

**SOUTH DAKOTA BOARD OF REGENTS**

**Full Board**

**AGENDA ITEM: 5 – A**

**DATE: January 29, 2016**

\*\*\*\*\*

**SUBJECT: Legislative Updates – Board of Regents Sponsored Bills**

The 2016 Legislature adopted joint rules outlining changes in the budget setting process and a new schedule for hearing special appropriations bills. Although the five bills sponsored at the request of the Board of Regents do not seek general-fund appropriations, they are considered special appropriations because they request authorization to spend other funds.

As a result of this new schedule, the five BOR bills already have had a hearing before the Joint Appropriations Committee. Instead of meeting separately as House and Senate Appropriations committees, the hearing included all 18 members of both committees. This should expedite the hearing process to some extent.

The Joint Appropriations Committee heard the five bills on Jan. 19. Dr. Monte Kramer presented the bills and representatives of SDSU, USD, DSU, and NSU also were on hand to testify about their respective bills and answer committee questions. The hearing went as planned and we do not anticipate any problems moving these bills through the process. The joint committee will take formal action to pass these bills to the House and Senate floors at a later date, perhaps as early as this week. We will update you on the bills’ progress at the teleconference.

For your information, we have included with this agenda item the speaking points prepared for each of the five Board of Regents-sponsored bills. If you have further questions about the bills or the projects being authorized, we can discuss this at the teleconference.

\*\*\*\*\*

**RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR**

Information only.

## Speaking Points for House Bill 1016

*An Act to revise the authority granted to the Building Authority and to the Board of Regents to construct certain improvements at South Dakota State University in Brookings and the University of South Dakota in Vermillion.*

- **What does this bill do?**
  - This bill amends chapter 107 of the 2012 Session Laws commonly referred to as the Board of Regents' 2012 Ten-Year Plan (HB 1051).
  - This bill increases the total project amount for the SDSU Performing Arts Center facility from \$33,103,713 to \$48,391,807. The increased funding of \$15,288,094 will come from city and private donations.
  - This bill allows USD to move \$1 million of bond proceeds from the Patterson Hall Renovation project to the Science, Health and Research Laboratory building. The bill also reduces the total amount of funding for the Science, Health and Research Laboratory from \$30 million to \$15 million.
  
- **Why is this necessary?**
  - South Dakota State University has determined that the Performing Arts Center will cost \$15,288,094 more than was estimated back in 2011. This bill will provide the necessary authorization to spend the additional dollars.
  - The University of South Dakota has completed renovation of Patterson Hall and would like to move \$1 million of remaining bond proceeds to the Science, Health and Research Laboratory facility. The original legislation capped the bond proceeds on each project and did not allow dollars to move between the projects.
  - The USD Science, Health and Research Laboratory's total cost and scope was reduced since the original 2012 legislation. The total cost is now about \$15 million, not \$30 million.
  
- **Why are the total costs of the projects changing?**
  - SDSU Performing Arts Center
    - Utilizing R.S. Means Construction cost inflation data, the cost of the project will have increased by \$8.6 million, since it was estimated in 2011, until construction starts in 2017.
    - The remainder of the cost increase can be attributed to the difference in making a projection of costs for the facility prior to any design efforts and the current stage of concept development, which includes a defined floor plan and project scope.

- USD Patterson Hall
  - The cost of the USD Patterson Hall Renovation project came in \$1 million under the estimated \$6.5 million funding.
  
- USD Science, Health and Research Laboratory
  - The original plans included moving nursing programs and other allied health programs into the proposed facility. However, available resources limited the space accommodations to Occupational Therapy, Physical Therapy, and Kinesiology and Sports Sciences. Overall space was reduced from the original plan of 80,000 gross square feet to 59,971 gross square feet.
  - Total cost of the project has been reduced from \$30 million to about \$15 million.
  - The movement of \$1 million of bond proceeds from the Patterson Hall Renovation project to the Science, Health and Research Laboratory project will address construction cost overruns.
  
- **What is the impact on state general funds?**
  - There are no state general fund resources involved in the construction of the new facilities or the remodeling project.
    - There will be a total of \$35,391,807 in donated dollars and \$13,000,000 in HEFF bonds used to build the SDSU Performing Arts Center.
    - There will be a total of \$9,695,000 in HEFF bonds and \$5,305,000 in donations and local funds to build the Science, Health and Research Laboratory at USD.

## Speaking Points for House Bill 1017

*An Act to authorize the South Dakota Building Authority and the Board of Regents to provide for the construction of a science and mathematics building on the campus of Northern State University and to make appropriations therefor.*

- **Why is this bill needed?**

The Northern State University College of Arts and Science is currently housed in the Mewaldt-Jensen building, which was constructed in 1963. Some renovations and upgrades have occurred since then, but lack of adequate and appropriately configured space restricts programs that can be offered and the way in which current programs can be taught.

In recent years, two faculty lines have been added in science, the Math Lab program was begun, and just last summer a greenhouse was built. These changes have led to a new program in biotechnology, new courses in environmental and computational biology, increased retention and success rates in the introductory math courses, and increased interest in the plant sciences.

Programs have grown rapidly in the past few years. NSU is preparing graduates for a variety of high-need areas, including teaching and healthcare. The university is at maximum capacity in terms of space. Future growth and expansion of programs will be limited without additional space.

- **What will a new building for science and mathematics allow Northern State University to do?**

- Create chemistry lab space meeting the requirements for American Chemical Society (ACS) accreditation.
- Create a STEM education lab where education students can practice hands-on classroom activities. Stations can be set up that include the proper equipment and lab supplies for students to create lesson plans and activities.
- Create dedicated lab space for courses that pertain only to the major; currently, introductory courses and courses for majors share lab space.
- Create dedicated research lab space instead of using teaching labs. Sharing lab space can make research difficult and create safety concerns.
- Provide multiple lab and storage spaces with high-tech ventilation for dissection and chemical storage.
- Collaborate with the School of Education to create a new combined degree that integrates biology and human performance and fitness.
- Establish a Center of Environmental Studies, as envisioned in an EPSCOR grant award.
- Provide additional space for math course offerings (including those of a master's degree program in teaching) and labs.

- Expand healthcare offerings and programs. Using accelerated nursing as a model, NSU could expand into other areas of healthcare that are in high demand regionally.
- Provide dedicated space for teaching remedial math courses to provide more efficient preparation of students for other math courses. This would allow NSU to expand on the success of its hybrid Math 021/101 course, currently being taught in preparation for College Algebra.
- Create a new master's degree in science teaching tailored for both recent graduates and high school teachers.
- Pursue an Institute of Eastern Medicine in conjunction with the Confucius Institute.
- Provide space for courses in a pre-engineering program.

This new facility will benefit students who are earning degrees in math and science, as well as education majors who will go out into school districts to teach those subjects. A modern building will provide students and faculty with classrooms and labs designed to create a learning environment centered on today's best practices for science and math education.

- **What can the existing building be dedicated to?**

- The NSU Reading Clinic provides tutoring to K-12 students whose reading skills are below grade level. Services provided by the clinic are invaluable to many K-12 students and their parents. Unfortunately, due to space issues, the Reading Clinic has been relocated many times.
- NSU School of Education offices and classrooms.
- Expansion of the E-Learning and Accelerated Nursing programs.
- Labs can be used for student research and to expand STEM outreach events (e.g. teacher workshops, science fair activities).
- Labs can be used for proposed master's degrees in math and science and other specialized courses.

- **Is specific funding authorization being requested for this project?**

No. At this time, funds are not readily available for construction of this building. NSU requests only legislative approval for the building so that funding options can be explored. The Board of Regents approved a Preliminary Facility Plan in June 2015. Developing a formal building plan, including schematic designs, will provide the groundwork necessary to move forward with fundraising efforts.

## Speaking Points for Senate Bill 10

*An Act to authorize the Board of Regents to contract for the renovation and construction of an addition to Harding Hall on the campus of South Dakota State University and to make an appropriation therefor.*

- **What does this bill do?**
  - The bill authorizes the Board of Regents and South Dakota State University to renovate the existing Harding Hall structure and construct a planned addition to meet functional needs and to ensure full accessibility to the building. The current facility is 28,441 gross square feet. The planned addition would be approximately 12,477 gross square feet. Total cost of the planned renovations and construction of the addition is estimated to be \$12 million.
  
- **Why is this necessary?**
  - Harding Hall was constructed as a residence hall in 1954, but has been utilized as an academic building for more than 40 years. Repurposed residence halls provide functional space for academic and administrative departments that primarily require office-sized spaces, conference rooms, seminar rooms, and small individualized research labs.
  - The SDSU College of Arts and Sciences includes departments with space needs similar to what is available in Harding Hall. These departments are engaged in a planning exercise to identify space needs that can be accommodated in a renovated and upgraded Harding Hall.
  - An addition to the existing building is needed to ensure full accessibility to the building; this may include the building elevator, lobby, ramps, and stairs to floors immediately adjacent to the grade level. The addition will also enable general classroom or large meeting space that cannot be accommodated within the footprint of the existing building.
  
- **What are the key features of the planned facility?**
  - The concrete foundation, concrete building frame, and masonry shell construction of the existing building are very durable and in good condition. The construction of the interior provides a facility that can be readily repurposed, renovated, and repaired.
  - Renovation of Harding Hall would rejuvenate a building that is due for modernization. At the same time, the university can address a backlog of maintenance and repairs that have accumulated over time.
  - Construction, life safety, and accessibility requirements, as well as occupant expectations, have changed significantly since the building became an academic facility in 1970. Alterations and renovations to meet those requirements would include air conditioning, building ventilation systems, fire sprinkler systems, improved insulation of exterior walls to make the building thermally efficient, and replacement of exterior doors and windows to reduce winter water condensation.

- **What are the estimated utilities and operating costs for this facility?**
  - Utility expenses are estimated at \$52,000 annually. The existing building is not air conditioned but the renovated facility will have air conditioning, which adds costs for space cooling. It is anticipated that heating costs will be reduced, as the thermal efficiency of the building will improve significantly and largely offset any increase in floor area. Net change to utility costs is estimated at \$8,300 over current costs.
  - SDSU anticipates an increased cost to operate the building due to the increased square footage; the total increase will be \$64,042. Annual routine maintenance expenses will increase by \$31,542. Additional cleaning staff of .5 FTE is estimated at a cost of \$13,500 and equipment of \$19,000. Operating costs for the facility will be funded from university operating budgets.
  
- **What is the estimated impact to maintenance and repair?**
  - This project will address \$3.3 million of backlogged maintenance and repair in the building. Higher Education Facilities Fund (HEFF) maintenance and repair dollars of \$1.8 million are already set aside from FY15 and FY16, and \$1.5 million from FY17 would be committed to the project.
  - A 2 percent annual funding of maintenance and repair, based on the estimated construction cost of \$9.7 million (excluding soft costs), would equal \$194,000.
  - The building is an academic facility. Maintenance and repairs would be supported by HEFF funds.
  
- **What fund sources will be used for the facility project?**
  - The sources of funds for the project are \$3.3 million from HEFF funds allocable to SDSU for the purposes of maintenance and repair, \$5 million from university support fees (student tuition and fees), and \$3.7 million from donations, federal funds, or other external sources.

## Speaking Points for Senate Bill 11

*An Act to authorize the Board of Regents to purchase land from the Dakota State University Foundation for the use and benefit of Dakota State University in Madison, to make an appropriation therefor, and to declare an emergency.*

- **What does this bill do?**
  - The bill allows the Board of Regents to acquire land from the DSU Foundation, currently used as a parking lot. This area is the chosen site for a new IT building to be constructed on campus, with groundbreaking scheduled this spring.
  - It appropriates up to \$40,000 of “other fund” authority to purchase the land from the DSU Foundation. The source of the funds is administrative overhead.
  - It includes an emergency clause making this legislation effective immediately once the Governor signs the bill. This will allow for transfer of land prior to the start of construction yet this spring.
  
- **What is the historical timeline of events regarding DSU’s IT building?**
  - In 2012, the Legislature approved the Board of Regents’ 10-Year Capital Plan, which included a new building at DSU. This legislation provided for construction of an iconic academic IT building to meet current and future instructional needs on campus.
  - In the fall of 2012, DSU learned of the Madison Community Hospital’s plans to build a new medical facility on the south edge of the city.
  - In the 2014 session, the Legislature authorized DSU to acquire the hospital facility and property, as well as to renovate the hospital into the IT building.
  - The 2015 Legislature approved Senate Bill 110, which gave DSU the authority to build a new IT building at the same cost (\$11.4 million), rather than renovate the Madison Community Hospital. The hospital facility has been acquired for student housing and support services space.
  - Last fall, DSU completed site analysis and determined the best location for this new building is on the east side of campus (see map below).

**Campus map showing land (shaded blue) to be acquired through Senate Bill 11 for DSU’s IT building:**





## Speaking Points for Senate Bill 12

*An Act to authorize the Board of Regents to sell certain extraneous real property in Brookings County and to deposit the proceeds with the state treasurer to be credited to a fund designated as the real property acquisition and capital improvement fund for South Dakota State University.*

- **What does this bill do?**
  - The bill authorizes the Board of Regents to sell real property in Brookings County, otherwise known as the N.E. Hanson Farm, and deposit the proceeds with the State Treasurer for future use in real property acquisition and capital improvement for South Dakota State University. The parcel is about 142.30 acres. It contains a highway right-of-way and about 25 acres of research vineyards that will be exclusively leased back by SDSU for 10 years.
  
- **Why is this bill being proposed?**
  - About a year ago, SDSU, in cooperation with the South Dakota Office of School and Public Lands, began a process to review the state's real property holdings that are held for the benefit of South Dakota State University and the Agricultural Experiment Station at SDSU. This was done in order to assess whether any real property was underutilized and to initiate a process to ensure that these lands are used for their highest and best use for mission-specific purposes. Three categories of land were identified: SD Const., VIII, §2 Trust Lands; SD Const., VIII, §7 Trust Lands; and lands held locally pursuant to SDCL §5-2-2.1 et seq.
  - The N.E. Hanson Farm in Brookings County is one of the parcels identified as underutilized and subject to SDCL §5-2-2.1 et seq.
  - The N.E. Hanson Farm in Brookings County is a parcel that requires legislative authorization to sell and redeploy those assets for the highest and best use, pursuant to SDCL §§ 5-2-2.1, 5-2-2.2 and 5-2-2.3.
  
- **What is the N.E. Hanson Farm?**
  - The N.E. Hanson Farm in Brookings County is real property obtained by SDSU through exchange with the South Dakota Highway Commission, as authorized by South Dakota law in House Bill 647 (1966) and Senate Bill 36 (1967).
  - The N.E. Hanson Farm has a highway right-of-way of about 17.08 acres.
  - The N.E. Hanson Farm is currently underutilized due to access issues and other factors, with about 25 of the 142.30 acres used by SDSU for high-value research vineyards. This research is part of the university's bioinformatics-related research linked to National Science Foundation/EPSCoR and South Dakota Vision 2020 projects. This research program is the basis for the required 10-year leaseback of the vineyards to SDSU, in order to wind down this research and redeploy in another research endeavor.
  
- **What would be facilitated through this legislation?**
  - The bill will facilitate SDSU's sale of the underutilized land and secure those funds in the state treasury until future legislative authorization is granted for use of the proceeds for capital improvements, personal property, and real property acquisition for research and education.

- **What will the proceeds be used for?**
  - Upon authorized sale with leaseback, the proceeds will be placed in the state treasury pursuant to SDCL §§ 5-2-2.1, 5-2-2.2 and 5-2-2.3.
  - At the time SDSU identifies a highest and best use project, legislative authorization will be sought to use the income and proceeds for the statutorily authorized purposes of capital improvements, personal property, and/or real property acquisition.