



Non-Resident Tuition

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Synopsis: The Board of Regents commissioned a study of non-resident tuition rates in March 2005 to assess the impact of declining numbers of high school graduates in South Dakota and surrounding states on future university enrollments. A committee looked at high school graduation projections, examined the enrollment of non-resident, first-time freshmen and new transfers at South Dakota public universities, and conducted studies on non-resident tuition price elasticity and economic impacts. The regents adopted a recommendation to reduce the full-pay non-resident rate to the same “adjacent state” rate already offered to Iowa and Nebraska residents and the Western Undergraduate Exchange rate already offered to 14 western states. The goal is to increase non-resident enrollments overall, offsetting anticipated declines in traditional-age students from South Dakota and surrounding states.

Demographics a Real Concern

The number of high school graduates in South Dakota declined from 1999 to 2005 by 4 percent, from 9,773 to 9,356. This decline is expected to accelerate in South Dakota and other High Plains states. In the next decade, South Dakota high school graduates are projected to decline by 13 percent. Surrounding states tell a similar story. North Dakota’s numbers will decline by 18 percent, Montana 17 percent, Wyoming 14 percent, Nebraska 5 percent, Iowa 6 percent, and Minnesota 4 percent.

South Dakota first-time freshmen enrollments at the public universities declined from 3,322 to 3,267 between 1998 and 2004. Forecasting first-time freshmen by the projected decline in high school enrollments of 13 percent translates into about 420 fewer students, similar to the number of first-time freshmen enrolling each year at BHSU. After four years, at current system retention rates, the annual system loss would be more than 1,200 resident students, well over \$5 million in tuition and fees, nearly \$3 million in room and board revenues, and a considerable economic impact to the state.

Developing strategies to address this potential loss in students is a key issue for the system and one that requires early action, rather than waiting to dig itself out of a hole.

Current Reduced Tuition Programs for Non-Residents

Significant increases to non-resident rates in the late 1990s drove non-residents back home or to other states, with devastating impacts on enrollments and revenues to the South Dakota public universities. The current non-resident tuition rate is 317 percent of the resident rate: \$242.60 per credit hour compared to \$76.35.

The Board of Regents already has in place reduced tuition programs for non-residents of some states to attract those students to South Dakota:

- **Western Undergraduate Exchange (WUE)** – A reciprocal program which is part of the Western Interstate Commission for Higher Education that allows students from participating states to attend identified undergraduate programs at 150 percent of resident tuition. Members are Washington, Oregon, California, Idaho, Montana, Nevada, Arizona, Utah, Wyoming, North Dakota, Colorado, New Mexico, Alaska, and Hawaii.
- **Adjacent State Program** – Program begun in FY02 allowing students from Iowa and Nebraska, the only surrounding states not participating in WUE, to come to South Dakota at 150 percent of resident rate.
- **Minnesota Reciprocity** – Students from Minnesota can currently come to South Dakota at about 158 percent of the resident tuition rate under the reciprocity agreement.

Reducing non-resident tuition has increased net revenues to the system, resulting in a greater financial contribution by non-residents to South Dakota public higher education institutions.

Recommendations of Tuition Review Committee Adopted

A price elasticity study conducted by a University of South Dakota economist concluded that further reductions in the current rate charged to adjacent state students would not result in sufficient enrollment growth to offset the loss in tuition.

There were only 60 first-time freshmen enrolled at all public universities in fall 2004 from the remaining 32 states, and 13 first-time freshman international students paying the full non-resident rate. An additional 77 non-resident transfers and 38 international student transfers also paid the full rate in fall 2004.

The regents adopted the recommendation, fully endorsed by all campus presidents, to reduce the current non-resident undergraduate tuition rate of \$242.60 to \$114.55, or 150 percent of the undergraduate resident rate. The change will be phased in beginning with first-time freshmen and new transfer students in summer 2006. It was the committee's conclusion that this rate reduction can be marketed successfully, increasing the number of students in the system and thereby partially offsetting losses in resident enrollment over the next decade.

Marketing programs will be developed to accompany the reduced tuition program, with the universities agreeing to mount marketing campaigns that have a particular focus on students from Wisconsin and Illinois.

Tuition pool revenues will be guaranteed by each campus based on the campus's proportion of non-resident credit hours in the FY06 base. This program will be monitored annually to determine its impact.

Comparison of Undergraduate Rates per Credit Hour with Approved Change

	<u>Tuition</u>	<u>Fees</u>	<u>Total</u>
Resident	\$76.35	\$82.55	\$158.90
Non-Resident	\$114.55	\$82.55	\$197.10
Sioux Falls Self-Support	\$196.70	\$0.00	\$196.70
Self-Support	\$181.45	\$0.00	\$181.45