

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**AGENDA ITEM: 7 – K**

**DATE: March 30-April 1, 2016**

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**SUBJECT: FY17 Budget Summary**

The 2016 Legislative Session has concluded and with that came the passage of the FY17 General Bill (SB 172). The Board of Regents received a total increase to the general fund base of \$10,785,862. This general fund base includes the employee compensation package of \$4,259,646. This is a 5.4% increase over the FY16 general fund base.

The Governor proposed and the Legislature supported paying off BOR bonds in order to free-up student tuition and fees that could be repurposed to fund a tuition freeze. The total funding of \$35,505,414 will be used to prepay two BOR bonds, the 2008(A-3) SDSMT Chemical Engineering Building bond with an outstanding amount of \$8,612,640 and the 2008(B) Science Lab bond in the amount of \$26,892,774. The prepayment of these bonds will allow for the repurposing of tuition and fees in the amount \$2,904,690 annually to fund the freeze. These funds, along with \$324,029 appropriated in general funds will fully fund the 2016-17 resident student tuition freeze. Considering that we can repurpose the \$2,904,690 to support our operating budget, this is equivalent to a 1.4% operating budget increase to the Board. Overall, the value of paying off the bonds and the base increase represent a 6.8% increase to the BOR for FY17.

A summary of the general fund base budget changes are as follows:

- The FY17 employee compensation package number is included in the Bureau of Finance and Management’s budget within a pool. It includes a 2.7% salary policy for all employees and an additional 2.5% movement to market for CSA employees, totaling \$4,773,889. The employee compensation package is partially funded by a redirection of health insurance savings of \$514,265 resulting from a reduction in the monthly employer cost per eligible FTE. The net change is \$4,259,646.
- \$3,274,464 for the fourth year of a proposed four-year base increase to bring our maintenance and repair up to 2% of replacement cost.
- A total decrease of \$2,019 in utility funding. This is based on utility rates and usage projections for FY17.
- An increase of \$434,369 for the growth in the South Dakota Opportunity Scholarship.

(Continued)

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**RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR**

Information only.

- \$324,020 in general funds to supplement the \$2.9M of redirected bond payment funds (USF of \$2,200,613, and HEFF of \$704,077) to fund a tuition freeze for the 2016-17 school year. This funding includes the necessary dollars to cover the salary increase for employees (2.7% merit and 2.5% market) funded with tuition and fees, operating expense inflation on the general and tuition and fees base, and a salary competitiveness adjustment of 0.5% for general and tuition and fee funded employees.
- \$390,054 to provide tuition support to National Guard members, state employees and teachers. A transfer from the DOM base budget to the BOR base budget of \$230,098 will eliminate the need for a billing each semester for nonresident and self-support tuition for National Guard members.
- \$210,725 to support the creation of the Center for the Prevention of Child Maltreatment at the University of South Dakota.
- A transfer of \$95,000 from the Legislative Research Council to support the payment of the Midwest Education Compact dues. The annual dues for FY16 and FY17 were \$115,000.
- \$200,000 to support activities at the USD and SDSU research parks.
- \$126,707 for the Needs Based/Critical Teaching Scholarship Fund. These dollars represent the proceeds off the endowment.
- \$1,000,000 for NSU E-Learning as a result of the Blue Ribbon Task Force and expanded offerings through E-Learning to the school districts.
- A decrease of (\$8,122) for the lease payment adjustments.

The FY17 budget has a total federal fund expenditure authority decrease of \$20,350,000 and other fund authority decrease of \$4,750,000. There was a net decrease of 22.0 FTE over all campuses. These authority reductions represent excess authority that is not needed in FY17.

Attachment I details the adjustments showing the changes from the FY16 general fund base budget of \$201,383,266 to the FY17 general fund base of \$207,909,482. Attachment II shows the movement from the Board's original request to the final legislative action. When the salary policy funds have been distributed, a final summary of the FY17 budget base will be provided to the Board.

Additional legislation and one-time appropriations not included in the general bill are:

- **SB92:** Appropriates \$250,000 in other funds from the Workforce Education Fund for the SDSM&T Math Pilot Program.
- **SB68:** Appropriates \$2.1M in general funds for the Needs Based/Critical Teaching Needs Endowment.
- **SB67:** Transfers \$1.4M in tuition funds from health savings to the Needs Based/Critical Teaching Needs Endowment.
- **HB1080:** Appropriates \$1,575,000 from the Livestock Disease Emergency Fund for the ADR&DL design study.

There was one final bill that was passed, HB106, which will allow teachers to get reduced tuition benefits when taking a self-support course. This bill was supported with the understanding that the estimated \$50,000 cost would be included in the general bill. This issue was discussed with the Appropriations Committee and preliminary discussions indicated that they knew the cost of the program. On the last day of session, the Joint Appropriations Committee passed a budget that excluded the \$50,000. Since the final action, we have had conversations with Appropriations Committee Chair Peters and she indicated that she would be receptive to backfilling the costs as a reimbursement. This will require legislative action in the future.

**SD Board of Regents  
FY17 General Fund Base Changes**

	BOR	BHSU	DSU	NSU	SDSMT	SDSU
<b>FY16 General Fund Base</b>	<b>\$21,390,638</b>	<b>\$9,195,701</b>	<b>\$9,395,704</b>	<b>\$13,479,903</b>	<b>\$16,830,814</b>	<b>\$46,601,323</b>
HEFF Match	\$3,274,464					
Lease Payments	(\$8,122)					
SDOS	\$434,369					
Midwest Higher Education Compact	\$95,000					
Research Park Funding	\$200,000					
REED Network Equipment Replacement	\$250,920					
Needs Based /Critical Teaching Scholarship	\$126,707					
NSU E-Learning				\$1,000,000		
Tuition Freeze	\$324,020					
National Guard, State Employee & Teacher Tution Support		\$38,207	\$33,345	\$24,107	\$18,713	\$154,649
Transfer from DOM		\$22,539	\$19,670	\$14,220	\$11,039	\$91,230
Center for the Prevention of Child Maltreatment						
Utilities		(\$33,759)	(\$12,562)	(\$128,018)	(\$126,126)	\$277,883
<b>FY17 Base Changes</b>	<b>\$4,697,358</b>	<b>\$26,987</b>	<b>\$40,453</b>	<b>\$910,309</b>	<b>(\$96,374)</b>	<b>\$523,762</b>
<b>FY17 General Fund Base</b>	<b>\$26,087,996</b>	<b>\$9,222,688</b>	<b>\$9,436,157</b>	<b>\$14,390,212</b>	<b>\$16,734,440</b>	<b>\$47,125,085</b>

	EXTENSION	AES	USD	SSOM	SDSD	SDSBVI	TOTAL
<b>FY16 General Fund Base</b>	<b>\$8,461,772</b>	<b>\$11,929,664</b>	<b>\$36,255,364</b>	<b>\$22,128,743</b>	<b>\$2,799,698</b>	<b>\$2,913,942</b>	<b>\$201,383,266</b>
HEFF Match							\$3,274,464
Lease Payments							(\$8,122)
SDOS							\$434,369
Midwest Higher Education Compact							\$95,000
Research Park Funding							\$200,000
REED Network Equipment Replacement							\$250,920
Needs Based /Critical Teaching Scholarship							\$126,707
NSU E-Learning							\$1,000,000
Tuition Freeze							\$324,020
National Guard, State Employee & Teacher Tuition Support			\$121,033				\$390,054
Transfer from DOM			\$71,400				\$230,098
Center for the Prevention of Child Maltreatment			\$210,725				\$210,725
Utilities			\$60,259		(\$29,171)	(\$10,525)	(\$2,019)
<b>FY17 Base Changes</b>	<b>\$0</b>	<b>\$0</b>	<b>\$463,417</b>	<b>\$0</b>	<b>(\$29,171)</b>	<b>(\$10,525)</b>	<b>\$6,526,216</b>
<b>FY17 General Fund Base</b>	<b>\$8,461,772</b>	<b>\$11,929,664</b>	<b>\$36,718,781</b>	<b>\$22,128,743</b>	<b>\$2,770,527</b>	<b>\$2,903,417</b>	<b>\$207,909,482</b>

NOTE: Salary policy funding not included.

**South Dakota Board of Regents  
FY17 Board of Regents Budget Request and Appropriated  
Base Funds**

	General	Federal	Other	FTE	General	Federal	Other	FTE
<b>FY16 Base</b>	\$201,383,266	\$154,826,147	\$469,224,215	5,162.4	\$201,383,266	\$154,826,147	\$469,224,215	5,162.4
<b>Base Priorities</b>	<b>Requested</b>				<b>Appropriated</b>			
State HEFF Match - Year 4 of 4 (SB172)	\$2,428,335				\$2,428,335			
Additional Recommended					\$846,129			
Utility Increase (SB172)	\$89,272				(\$2,019)			
SD Opportunity Scholarship Funding (SB172)	\$350,000				\$350,000			
Additional Recommended					\$84,369			
Affordability - Tuition Freeze for Resident Students (HB1203 & SB172)	\$4,256,019				\$324,020			
Need Based Scholarship Funding	\$3,000,000							
Student Preparation in Math Initiative	\$2,000,000			15.0				
National Guard & State Employee Tuition Support (SB172)	\$390,054				\$390,054			
Additional Recommended (transfer from DOM base budget)					\$230,098			
American Indian Education and Outreach	\$75,332			1.0				
Support for Commercialization Activities	\$600,000							
Center for the Prevention of Child Maltreatment (SB172)	\$210,725			1.0	\$210,725			1.0
Small School Initiative	\$534,025							
Midwest Higher Education Compact					\$95,000			
Research Park Funding (SB172)					\$200,000			
REED Network Equipment Replacement (SB172)					\$250,920			
NSU E-Learning (SB172)					\$1,000,000			
Needs Based/Critical Teaching Scholarship Funds (SB67)					\$126,707			
Lease Payment Adjustments (SB172)	(\$8,122)				(\$8,122)			
Authority Adjustments		(\$2,000,000)		20.0		(\$20,350,000)	(\$4,750,000)	-23.0
<b>Base Funding Change</b>	\$13,925,640	(\$2,000,000)	\$0	37.0	\$6,526,216	(\$20,350,000)	(\$4,750,000)	-22.0
<b>FY17 Base Funding (not including Salary Policy)</b>	\$215,308,906	\$152,826,147	\$469,224,215	\$5,199	\$207,909,482	\$134,476,147	\$464,474,215	5,140.4
Percent Change in Base Funding	6.9%	-1.3%	0.0%	0.7%	3.2%	-13.1%	-1.0%	-0.4%
Employee Compensation Package					\$4,259,646	\$866,710	\$5,242,908	
Base Funding Change					\$10,785,862.350	-\$19,483,290	\$492,908	1.0
<b>FY17 Base Funding (including Salary Policy)</b>	\$215,308,906	\$152,826,147	\$469,224,215	5,199.4	\$212,169,128	\$135,342,857	\$469,717,123	5,140.4
Percent Change in Base Funding - including Salary Policy					5.4%	-12.6%	0.1%	0.0%

**South Dakota Board of Regents  
 FY17 Board of Regents Budget Request and Appropriated  
 One-Time Funds**

One-Time Priorities	Requested				Appropriated			
	General	Federal	Other	FTE	General	Federal	Other	FTE
Research Equipment Fund	\$2,000,000							
Industry Sponsored Research Fund	\$1,000,000							
Capital Project Matching Fund	\$10,000,000							
REED Network Equipment Replacement	\$1,254,600							
Affordability - Tuition Freeze for Resident Students (HB1203 & SB172)								
Bond Savings to Fund Tuition Freeze **					\$2,200,613			
Bond Savings to Fund Tuition Freeze **					\$704,077			
ADRDL Design Study (HB1080)					\$1,575,000			
SDSMT Math Pilot Program (SB92)					\$250,000			
Needs Based/Critical Teaching Scholarship Funds (SB48)					\$137,170			
Need Based Scholarship Endowment Funding (SB67)								
General Funds					\$2,100,000			
Tuition Fund Health Insurance Savings					\$1,400,000			
<b>One-Time Funding and Specials</b>	<b>\$14,254,600</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,366,860</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*\* This funding is already in the BOR budget for bond payments but is now available to fund the tuition freeze as a result of the FY16 general fund appropriation of \$35,505,414 to payoff current BOR bonds.