

**SOUTH DAKOTA BOARD OF REGENTS  
PLANNING SESSION  
AUGUST 11-12, 2015**

**SUBJECT: Future University Center Models**

Public higher education has begun to encounter a storm of converging disruptions in recent years. New and emerging course providers (e.g. StraighterLine, Western Governors University), course delivery methods (e.g., blended delivery, MOOCs), credit completion models (e.g., competency-based learning, dual-credit courses), technological innovations (e.g., open course content, social media), and funding challenges (e.g., declining public funding) have begun to reshape the education marketplace in fundamental ways.

In this context of change, one clear trend emerging from recent university system data is the marked decline in student enrollments at all three of the state’s university centers. Whether a result of the above factors or an effect of other forces, these sustained enrollment losses signal the need for renewed discussions about the future direction of these facilities. These constraints present themselves at a time when other space utilization needs are surfacing in Rapid City, Sioux Falls and Pierre. For instance, both SDSU and USD nursing programs have impending space concerns with their current facility offered through Black Hills Regional, and CES and AES are in the process of exploring potential options for centrally locating their outreach operations in Rapid City. Similar dialogue is occurring in Sioux Falls as the nursing space allocated at Southeast Technical Institute is confronting a number of challenges with a desire to evaluate whether viable space may exist at University Center. AES and CES lease space at the School for the Deaf facility, presents a similar parallels with conversations in Rapid City. Doing so at either of the center locations begins to present a model that expands the fundamental mission for delivery of traditional degrees that have in the past excluded nursing.

As an opportunity to develop a practical framework for moving the system forward under this evolving landscape, the Board is presented with relevant data<sup>1</sup> from a variety sources to

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<sup>1</sup> Data for this analysis are taken from a variety of sources:

- Enrollment data for SDBOR universities and university centers are provided by Regents Information Systems (RIS)
- Enrollment data for other institutions (e.g., “competitors”) are sourced from federal Integrated Postsecondary Education Data System (IPEDS) institutional survey files
- Completion and matriculation data for South Dakota high school graduates are provided by the South Dakota Department of Education (SDDOE) and the National Student Clearinghouse (NSC). The NSC is a national repository of enrollment data for nearly all postsecondary institutions in the United States.
- Demographic data are generated from the 2013 American Community Survey (ACS) Public Use Microdata Sample (PUMS) files published by the US Census Bureau. The ACS is a continuous survey project that samples approximately one percent of the total US population each year. PUMS files contain a subset of actual responses to the ACS, along with weighting coefficients that allow estimates to be scaled back to the population level. It is important to remember that these data are based on self-reported survey responses, and thus are subject to the same sources of sampling and nonsampling error associated with any other type

delineate existing trends at the three center locations, as well as key demographic characteristics of traditional and non-traditional students in close proximity. In addition, the headings *Alternatives to Four-year Programs*, *Market-based Analysis of Programming Needs*, and *Alternative Pricing Systems* provide additional context to the action items offered below. Collectively, this information is intended to facilitate discussion among the Board to provide direction for moving the system forward this coming academic year in addressing existing barriers to renewed growth of these important markets. With this context in mind, the following action items are presented:

1. Research alternatives to the traditional emphasis of the university centers on four-year baccalaureate programs.
2. Conduct increased market-based analysis at each university center recognizing the unique opportunities and challenges of individual locations to tailor programs offered to the specific sites.
3. Evaluate potential alternate pricing systems at university centers to determine if lower (or different) price systems would affect enrollment patterns.
4. Assess the current management structure at the university center locations and develop alternatives that may enhance enrollment growth opportunities.

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of survey research. Accordingly, all figures generated from these data should be understood as estimates, not hard counts.

## Background

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The university centers in Sioux Falls, Rapid City, and Pierre allow for the delivery of classroom-based instruction in cities that are not served by a traditional residential campus. As collaborative partnerships between multiple universities – and with an emphasis on adult and working students – all three centers offer a range of academic coursework, academic support services, and student services. Through an array of afternoon, evening, and weekend offerings, the centers work to deliver targeted curricula that meet the needs of local working students. Specifically, these facilities include:

### **University Center – Sioux Falls (UCSF)**

Founded in the early 1990s as the Center for Public Higher Education, UCSF has been offering courses in the Sioux Falls community for more than two decades. Originally located in the Bergeland Building in downtown Sioux Falls, and later transitioning (under the name USDSU) to leased space at Southeast Technical Institute, UCSF has operated at its current *University Center* facility in northwest Sioux Falls since 2009. UCSF is led by an executive director (Craig Johnson), under the direction of a five-member board of directors. The center currently offers three certificate programs, 11 associate’s degree programs, 34 bachelor’s degree programs, and 14 graduate programs, mainly in business, health, human services, and technology fields.

### **Black Hills State University – Rapid City (BHSURC)**

Black Hills State University – Rapid City has served the greater Rapid City area for more than half a century. Originally established to deliver coursework to military personnel at Ellsworth Air Force Base, the center has transitioned through various names through the years, including West River Higher Education Center and later University Center – Rapid City. The current *University Center* facility on the eastern edge of Rapid City was completed in 2011. Gene Bilodeau serves as the executive director of the center, which was renamed to Black Hills State University – Rapid City in 2015. BHSURC offers six certificate programs, five associate’s degree programs, 24 bachelor’s degree programs, and 13 graduate programs, mostly in administration, business, health, and social science fields.

### **Capital University Center (CUC)**

Capital University Center was founded in Pierre in the early 1980s as a community-based center for continuing education. The center was adopted into the South Dakota university system in 2003, becoming the first formal “university center” in the state. A new facility – the Wallace R. Halverson Education Building – was completed in 2009. Dr. Janelle Toman serves as CUC’s executive director, with support from a twelve-member community advisory board. CUC offers five associate’s degree programs and five bachelor’s degree programs, mainly in general studies, nursing, and business fields.

For an introductory overview of each university center’s current funding model, see narratives offered by each university center director in Appendix A.

## Enrollment Trends

Enrollments at the state’s university centers – all locations combined – have declined considerably in recent years. Table 1a shows that combined student headcount fell by about 12 percent from Fall 2008 to Fall 2014, and Table 1b depicts a similar decline in student FTE over the same period. Both measures appear to reflect an enrollment arc driven by the recent economic crisis, with peak enrollments corresponding to the worst of the economic recession.

Importantly, enrollment changes have varied significantly by location. While enrollments have fallen sharply at UCSF and CUC, enrollment at BHSURC has grown robustly. Not surprisingly, Table 1c shows that persistent student losses have led to a slow scaling-back of course offerings at CUC and UCSF, a trend that further undercuts these centers’ efforts to attract new students. This trend is not yet evident at BHSURC, which to now has been able to maintain slow but steady growth in course offerings.

**Table 1a**  
Headcount Enrollment Trends

	UCSF	BHSURC	CUC	Sum
Fall 2008	2,209	1,027	121	3,357
Fall 2009	2,275	1,143	133	3,551
Fall 2010	2,364	1,126	156	3,646
Fall 2011	2,086	1,324	128	3,538
Fall 2012	1,976	1,313	78	3,367
Fall 2013	1,859	1,364	81	3,304
Fall 2014	1,618	1,254	69	2,941
Δ Last Year	-13%	-8%	-15%	-11%
Δ Since 2008	-27%	22%	-43%	-12%

**Table 1b**  
FTE Enrollment Trends

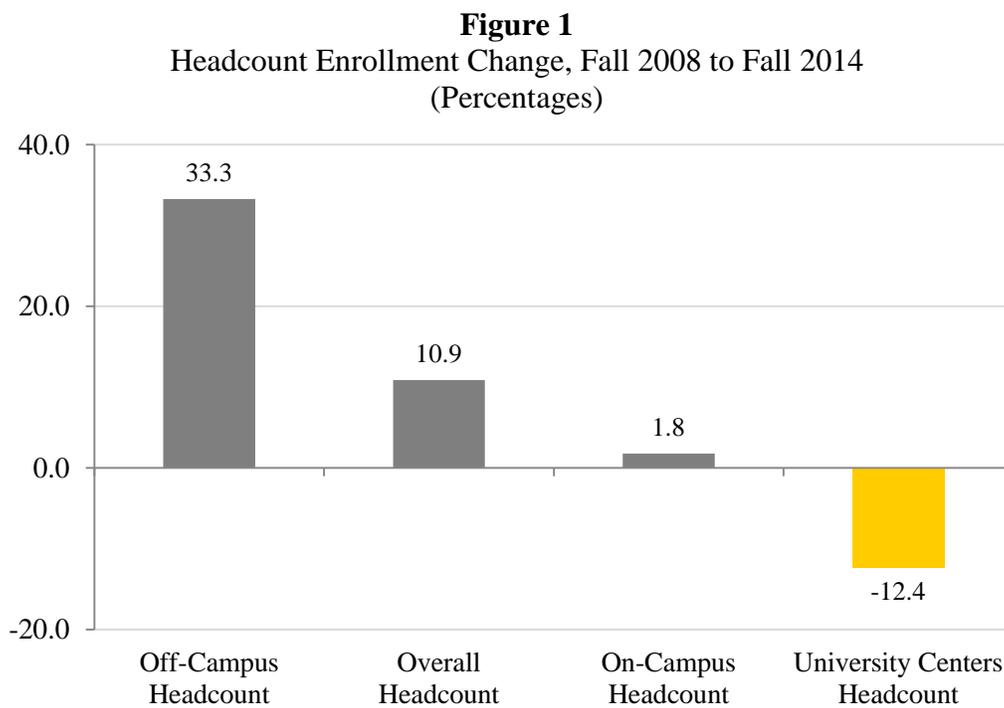
	UCSF	BHSURC	CUC	Sum
Fall 2008	1,200.4	468.6	50.8	1,720
Fall 2009	1,223.1	500.7	60.9	1,785
Fall 2010	1,251.1	484.1	65.7	1,801
Fall 2011	1,147.1	678.1	47.0	1,872
Fall 2012	1,094.1	684.0	34.7	1,813
Fall 2013	1,069.5	703.4	34.4	1,807
Fall 2014	910.2	648.7	27.7	1,587
Δ Last Year	-15%	-8%	-19%	-12%
Δ Since 2008	-24%	38%	-45%	-8%

**Table 1c**  
Sections Offered Trends

	UCSF	BHSURC	CUC	Sum
Fall 2008	348	145	28	521
Fall 2009	363	155	42	560
Fall 2010	365	152	32	549
Fall 2011	336	188	31	555
Fall 2012	325	202	27	554
Fall 2013	316	204	26	546
Fall 2014	284	207	19	510
Δ Last Year	-10%	1%	-27%	-7%
Δ Since 2008	-18%	43%	-32%	-2%

It is important to note that the above enrollment declines appear to run counter to broader enrollment trends in the university system as a whole. Figure 1 indicates that, from Fall 2008 to Fall 2014, overall headcount enrollment in the university system increased by roughly ten percent. On-campus enrollments ticked up by just under two percent during this period, while enrollments in off-campus courses soared by more than 30 percent.<sup>2</sup> By comparison, the 12 percent headcount loss seen at the university centers (combined) over this period signals a clear area of concern for the university system.

*Note that the columns in Figure 1 are not mutually exclusive. For example, the “off-campus” column includes university center enrollments. See footnote for definitions.*

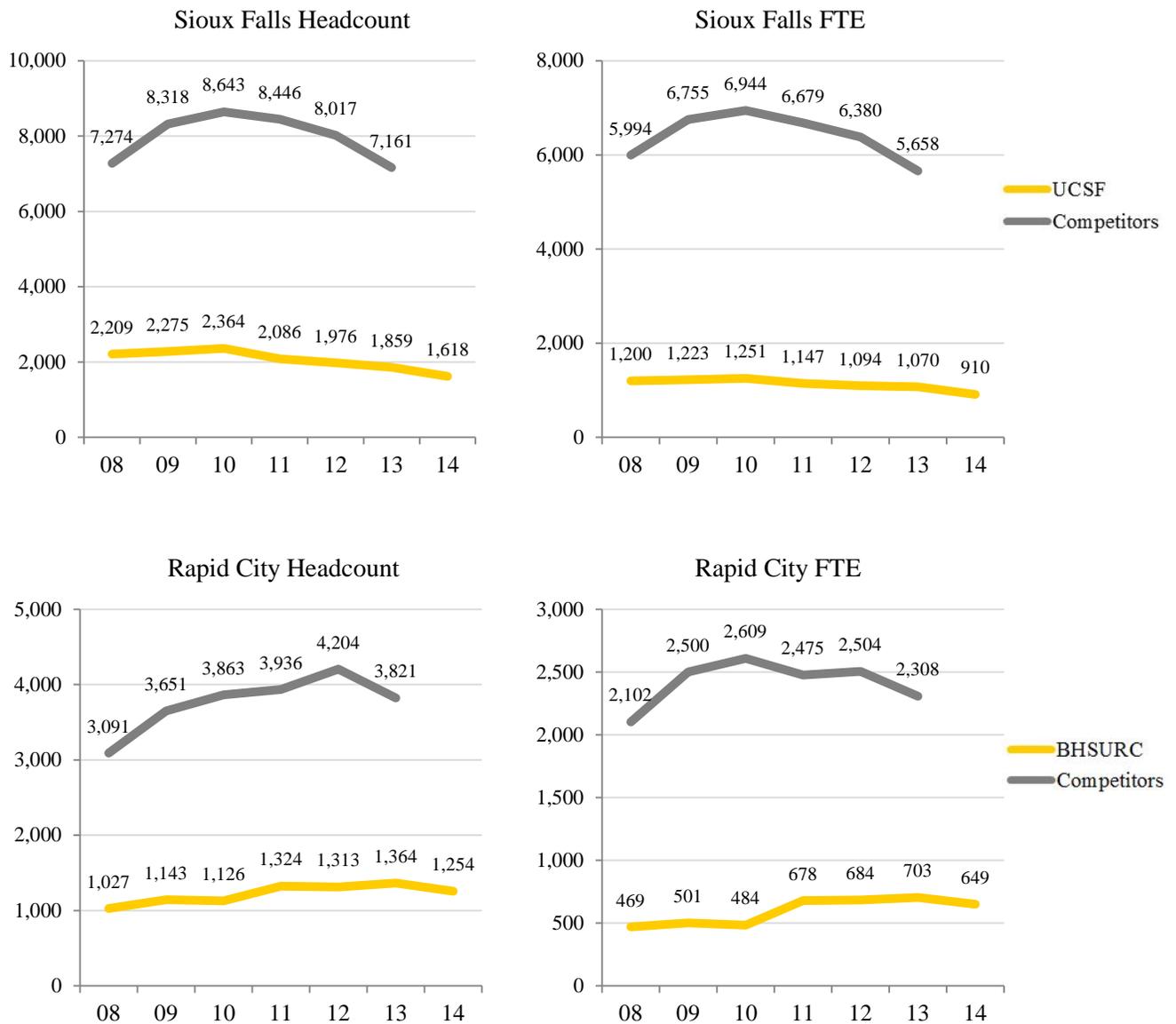


That total off-campus headcounts grew so expansively in the face of such steep losses at the university centers owes to tremendous growth in other off-campus delivery methods (e.g., internet delivery). In fact, enrollments in Regental distance offerings (i.e., sections not taught in face-to-face format) grew by a staggering 98.5 percent from Fall 2008 to Fall 2014.

<sup>2</sup> Students can be counted in multiple columns. “On-campus” enrollments include students enrolled in at least one on-campus face-to-face course section. “Off-campus” enrollments include students enrolled in at least one course section not considered “on-campus.”

Figure 2 offers context for the current analysis by showing enrollment data for UCSF and BHSURC, along with analogous data for other institutions serving these areas.<sup>3</sup> Overall, data show a familiar rise and fall since 2008 across all enrollment measures and competitor groups. Among UCSF competitors, aggregate enrollments for the most recent year essentially mirror pre-recession levels. In the Rapid City area, enrollments remain somewhat higher now than in 2008. Enrollment advances among BHSURC competitors have been led by NAU–Rapid City, which shows gains of 41 percent and 18 percent in headcount and FTE, respectively.

**Figure 2**  
Enrollment Trends: University Centers vs. Competitors



<sup>3</sup> Competitor data are sourced from IPEDS; Fall 2013 is the most recent term available for these data. Data are not shown for CUC due to its lack of area competitors. UCSF’s competitor group includes: Augustana College, Avera School of Radiologic Tech, CTU–SF, Globe U–SF, Kilian CC, NAU–SF, STI, Stewart School, and USF. BHSURC’s competitor group includes: Black Hills Beauty College, Headlines Academy, NAU–Ellsworth AFB, NAU–RC, and WDTI.

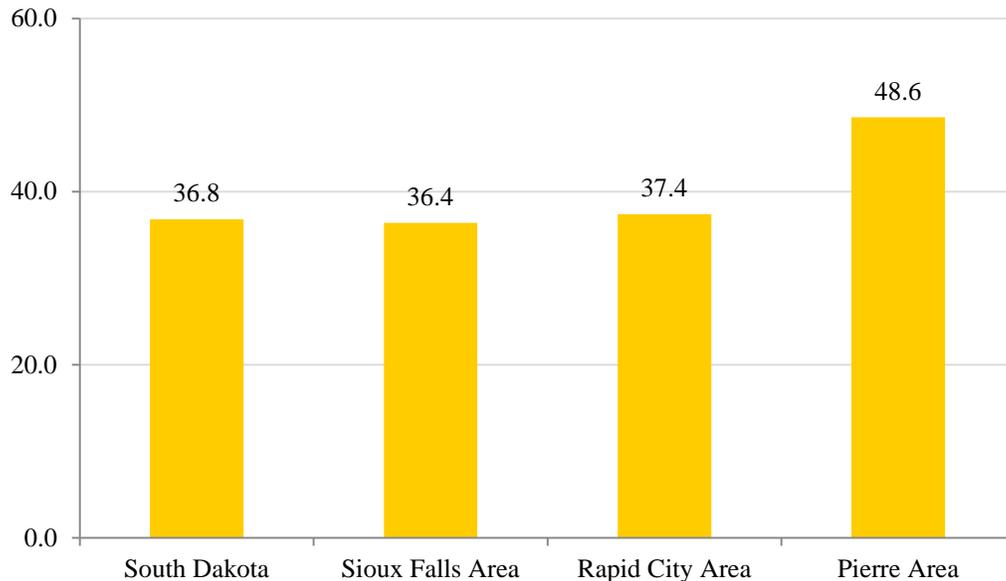
## Student Market

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To what extent do high school graduates from university center cities matriculate to the Regental system (including the university centers themselves)? Figure 3 depicts the Regental matriculation rates of students graduating from high schools located in or near Sioux Falls, Rapid City, or Pierre.<sup>4</sup> Specifically, data refer to the high school graduating class of 2012-13 (the most recent for which placement data are available).

At the highest level of aggregation, data suggest that approximately 36.8 percent of students from all South Dakota high schools in 2012-13 enrolled in at least one Regental institution within 16 months of graduation. By comparison, roughly 36.4 percent of students from the Sioux Falls area, 37.4 percent of students from the Rapid City area, and 48.6 percent of students from the Pierre area enrolled in the Regental system after graduation. Pierre's high Regental matriculation rate likely owes to the relative lack of alternative options for students living in the central part of the state.

**Figure 3**  
Students Enrolling in a Regental Institution, 2013 Graduating Class  
(Percentages)



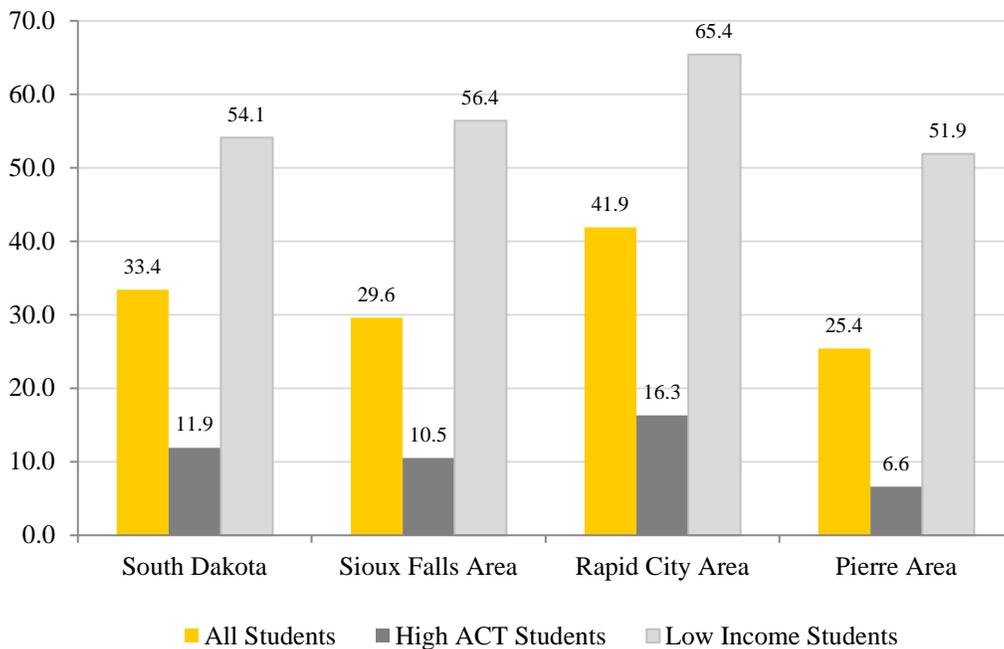
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<sup>4</sup> Data are provided by SDDOE and the National Student Clearinghouse. Schools within approximately 30 miles of each university center city are included. School systems included in the “Sioux Falls Area” group are: Baltic, Brandon Valley, Dell Rapids, Garretson, Harrisburg, Joe Foss, Lennox, Sioux Falls (including private and alternative schools), Tea, Tri-Valley, and West Central. School systems included in the “Rapid City Area” group are: Douglas, Hill City, New Underwood, Rapid City (including private and alternative schools), and Sturgis Brown. School systems included in the “Pierre Area” group are: Pierre TF Riggs, Stanley County, and Sully Buttes.

The above data suggest that the university system captures about a third of the state’s high school graduates. However, another cut of the same data indicates that a substantial number of high school graduates not only do not matriculate to a Regental institution, but also do not matriculate to *any* postsecondary institution.

Figure 4 summarizes the current extent of postsecondary *non*-matriculation among graduates of South Dakota high schools. Around 33.4 percent of high school graduates from South Dakota do not enroll in any college or university within 16 months of high school graduation. The same can be said for more than one in ten (11.9 percent) of the state’s high school graduates with an ACT composite score of 18 or higher. Figure 4 also indicates that a strikingly high percentage (54.1 percent) of the state’s low-income graduating seniors (i.e., those qualifying for subsidized school meals) do not matriculate to any postsecondary institution within 16 months of graduation.

**Figure 4**  
Students Not Enrolling in Any Postsecondary Institution, 2013 Graduating Class  
(Percentages)



Among university center cities, non-matriculation appears highest in the Rapid City area – for all students, high-achieving students, and low-income students alike – trailed somewhat distantly by the Sioux Falls area and the Pierre area. For the 2013 graduating class alone, these rates compute to a total of 138 (Sioux Falls area), 99 (Rapid City area) and 10 (Pierre area) students with a suitable ACT score who did not enroll in any postsecondary institution following graduation. These figures would seem to indicate an opportunity for modest enrollment growth for all three university centers.

Table 2 provides further detail on the postsecondary placements of 2012-13 high school graduates from university center cities. For each local area, the top ten postsecondary placements are shown.<sup>5</sup> Though these lists do not include the university centers explicitly, they do confirm that Regental universities are common destinations for graduates from these high schools, and consequently affirm students' endorsement of the Regental "brand." However, these figures also reiterate the sizable number of students not pursuing postsecondary opportunities following graduation.

**Table 2a**

Top Postsecondary Institutions, 2013 Graduating Class – Sioux Falls Area

Institution	Students	Percent of Class
(Not Enrolled)	792	29.0
South Dakota State University (SD)	468	17.1
University of South Dakota (SD)	319	11.7
Southeast Technical Institute (SD)	198	7.3
Augustana College (SD)	98	3.6
Dakota State University (SD)	92	3.4
University of Nebraska-Lincoln (NE)	72	2.6
University of Sioux Falls (SD)	72	2.6
University of Minnesota-Twin Cities (MN)	50	1.8
Minnesota State University-Mankato (MN)	32	1.2

**Table 2b**

Top Postsecondary Institutions, 2013 Graduating Class – Rapid City Area

Institution	Students	Percent of Class
(Not Enrolled)	458	35.1
Black Hills State University (SD)	211	16.2
South Dakota State University (SD)	91	7.0
South Dakota School of Mines (SD)	73	5.6
University of South Dakota (SD)	71	5.4
Western Dakota Technical Institute (SD)	62	4.8
Chadron State College (NE)	23	1.8
Mitchell Technical Institute (SD)	16	1.2
Northern State University (SD)	16	1.2
Montana State University - Bozeman (MT)	14	1.1

**Table 2c**

Top Postsecondary Institutions, 2013 Graduating Class – Pierre Area

Institution	Students	Percent of Class
(Not Enrolled)	52	21.4
South Dakota State University (SD)	44	18.1
University of South Dakota (SD)	32	13.2
Northern State University (SD)	17	7.0
Lake Area Technical Institute (SD)	13	5.4
South Dakota School of Mines (SD)	12	4.9
Southeast Technical Institute (SD)	11	4.5
Mitchell Technical Institute (SD)	9	3.7
Black Hills State University (SD)	7	2.9
(Two tied)	4	1.7

<sup>5</sup> Counts are duplicated by institution; students enrolling in multiple institutions are counted once per institution.

The foregoing analysis suggests that while university center enrollments in Sioux Falls and Pierre have declined in recent years, marginal gains may be possible by tapping a leaky student pipeline. Yet, data from the US Census Bureau indicate that vastly stronger advances might be made by redoubling efforts to recruit students from a much more abundant market segment: young working-age adults.

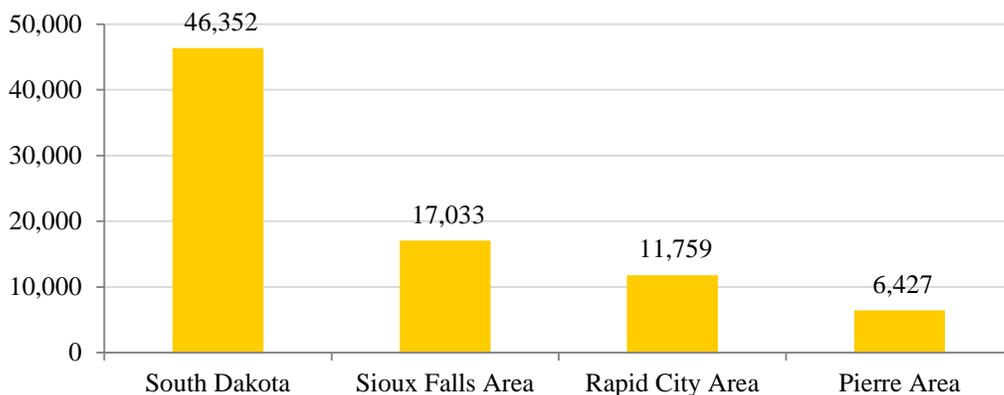
Table 3 examines educational attainment data from the US Census Bureau’s *American Community Survey* for young working-age adults in South Dakota.<sup>6</sup> In 2013, roughly 21.9 percent of young working-age adults living in South Dakota reported having spent time in college but not earning a degree. Table 3 shows that this proportion ranged from 20.2 percent in the Sioux Falls area to 27.5 percent in the Pierre area.

**Table 3**  
Educational Attainment for Young Adults, 2013  
(Percentages)

	No College	Some College	Has Degree	Total
South Dakota	32.2	21.9	45.9	100.0
Sioux Falls Area	27.0	20.2	52.8	100.0
Rapid City Area	34.2	25.9	40.0	100.0
Pierre Area	46.6	27.5	25.9	100.0

In numeric terms, these population proportions signal the presence of large pools of young workers with postsecondary experience but no degree. Figure 5 shows that more than 17,000 such adults live in the Sioux Falls area, more than 11,000 live in the Rapid City area, and more than 6,000 live in the Pierre area.

**Figure 5**  
Young Adults with Some College but No Degree, 2013  
(Counts)



<sup>6</sup> The term “young working-age adults” is defined here as all persons aged 25 to 44 years, inclusive. This analysis uses detailed geographies called “Public Use Microdata Areas,” which are defined by the US Census Bureau. For the “Sioux Falls Area” group, included counties are: Minnehaha, Lincoln, McCook, Turner, Yankton, Clay, and Union. For the “Rapid City Area” group, included counties are: Harding, Perkins, Butte, Meade, Lawrence, Pennington, and Custer. For the “Pierre Area” group, included counties are: Corson, Ziebach, Dewey, Haakon, Stanley, Sully, Hughes, Hyde, Fall River, Shannon, Jackson, Bennett, Jones, Mellette, Todd, Lyman, Tripp, Gregory, Buffalo, and Charles Mix.

Educational attainment rates are not fixed, and may change as a function of several factors, including interstate migration. Table 4 displays interstate migration estimates for young working-age adults in South Dakota, calculated from the 2013 *American Community Survey*. Consistent with past research, these data suggest that while South Dakota appears to continue as a net exporter of college degree holders, it also appears to be a net importer of young adults without college credentials, including those with college experience but no degree.<sup>7</sup> Sustained over time, this migration exchange could lead to additional increases in the number of adults who may benefit from postsecondary training.

**Table 4**  
Interstate Migration by Young Adults in South Dakota, 2013

	Exported	Imported	Difference
No College	2,478	2,744	266
Some College	1,635	1,911	276
Has Degree	4,069	3,265	-804
Total	8,182	7,920	-262

All told, the figures above are useful in gauging the relative size of what was initially envisioned as the university centers’ core student population. The university centers were established with the intent of advancing the educational opportunities available to place-bound, working adults. Accordingly, the centers’ future enrollment trajectories likely will continue to hinge on their efforts to effectively engage this demographic group.

However, one final data point begs for a reexamination of a key assumption about the state’s labor force, namely, the specific composition of the “working-age” population. As reported in the recent Drexel labor market study, South Dakota’s labor force participation rate (i.e., the percentage of working-age adults who are either working or seeking work) is among the highest in the nation.<sup>8</sup> Yet, since 2000, an important change in the state’s labor force participation rate has occurred, namely, that older adults are substantially more likely to be engaged in the workforce now than in the past.

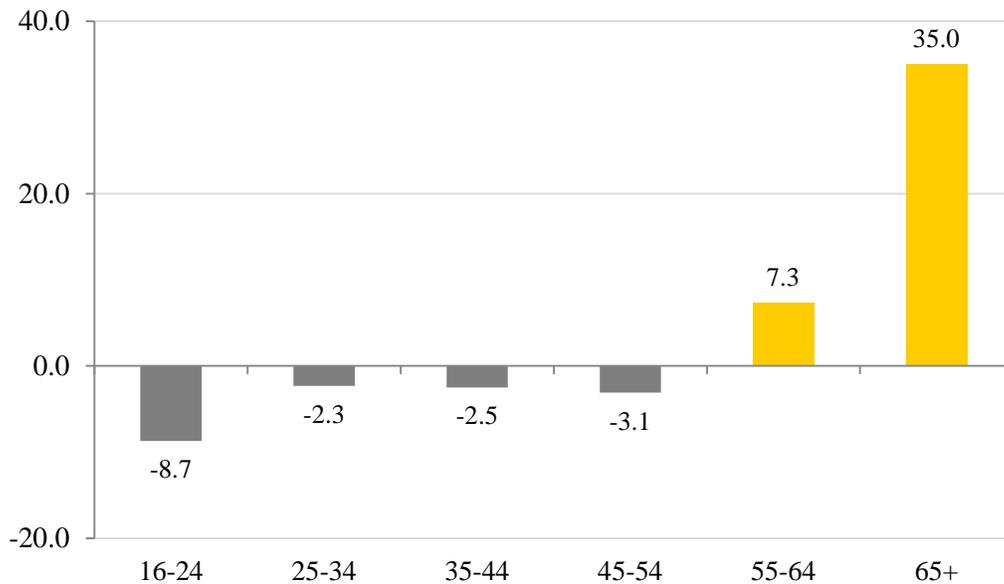
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<sup>7</sup> It is important to remember that these estimates were generated from sample data, and should not be interpreted as exact measurements of population change. Many of the specific exchange figures cited above fell within relatively liberal standards for statistical error. It follows that this analysis should be viewed as offering tentative – but not conclusive – evidence of a net migration change.

<sup>8</sup> Fogg, N.P., & Harrington, P.E. (2014). *Growth and Change in South Dakota Labor Markets: An Assessment of the State’s Labor Market Imbalances in a Weak National Recovery*. Drexel University Center for Labor Markets and Policy.

Reproduced from the Drexel report, Figure 6 displays changes – from 2000 to 2013 – in the state’s labor market participation rate by age group.<sup>9</sup> These data indicate that adults aged 55 and older have become considerably more likely to remain in (or join) the labor force since the year 2000. In fact, the labor force participation rate for workers aged 65 and older grew by an astonishing 35 percent over this period. When measured in numeric terms, these changes have produced a net gain of more than 54,000 workers in these two upper age groups since 2000, compared to a net loss of nearly 13,000 workers in all other (16-54) age groups combined.<sup>10</sup>

**Figure 6**  
Change in South Dakota Labor Force Participation Rates, 2000-2013  
(Percentages)



These figures illustrate the increasingly likelihood of older workers to remain active in the state’s labor force. While this stretching of the labor force no doubt stems in part from economic pressures felt from the recent economic downturn, it remains to be seen if and when these workers will begin to separate from the workforce. If this rearrangement of the labor force persists, opportunities may emerge for the university centers – and all Regental institutions – to consider the potential training needs of the state’s older working adults. In an environment where mid-career workers expect to remain in the labor force longer than before, they may become increasingly willing to pursue further educational opportunities. Accordingly, the university centers may be well-positioned to develop curricula and programs targeted at this particular population.

<sup>9</sup> Ibid, p. 22.

<sup>10</sup> Ibid, p. 27.

## Potential Models

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Two separate but related goals drive the analysis below: first, the goal of having sixty percent of South Dakota’s population having a postsecondary credential; and second, increasing the enrollments and use of the three university centers. To accomplish these two goals, the university centers must consider several potential changes to their existing programming and pricing models. Three options are presented for the Board to consider which may be used singularly, or in some combination to meet specific workforce needs for the various regions of the state while also serving student (traditional and non-traditional) credentialing demands going forward.

### *Alternatives to Four-year Programs*

Currently, the majority of academic programs at the university centers are at the bachelor’s and graduate degree levels. However, opportunities may exist to expand academic programming to include other credentials. This includes expansion of non-credit courses, continuing education targeting an older population, certificate programs, and associate degree programs. Redirecting the focus of university centers to certificate and associate programming could produce value in two ways. First, students who earn certificates and associate degrees but are uninterested in continuing into bachelor’s programs will increase the overall population with postsecondary credential. Second, recent studies suggest that forty percent of all students who earn an associate degree also complete a bachelor’s degree within six years, thereby encouraging more students to work toward bachelor’s degrees.<sup>11</sup>

The Regental system’s common course catalog provides unique opportunities to capitalize on an increase in certificate and associate degree holders within the state. The common course catalog makes the transition from certificate to associate to bachelor’s degrees easier than in many other states, reducing the time and expense on students to continue their education. Certificate credits are valid toward the associate degree and associate degree credits are valid toward the bachelor’s degree, a process called “stackable credentials” or “stackable programs” because the credentialing stacks and builds on each other.

#### *Stackable Programs Example*

Jane Doe wants a certificate in math, a credential she earns through a twelve credit hour program at a university center. After completing the certificate, Jane decides to complete her associate degree in math (typically requiring sixty credit hours), thus only needs to take an additional forty-eight hours. Two years later, Jane decides to get her bachelor’s degree in statistics (a degree typically requiring 120 credit hours), thus Jane needs only to complete an additional sixty credit hours post associate degree.

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<sup>11</sup> “Study: 2 in 5 Associate Degrees Lead to a Bachelor’s Degree,” *Inside Higher Ed*, 6-17-2015, <https://www.insidehighered.com/quicktakes/2015/06/17/study-2-5-associate-degrees-lead-bachelors-degree>

### ***Market-based Analysis of Programming Needs***

Each of the university centers serves a unique market in terms of population, geography, and business. As such, programming at the university centers should reflect the specific demands of their region, whether those demands are non-credit offerings, job specific credentials, or even graduate degrees. Improved and regular market analysis of the Sioux Falls, Pierre, and Rapid City regions can provide clarity on the unique regional needs, including surveying local businesses, chambers of commerce, other educational entities, potential and existing students, and community partners. Tailoring the programming at each university center to local needs and/or demands will require ongoing assessment of the market to respond to changes promptly.

An additional aspect of increased attention to market-based programming could also include additional delivery models, such as accelerated programs offering eight to ten week semesters, weekend courses, and/or blended/hybrid offerings that include face-to-face instruction supplementing a distance delivery (online) program. Moreover, well-defined programs that limit the options for general education or support courses (thereby reducing overhead and ensuring full course sections for the courses that are offered) can also increase financial efficiency.

#### ***Market-based Emphasis on Programming Example***

A university center determines that local businesses need a high number of graduates with an associate degree in widget technology obtainable through an accelerated timetable of one year. For three or four years, the accelerated associate degree in widget technology is a popular program. However, after the fourth year, the market has enough associate degree holders in widget technology. The university center determines that the local needs are now a standard four-year widget technology program and a certificate in widget accounting. These two new programs replace the existing associate degree in widget technology at the university center.

### ***Alternate Pricing Systems***

Cost is driver in students making decisions on what postsecondary programs to pursue and where to pursue them. South Dakota lacks a true community college system, wherein students earn credentials, sometimes (but not always) transferable to four-year programs at greatly reduced costs. Any consideration of university centers expanding credential offerings at levels beneath the bachelor's degree must include discussion of new pricing systems. Analysis should focus on price points that attract students and cover costs for the universities, as well as analysis of pricing from other opportunities a student may have (technical institutes, for-profit on-line institutions, etc.).

Examples of potential alternate pricing systems include differentiating pricing between bachelor's programs, associate programs, certificate programs, and non-credit programs as opposed to a single pricing structure. One current method that many community colleges, on-line universities, and competency-based programs use is banded tuition. In banded tuition models, a student pays the same price for courses within a credit-hour band, regardless of the specific

number of credit hours (e.g., in one band, three credit hours costs the same as nine credit hours; in the next band, ten credit hours costs the same as fifteen).

An additional approach is working with communities to determine possibilities for partners that might subsidize some offerings at university centers. For example, if a specific business has a need to provide training/education to 100 bookkeepers, the university center can provide the education through a subsidy provided by the business that needs the bookkeepers.

*Banded Tuition Encouraging Completion and Decreasing Student Costs*

John Doe is enrolled in an associate degree program at a university center. His banded tuition means John pays the same amount for a semester if he takes three credit hours or nine credit hours; if he pays for a higher band, John pays the same price for taking ten credits or fifteen credits. John will graduate sooner and pay less for his degree by using banded tuition, encouraging completion of a credential as well as decreasing his cost.

While each university center operates under a unique set of funding sources and operating agreements, they also share a number of important commonalities. The following funding model summaries were provided by the university center directors to provide basic context for discussions about future delivery models at each location.

### **University Center – Sioux Falls**

In general, **the UCSF budget is designed to be supported entirely by tuition revenue generated by UCSF courses** plus some additional revenue (approximately \$300,000 in FY16) from lease of farmland at the UC site, room rentals, vending sales, etc.

**From FY12-FY14, UCSF experienced a budget shortfall at the end of each year** due to losses from the UC Foundations pilot program that provided discounted tuition for general education courses that failed to generate projected enrollment – as a result, there was a UCSF budget shortfall for three consecutive years that ranged from roughly \$350,000-700,000. **This shortfall was covered each year by a UCSF reserve fund that was depleted in FY14.**

While the UC Foundations program was no longer in effect in FY15, **UCSF has been hit by a sharp enrollment drop that began in Spring 2015 semester.** At the present time, we are **projecting a 20% drop** in FY16 UCSF enrollment compared to FY15, which will create a **projected \$1 million gap** between UCSF tuition revenue and the funds required to cover the FY16 UCSF budget. In general terms, we need about \$3 million for the FY16 UCSF operations budget and we project about \$2 million in FY16 revenue, resulting in an anticipated \$1 million budget shortfall due to the significant projected enrollment drop from FY15 to FY16.

A tuition sharing formula is used to manage and allocate UCSF tuition revenue. For example, in FY15, while UCSF generated **\$6.74 million in gross tuition revenue** (undergraduate and graduate), the following costs were applied against this amount:

- HEFF contribution (9%; \$600,000 )
- Bad debt (1%; \$60,000)
- Instructional costs for UC course (38%, totaling \$2.6M)

**Total Direct Costs applied against gross tuition: \$3.26M**

In addition, **campus support costs (\$1.16M)** and funding for the **UCSF operation budget (\$2M)** were also applied to the UCSF gross revenue, bringing the total costs and funding needs

to cover the total UCSF operation to a total of **\$6.42M** – leaving \$320,000 as FY15 net revenue to split between UCSF and the partner universities.

Beginning in FY15, the UCSF net revenue is split according to a **60/30/10 formula** for each UCSF course:

- 60% of net tuition after expenses goes to UCSF
- 30% goes to the university teaching the course
- 10% goes to the home university of each student in the course

In FY15, this tuition sharing formula produced \$200,000 in end-of-year net revenue for SDSU, \$50,000 for USD and \$7500 for DSU – however, **UCSF faced a budget shortfall of nearly \$400,000** due to the drop in Spring 2015 enrollment that required operational budget cuts from March-June 2015. It is also important to note that due to the projected 20% enrollment drop in FY16, **the partner universities anticipate having to cover the projected \$1M budget shortfall rather than experience any FY16 end-of-year net revenue as occurred in FY15.**

### **Black Hills State University – Rapid City**

In prior years each of the regental partners who offered classes at the University Center – Rapid City were assessed an administrative fee based on the number of credit hours they generated. Black Hills State University, since taking on the Black Hills State University-Rapid City facility, is now wholly responsible for the oversight of the building, thus operational costs, resulting in added cost for BHSU with some associated benefits. Regental partners pay their personnel costs associated with their academic offerings. The BHSU-RC revenue streams moving forward will be from tuition, rental fees charged for use of the building by non-regental partners, a parking fee assessed to every student each semester. Not included as a revenue stream are the limited scholarship dollars that students receive from a private foundation – this total will be \$125,000 over three years.

Expenses for BHSU-RC all fall under operations and personnel services. For the current academic year we are anticipating expenses of approximately \$3,003,751

University Center – Rapid City	637152 Self-Support Undergrad - Rapid City	6 – PS	\$1,485,852
		7 – OE	\$41,100
	637156 University Center-Rapid C-Remedial	6 – PS	\$42,045
	637175 University Center - Rapid City	6 – PS	\$834,023
		7 – OE	\$595,731
	637176 Institutional Representation - UCRC	7 – OE	\$5,000
	Total		\$3,003,751

## Capital University Center

Since 2003, when Capital University Center merged with the public university system under Board of Regents' governance, South Dakota State University has served as the administrative university for CUC. However, the physical structure, located at 925 E. Sioux Avenue in Pierre, and significant portions of the operational budget are the responsibility of the Capital University Center Foundation. In addition, the CUC Foundation and community donors provide most of the scholarship support for students attending CUC.

The Capital University Center Foundation Advisory Board oversaw design and construction of the Wallace R. Halverson Education Building. Construction commenced in the spring of 2008 and was completed in May 2009. A lease agreement between Capital University Center Foundation Inc. and the South Dakota Board of Regents spells out details for use of the Halverson Education Building. This agreement generates \$84,768 annually (\$50,000 from the Higher Education Facilities Fund and \$34,768 from general funds) to provide debt service on two outstanding construction loans.

CUC revenues accruing to the public university system are generated from tuition received, a small amount of bookstore sales, and very limited testing fees. Fees are assessed only to those individuals who seek CUC proctoring services but who are not enrolled in one of the public universities. Revenues accrue to the CUC Foundation from delivery of non-credit coursework and rental of classrooms or other facility space to groups not affiliated with the public university system or CUC Foundation partners.

The majority of CUC expenses are for personnel. South Dakota State University supports the salaries and benefits for three CUC staff members, while the University of South Dakota employs the staff and faculty for the nursing program at CUC. Currently, the executive director's salary is supported by the Board of Regents, under a dual appointment whereby Janelle Toman works for both the Board office and CUC.

Much of the operational expenses are covered by the CUC Foundation. As owner and landlord of the Halverson Education Building, the CUC Foundation Advisory Board maintains the facility and grounds. In the past year, the Foundation and SDSU cost shared expenses to upgrade classroom presentation technology in the CUC Auditorium and one classroom. The city of Pierre provides funds (about \$35,000 annually) to help support promotion and marketing of CUC programs and services.