

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 7 – S

DATE: March 30-April 1, 2016

SUBJECT: FY17 Tuition and Fees Overview

Recognizing the importance of providing a higher education to all eligible South Dakotans while keeping the cost at an affordable level, the Governor recommended and the Legislature passed the \$3,228,711 tuition buy-down for resident students. The buy down allows the cost for on-campus tuition and mandatory fees, program and delivery fees to remain unchanged from FY16. The following information is presented to frame the context of the tuition and fee increases for FY17.

Cost Drivers

There are a number of funding issues that must be considered when looking at the annual cost increase to students. For the FY17 academic year, the following issues needed to be addressed:

- The Legislature approved a 2.7% merit salary increase as well as a 2.5% movement to midpoint for CSA employees. The cost of the increase for BOR was \$4,863,063.
- The cost to provide employer-paid health insurance saw a small decrease for FY17 from \$8,662 to \$8,387, a reduction of \$275 per FTE benefit eligible employee.
- The Board recognizes the importance of inflationary increases to maintain the purchasing power of the universities. The CPI rate as calculated by the Bureau of Finance and Management is 0.73% for the past fiscal year. Inflation on the FY16 general and tuition and fee operating base was \$335,009.
- All six universities have contracted food service. The Board started using the Consumer Price Index for “Meals Away From Home” to reflect the market basket for food service costs. The CPI rate is 4.95% for the past fiscal year.
- Housing rates need to be adjusted by 2.5% to cover the cost increase for salaries and the small adjustment for inflation on the OE budgets.
- To keep up with the neighboring states and be competitive on salaries, the Board has been increasing student tuition to supplement the state salary policy for faculty and non-faculty exempt staff. The Governor recommended a 0.5% salary competitiveness pool for FY17. The price tag for general and tuition and fee funded staff is \$848,208.

(Continued)

RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

I move to applaud the efforts of Governor Daugaard and the South Dakota Legislature for recognizing the need for affordable higher education by providing additional state funding to offset the tuition and fee increases to resident students at the six public universities.

The total cost to provide salary policy, salary enhancement and inflation on the general fund and tuition and fee base for FY17 is \$9,167,659. The state provided general funds of \$4,583,366 and utilized health insurance savings of \$514,265 to offset the increase needed. The prepayment of two BOR bonds, totaling \$35.5M, allows base funds of \$2,904,690 to be repurposed to fund the state salary package, a 0.5% salary enhancement pool, and inflation for the portion of the budget funded with resident tuition and fees. The balance of the money, \$1,165,038, must come from a nonresident tuition and fee increase.

Annual Cost

The following table compares the total annual cost of an undergraduate resident student attending school in his or her own state. The total cost data reflect the cost of an undergraduate resident student taking 30 hours, living in a double residence hall room, and having a full meal plan. South Dakota continues to rank third highest in the region.

FY16 Average Total Cost of Public Institutions

	Rank	Total Cost
Minnesota	1	\$17,824
Iowa	2	\$16,602
South Dakota	3	\$15,252
Nebraska	4	\$14,894
Wyoming	5	\$14,212
Montana	6	\$13,471
North Dakota	7	\$13,285

State and Student Funding

The other factor that must be considered when increasing tuition and fees is the level of state support. The greater the level of state support (taxpayer support), the greater the ability to provide the citizens of the state a lower cost public education. The table below compares the level of state funding provided per capita and per \$1,000 of personal income for FY2016.

	Appropriation	Per Capita	Rank	Per \$1000 Personal Income	Rank
Wyoming	\$419,149,337	\$715.14	1	\$13.00	1
North Dakota	\$446,375,162	\$589.72	2	\$11.09	2
Nebraska	\$746,592,380	\$393.73	3	\$8.27	3
Minnesota	\$1,532,825,000	\$279.22	4	\$5.56	7
Iowa	\$849,068,059	\$271.80	5	\$5.92	4
South Dakota	\$222,071,793	\$258.68	6	\$5.78	6
Montana	\$249,277,353	\$241.33	7	\$5.88	5

Note: Includes Postsecondary Vocational Education Funding

Personal Income from 3rd Quarter of 2015, Bureau of Economic Analysis, US Dept. of Commerce

Source: <http://www.grapevine.ilstu.edu/tables/>

Appropriations do not include federal, ARRA, Stabilization Funds.

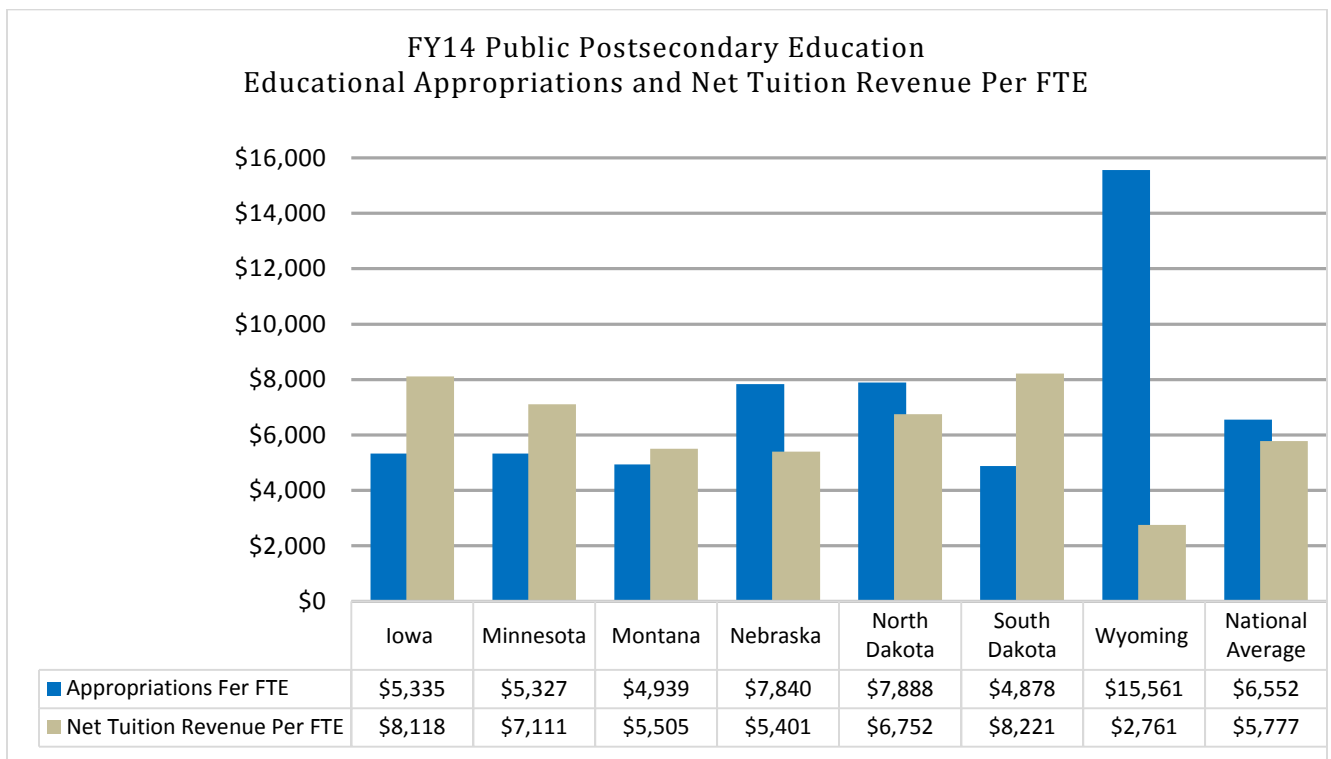
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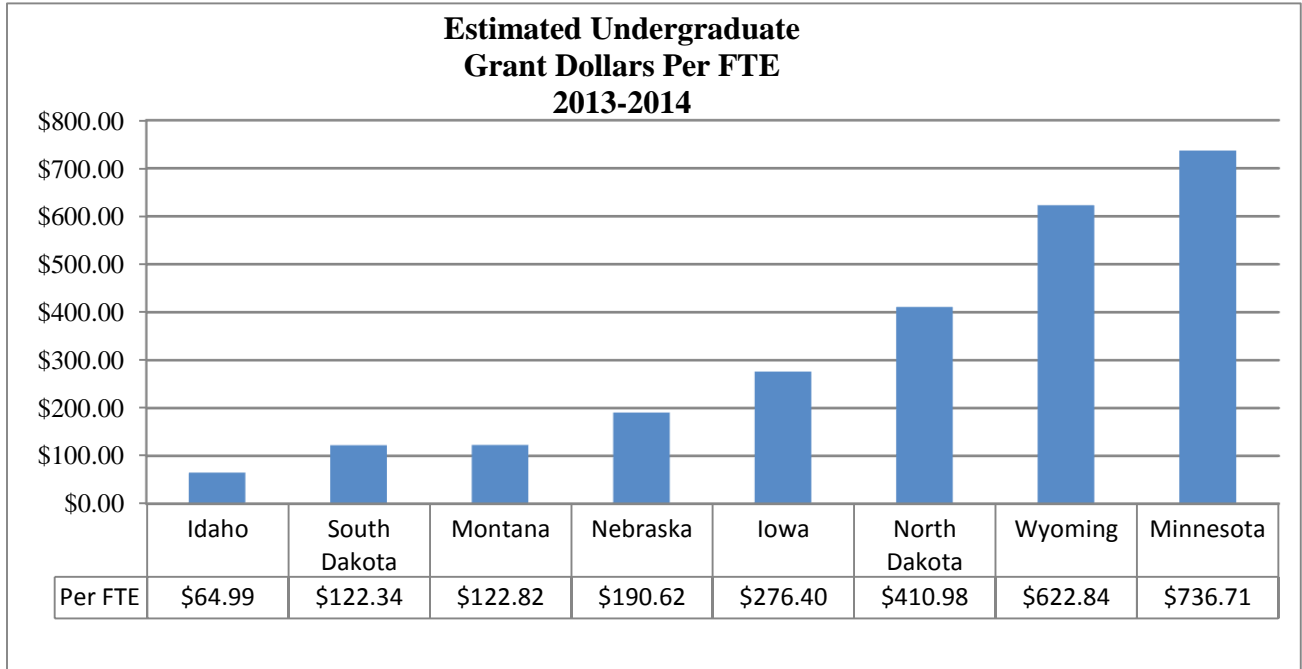
Both of these measures show that five of the states in our region support higher education better than South Dakota. The Board has made it a priority and the State has recognized that it must pick up a bigger share of the cost to compete and provide a quality education for its residents.

For another view, the following data generated by the State Higher Education Executive Officers Organization (SHEEO) compare state appropriations and net tuition revenues – another look at state funding compared to student cost. Again, the data illustrate that the surrounding states support higher education at a much higher level than South Dakota. You will note almost an inverse relationship between appropriations per FTE and tuition revenues. The U.S. average state funding per FTE is \$6,552.



Source: SHEEO State Higher Education Finance (SHEF) Report, 2014
(SHEF data adjusted for enrollment mix and cost of living, so numbers may differ from SD's Fact Book)

Finally, an additional factor that should be considered is the level of state aid available to students. Minnesota far exceeds the other surrounding states while South Dakota lands near the bottom. The higher the aid dollars available, the more the student cost can be offset.

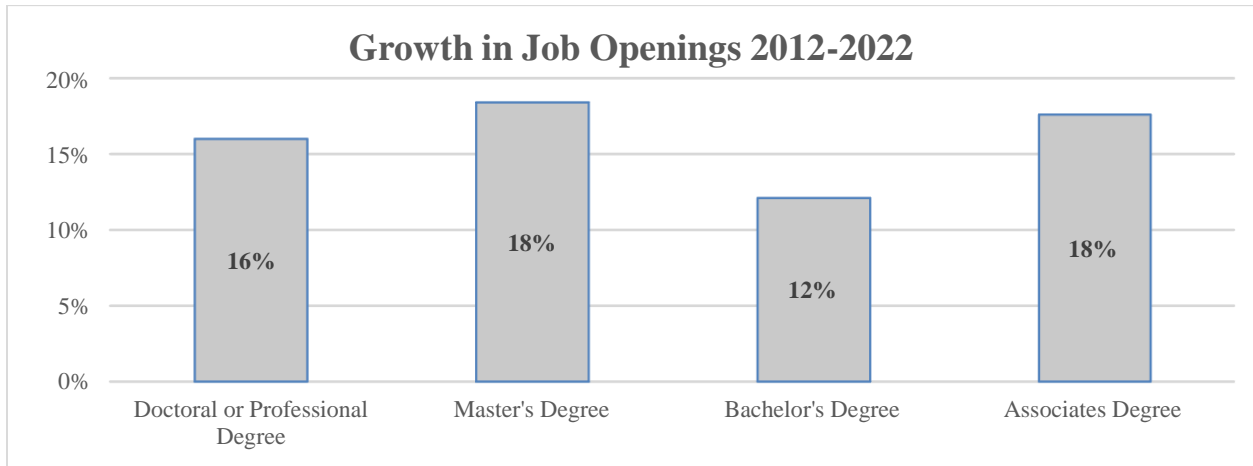


Source: National Association of State Student Grant and Aid Programs (NASSGAP)
(FTE data from the US Department of Education, National Center of Education Statistics, Integrated Postsecondary Data System (IPEDS) Data Center, Fall Enrollment 2013.)

The Future Is Here

College is an investment in the future. This investment not only provides an economic return, but also provides other benefits, including employment, better health and lifestyle choices, improved family life and enhanced performance of children in schools, civic involvement, and greater opportunities for the next generation. Some of these benefits are derived directly from the better opportunities from employment and earnings potential, but others are derived from learning to use critical thinking skills and making informed decisions throughout life.

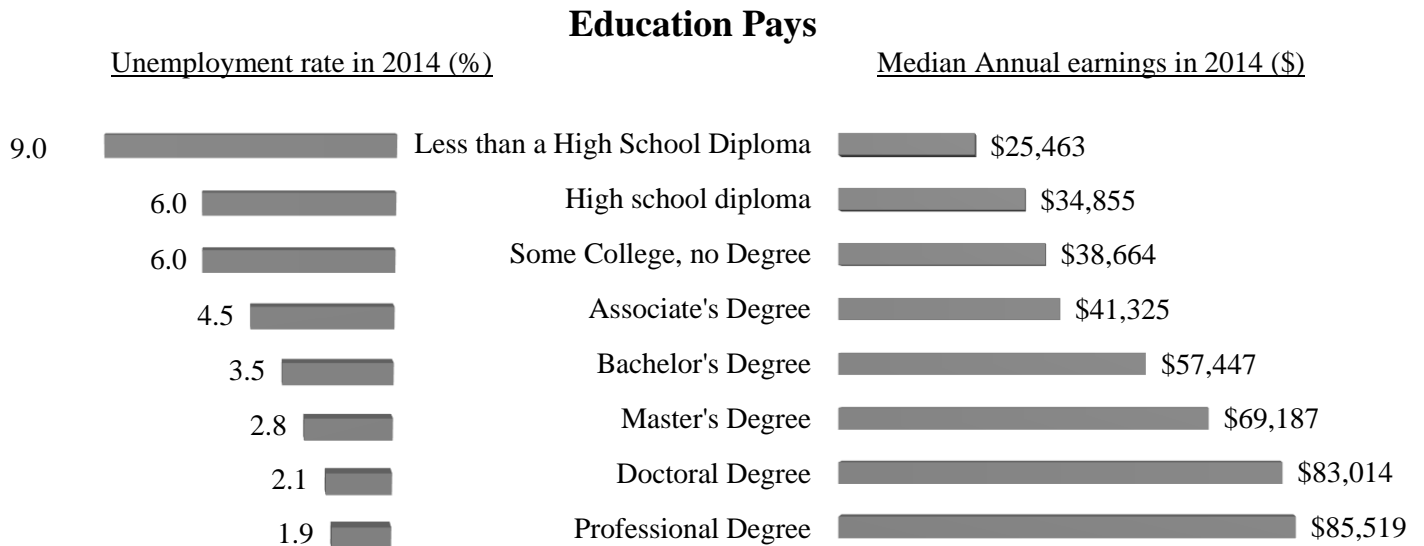
The following chart, derived from data from the U.S. Bureau of Labor Statistics, shows that additional college graduates are needed from 2008 to 2018. In essence, the number of students obtaining bachelor's degrees needs to increase by over 17% by 2018 in order to fill the need in job growth.



Source: U.S. Bureau of Labor Statistics

The economic benefits of education are clear when earnings and unemployment rates are examined by level of educational attainment. The following figure provides information from the U.S. Bureau of Labor Statistics.

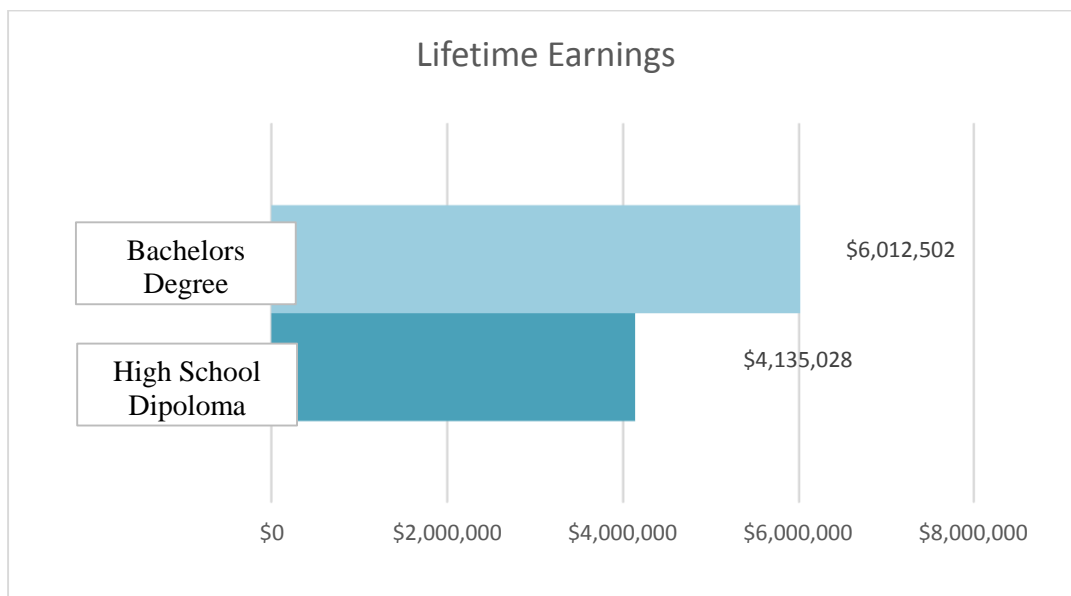
Unemployment Rate and Median Weekly Earnings by Level of Educational Attainment, 2014



Source: U.S. Bureau of Labor Statistics, Current Population Survey

- The median is the middle value – half of the observations are above the median and half are below the median. Median annual earnings increase with each level of educational attainment:
 - High school graduate +\$9,392
 - Associate degree +\$6,470
 - Bachelor’s degree +\$16,122
 - Master’s degree +\$11,740
 - Doctoral degree +13,827
- The unemployment rate decreases with educational attainment:
 - High school graduate -3.0%
 - Associate degree -1.5%
 - Bachelor’s degree -1.0%
 - Master’s degree -0.7%

When considering a bachelor’s degree compared to a high school diploma and adjusting for 3% annual inflation and a 26.89% benefit package, the value of a bachelor’s degree outweighs that of a high school diploma by lifetime earnings of \$1,877,474. Considering the investment for a degree of about \$35,000 for tuition and fees, you will probably not find a better investment. The following table shows the value of a 4-year degree over a high school diploma.



Note: Annual earnings inflated by 3% each year plus benefit package of 26.89%
* Bachelor’s Degrees – 42 years of employment. High School Diploma – 46 Years of employment.

Investing in a quality education provides benefits to individuals and to the state. The current global knowledge economy requires an educated workforce to compete with other countries and within the U.S. A workforce prepared for the technology information economy is critical for South Dakota and its future. Educated workers rely less on government financial support and are more likely to give back to their communities and state.