

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

**REVISED
AGENDA ITEM: 7 – V**

DATE: March 30-April 1, 2016

SUBJECT: Iowa Resident Tuition Proposal

Over the past several years USD has been monitoring the geographic diversity of their full-time undergraduate population on the main campus in Vermillion. The South Dakota population has been stable at around sixty percent since 2011. However, the trend for Iowa students is concerning, slipping from 15% of the freshmen class to 11%. In addition to the freshmen population, USD has also monitored transfer students to the main campus in Vermillion. USD’s transfer numbers from Iowa are down overall since 2010.

According to Board policy, a university may request that the Board approve the use of reduced nonresident tuition rates to manage enrollment. USD’s proposal is to reduce the tuition cost to Iowa students to resident rates while also increasing the marketing and recruitment efforts in Iowa. Using the FY16 rates, the tuition revenue discounted per Iowa student per academic year would be \$2,170.50. This effort is intended to counter some of the push in Iowa to retain their students in state. A new performance based funding model in Iowa bases sixty percent of the state funding allocation on enrollment of in-state students.

This proposal was reviewed by the Business Affairs Council at the September and October 2015 meetings. The Council of Presidents discussed the proposal at their November 17, 2015 meeting and requested that BAC take another look at the enrollments from Iowa for all schools. In December, the Board was informed that this issue would likely appear on the March-April agenda as part of the FY17 tuition proposal.

The issue was assigned to the Tuition Structure Review Committee which looked at the current rates in South Dakota, what a resident student would pay in Iowa, and the number of students currently attending each BOR university. The following table compares the South Dakota university resident and nonresident rates to the Iowa resident rate.

(Continued)

RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

I move to approve the undergraduate resident tuition rates for new first-time freshman students and new transfer students from Iowa attending DSU, NSU, SDSU and USD starting summer 2016.

	Resident	Nonresident
SD Rates		
BHSU	\$7,617	\$10,097
DSU	\$8,286	\$11,098
NSU	\$7,563	\$10,043
SDSM&T	\$9,030	\$12,552
SDSU	\$7,713	\$10,485
USD	\$8,022	\$10,794
Iowa	\$7,886	\$22,250

Based on the above rates and the pressure to keep Iowa residents in Iowa, it was felt that in order to attract Iowa students, South Dakota would need to offer resident rates.

Using the FY16 rates, the tuition revenue discounted per full-time student would be \$2,170.50. Breakeven for this pilot initiative is estimated at 143 new full-time equivalent students from Iowa each year. Total enrollment would need to increase by 422 FTE over a 4-year period to breakeven if all schools participated. The table below illustrates the breakeven:

Impact of Iowa Tuition Proposal and Breakeven Analysis							
	BHSU	DSU	NSU	SDSM&T	SDSU	USD	Total
Current Student FTE	5	40	5	29	589	658	1326
Current Revenue at Non-Resident Rates	\$77,481	\$256,674	\$29,015	\$276,726	\$4,709,760	\$5,089,418	\$10,439,074
Projected Revenue at Resident Rates	\$56,570	\$187,404	\$21,185	\$182,866	\$3,358,080	\$3,628,778	\$7,434,882
Tuition Revenue Loss	(\$20,910)	(\$69,270)	(\$7,831)	(\$93,861)	(\$1,351,680)	(\$1,460,640)	(\$3,004,192)
Breakeven Cr Hr Gain Required	90	298	34	384	5668	6125	12,599
Breakeven Student FTE Required	3	10	2	13	189	205	422
Additional First-time Full-time Student Needed Each Year	2	4	1	5	62	69	143

Based on the above information, USD, SDSU, DSU and NSU would all like to offer resident rates to Iowa students. BHSU and SDSM&T did not feel that offering students a discount would impact the number of students coming to their institution.

Since moving to university managed resources where the institutions keep their own money, there has not been a requirement to guarantee tuition resources. Because of the

significant number of students involved in this program and the growth required to breakeven, an annual report will be provided to the Board for the next four years.