642.45	\$2,748.15	\$2,858.07	\$2,972.40	\$11,221.07
Annual Increase		4.0%	4.0%	4.0%	4.0%	
HB1230 - Rate Locked for 4 Years	\$2,540.80	\$2,642.45	\$2,642.45	\$2,642.45	\$2,642.45	\$10,569.80
Annual Increase		4.0%	0.0%	0.0%	0.0%	
Revenue Loss Per Full-Time Student						(\$651.27)
Total Estimated 4-Year Loss						(\$6,599,004)
Solution - Increase Rate First Year	\$2,540.80	\$2,805.27	\$2,805.27	\$2,805.27	\$2,805.27	\$11,221.08
Annual Increase		10.4%	0.0%	0.0%	0.0%	
Higher/Lower Cost Paid per Year		\$162.82	\$57.12	(\$52.80)	(\$167.14)	\$0.00