

**SOUTH DAKOTA BOARD OF REGENTS
PLANNING SESSION
AUGUST 8-10, 2017**

SUBJECT: BHSU SD Higher Education Enhancement Initiative Proposal

Introduction

The Council of Presidents discussed the establishment of the South Dakota Higher Education Enhancement Initiative (SDHEEI). This ten-year initiative would establish a centralized fee assessed to all students and be disbursed by the BOR Office for each campus' use to enhance programs and faculty salaries.

Rationales

There are two formulas separately used to determine the amount dispersed to each campus. They are defined as follows:

1. \$25 million for campus enhancements based on the % of students at each campus.
2. \$15 million to supplement faculty salaries based on the BOR faculty salary needs survey (Appendix I).

Problem

1. Universities need a new source of funding to support smaller initiatives.
2. The SDBOR has a stated goal for faculty salaries to reach 90% of the Oklahoma Faculty Salary Survey.

Assumptions

1. It is acknowledged that each regental university needs a regular source of new funds to meet the growing needs of each university. It is also acknowledged that the SDBOR has a stated goal to improve faculty salaries. An enhancement initiative supports campuses to achieve these goals and efforts.
2. This proposal does not look at general funding. It implies acceptance by each institution that the funding is what it is at this point in time. This initiative is a way to enhance each campus. After ten years there may be an indirect closure in a state funding gap between campuses, but that is not the intent of this proposal. This proposal strictly looks only at two items: the percentage of students as the measure in which to obtain funding from the enhancement initiative and secondly, the need of a campus to receive funds to assist that campus in moving toward SDBOR goal attainment on faculty salaries.
3. Campuses may still request increases in program fees to recognize increasing costs in specific disciplines and special or targeted appropriations from the State for new programs such as those brought forward in the informal budget hearings (i.e. math initiatives). SDHEEI enables each campus to solve smaller fiscal challenges, thus enabling the system to make larger legislative requests.

Process

1. This is a draft for discussion among Presidents, the Executive Director, and the BOR in retreat.
2. This initiative takes where we are today and locks in a formula for a ten-year period. It is suggested the formula be adjusted at the end of each five-year period.
3. This initiative can be adopted solely by the BOR and later supported by the legislature.

Funding Resources Available for Distribution

1. Part I – A BOR approved “South Dakota Higher Education Enhancement Fee” would be assessed on all credit hours to generate the necessary fund. The universities are projecting 788,442 credit hours for FY18. An estimated \$5.07 per credit hour fee for 10 years will generate \$4.0 million annually or a total of \$40 million over ten years. This would be a \$152.10 increase each year for 10 years or an annual cost increase to students in year ten of \$1,521.00. This would be \$6,084 cost increase for a four year degree. There would be no escalator and all funds from the fee would go to the BOR for distribution. While credit hours may change, all funds would be used for the SDHEEI. It does not need to be exact or perfect.
2. Part II – A state allocation of \$X million per year for ten years would provide additional resources for the initiatives. One possible source: the tourism tax generated \$830 million in FY16. A 0.25% increase in this tax each year for ten years (2.5% increase in year 10) will generate an additional \$2.1 million for the state of South Dakota or a total of \$21 million over 10 years. All funds would go to the Enhancement Initiative for distribution by the BOR.

Outcomes

If this model were adopted in some form, at the end of ten years each campus will have: 1) used the resources to raise faculty salaries toward the target goal of the BOR (Oklahoma), 2) improved campus services and operations, 3) created innovative programs, and 4) enabled the system office to request larger scale (non-piece meal) items from the legislature.

This proposal is provided for discussion and possible adoption by the BOR. Excel spreadsheets are available upon request.

Appendix I

Distribution of Funds

	Fall 2016 FTE	% of Total FTE	Enhancement Funds	% of Faculty Needs Survey	Faculty Salary Increase	Total Funding Increase	Per Year Increase 10 Years	Per Year Increase 15 Years	Per Year Increase 20 Years
BHSU	2,825	10.62%	\$2,655,175	18.28%	\$2,742,000	\$5,397,175	\$539,718	\$359,812	\$269,859
DSU	1,897	7.13%	\$1,782,962	10.88%	\$1,632,000	\$3,414,962	\$341,496	\$227,664	\$170,748
NSU	1,953	7.34%	\$1,835,595	8.43%	\$1,264,500	\$3,100,095	\$310,010	\$206,673	\$155,005
SDSM&T	2,394	9.00%	\$2,250,085	6.86%	\$1,029,000	\$3,279,085	\$327,908	\$218,606	\$163,954
SDSU	10,130	38.08%	\$9,521,035	30.02%	\$4,503,000	\$14,024,035	\$1,402,403	\$934,936	\$701,202
USD	7,400	27.82%	\$6,955,149	25.53%	\$3,829,500	\$10,784,649	\$1,078,465	\$718,977	\$539,232
Subtotal	26,599	100.00%	\$25,000,000		\$15,000,000	\$40,000,000	\$4,000,000	\$2,666,667	\$2,000,000

SCH \$5.07 SCH \$3.38 SCH \$2.54



SALARY COMPETITIVENESS

FACULTY SALARY NEEDS ASSESSMENT - 2016

Institution	Total Salaries	Total FTE	Total Increase	% of Total	% of Increase
BHSU	\$9,468,410	122.660	\$3,313,373	18.28%	34.99%
DSU	\$6,216,786	72.250	\$1,972,449	10.88%	31.73%
NSU	\$4,909,957	71.750	\$1,527,904	8.43%	31.19%
SDSM&T	\$12,580,115	133.000	\$1,243,908	6.86%	9.89%
SDSU	\$40,431,290	453.634	\$5,439,554	30.02%	13.45%
USD	\$21,157,697	231.676	\$4,626,135	25.53%	21.86%
TOTALS	\$94,764,255	1084.97	\$18,123,323		19.13%