

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**REVISED  
AGENDA ITEM: 6 – R  
DATE: December 5-7, 2017**

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**SUBJECT**

**FY19 Governor’s Recommended Budget**

**CONTROLLING STATUTE, RULE, OR POLICY**

[SDCL 4-7-7](#) Annual Budget Estimates Submitted by Budget Units

[SDCL 4-7-9](#) Preparation and submission of budget report to Legislature

**BACKGROUND / DISCUSSION**

On the first Tuesday of December every year, the Governor presents his recommended budget for the next fiscal year to the State Legislature and the public. Governor Daugaard gave his FY19 budget address on Tuesday, December 5, 2017. Revenues continue to be below projections for FY18; \$20.3 million lower than initial projections. Combined with increased expenses of \$10.4 million and emergency special appropriations of \$3.0 million, the total shortfall is projected to be \$33.7 million. This shortfall is expected to be resolved through reductions in expenditures for several state agencies and use of other fund cash. The projected FY19 general fund budget is projected to grow by \$32.4 million.

No employee compensation package for either career service or pay for performance employees has been proposed by the Governor for FY19. This would be the second consecutive year without salary policy.

**IMPACT AND RECOMMENDATIONS**

**Base General Funding**

The Governor is proposing base general fund increases of \$2,304,561 for the Board of Regents. That amount is offset by a proposed reduction of (\$370,656) to the REED Network technology costs billed by BIT and a (\$4,188) reduction in general fund lease payments, for a net increase in general funds of \$1,929,717. The increases include ongoing funding for the SD Opportunity Scholarship, utility funding and additional maintenance and repair dollars. Funding for the SDSU Veterinary Program and Animal Disease Research and Diagnostic Lab is being moved from other funds to general funds, resulting in a reduction of other fund authority of (\$902,000) and a proposed appropriation to general funds of \$892,768. Further details are found in Attachment I.

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**INFORMATIONAL ITEM**

<u>General Funds Base</u>	<u>Requested</u>	<u>Recommended</u>
Maintenance and Repair	\$1,826,040	\$796,691
Utilities Base	\$878,431	\$893,832
SD Opportunity Scholarship	\$614,038	\$614,038
REED Network Technology		(\$370,656)
Lease Payment Adjustment	(\$4,188)	(\$4,188)
		\$1,929,717
SDSU Vet Program/ADRDL		\$892,768
Other Funds Reduced by (\$902,000)		

The Governor's recommendations result in a 0.9% increase in base general funding.

#### **One-Time Funding**

The Governor has proposed no one-time dollars for the Board of Regents in FY19.

#### **Proposed FY18 General Bill Amendment**

The Governor's budget recommendation also includes an amendment to the FY18 General Bill, increasing utility funding by \$264,764. This increase is based on FY17 actual expenditures found on the State Accounting System and preliminary projections for FY18 from Energy Cap data reported by the campuses. The General Bill amendment will also include a reduction of (\$370,656) to the REED Network Technology funding. The general bill amendment is a one-time adjustment to funding. The base fund reduction is reflected in the FY19 budget.

#### **ATTACHMENTS**

Attachment I – FY19 Governor's Recommended Budget Summary

South Dakota Board of Regents					Governor's Recommended		
FY19 General Fund Budget Request and Governor's Recommended							
Board's Request							
	Priorities	Base Funding	One-Time	FTE	Base Funding	One-Time	FTE
	<b>FY19 Base</b>						
1	<b>The Dakota Promise - Student Aid Model (year 1)</b>	\$3,504,243			\$0		
2	<b>General Fund M&amp;R Recovery</b>	\$1,826,040			\$796,691		
3a	<b>Student Success</b>						
	<b>Mathematics in Engineering &amp; Cyber Initiatives</b>						
	SDSM&T - SD Mathematics for Engineering Institute	\$250,000		3.5	\$0		0.0
	SDSU - Math Success Initiative	\$254,574		0.0	\$0		0.0
	DSU - Computer & Cyber Sciences Math Initiative	\$165,000		0.0	\$0		0.0
3b	<b>Mathematics Initiatives</b>						
	BHSU - Student Success in Math Initiative	\$165,000		2.0	\$0		0.0
	NSU - Student Success in Mathematics	\$165,000		0.5	\$0		0.0
	Mathematics at USD	\$165,000		2.0	\$0		0.0
	Subtotal	\$1,164,574	\$0	8.0	\$0	\$0	0.00
	South Dakota Opportunity Scholarship	\$614,038			\$614,038		
	Utilities	\$878,431			\$893,832		
	Lease Adjustment	(\$4,188)			(\$4,188)		
	REED Network Technology Cost Reduction				(\$370,656)		
	SDSU Veterinary Program/ADRDL				\$892,768		
	Tuition Authority Adjustments						
	Informational Federal and Other Authority Adjustments			3.0			3.0
	Federal and Other Authority Adjustments			6.0			6.0
	<b>FY19 One-Time</b>						
	<b>REED 100 Gig Network</b>		\$3,000,000			\$0	0.0
	<b>Total FY19 Budget Requested/Recommended</b>	\$7,983,138	\$3,000,000	17.0	\$2,822,485	\$0	9.0
	<b>Summary</b>		<b>General</b>	<b>FTE</b>	<b>General</b>		<b>FTE</b>
	<b>FY18 Base Funding</b>	\$208,584,808		5,155.2	\$208,584,808		5,155.2
	Base Funding Change without Salary Policy	\$7,983,138		17.0	\$2,822,485		9.0
	<b>FY19 Base Funding</b>	\$216,567,946		5,172.2	\$211,407,293		5,164.2
	Percent Base Change	3.8%		0.3%	1.4%		0.2%
	<b>FY19 One-Time Funding and Specials</b>		\$3,000,000			\$0	

**Governor's Recommended Budget FY2019****1. General Fund M&R Recovery**

This request asks for the \$907,302 that was cut last year be returned and that the original request from FY18 of \$918,738 be funded, for a total request of \$1,826,040. This amount will keep us at about 1.8% of our replacement values and is only a portion of the full need for FY19.

Requested: \$1,826,040 (base funding)

Recommended: \$796,691 (base funding)

**2. SD Opportunity Scholarship (SDOS) Funding**

Additional funding is needed to support the anticipated participation in SDOS.

Requested: \$614,038 (base funding)

Recommended: \$614,038 (base funding).

**3. Utility Funding**

The utility increase is calculated using preliminary projections based on Energy Cap data and actual expenditures reported by the campuses.

Requested: \$878,431 (base funding)

Recommended: \$893,832 (base funding)

**4. Lease Payment Adjustments**

BOR lease payments funded with general funds and reimbursed with student fee money fluctuate each year. This aligns general funds with the actual lease payment for FY18.

Requested: (\$4,188) (base funding)

Recommended: (\$4,188) (base funding)

**5. FTE and Expenditure Authority**

Addresses the reduction of Federal Authority at SDSBVI, increases in other fund authority due to increased revenue projections and due to an increased need for HEFF maintenance and repair, increase in the informational tuition fund authority and an increase to the informational other fund research grants and contracts due to additional grants and expansion of existing grants.

Requested: Reduction of federal fund authority - (\$130,000), increase to other fund authority - \$7,548,114 and increase to FTE of 9.0.

Recommended:

Federal Funds:	(\$130,000)
Other Funds:	\$6,646,114
FTE:	9.0

**Governor's Recommended Budget FY2019****Budget Items Requested but not Recommended****6. The Dakota Promise – Student Aid Model (year 1)**

This request is for year 1 of a 5 year proposal to establish a comprehensive state financial aid program that will close the gap between existing financial aid and family support, to meet the cost of attendance for South Dakota's students.

Requested: \$3,504,243 (base funding)

Recommended: \$0

**7. SDSM&T – SD Math at Mines**

This request proposes to continue the Math at Mines initiative to meet increasing demand for professionals with strong math skills. The broad goals will be to raise expectations for and the preparation of college-bound South Dakota high school students, improve processes for providing enrolled students target interventions, revisit and improve pedagogical practices in key foundational college courses, and study the impact of revision in order to continue improving.

Requested: \$250,000 and 3.5 FTE (base funding)

Recommended: \$0

**8. SDSU – Mathematics Success Initiative (MSI)**

This request proposes a Mathematics Success Initiative (MSI) to meet the increasing demand for professionals with strong math skills. The MSI will improve student mathematics success, increase the number of graduates from STEM disciplines, and ensure that those graduates have the independent learning skills needed to be lifelong learners prepared for continued post-graduation professional progression and success.

Requested: \$254,574 (base funding)

Recommended: \$0

**9. DSU – Computer & Cyber Sciences Math Initiative**

This proposal addresses the support needs of math intensive programs such as computer sciences and cyber sciences. By providing learning modules to focus on skills most relied upon in computer sciences and cyber sciences, students will be more successful therefore increasing retention rates in these programs.

Requested: \$165,000 (base funding)

Recommended: \$0

**Governor's Recommended Budget FY2019****10. BHSU – Mathematics Initiative**

This proposal would build on the success seen in the current entry level math programming and scale-up the efforts to support students resulting in higher success rates and therefore high retention rates. This program will provide supplemental instruction and more tutors inside and outside the classroom.

Requested: \$165,000 and 2.0 FTE (base funding)

Recommended: \$0

**11. NSU – Mathematics Initiative**

This proposal will enhance the Summer Bridge Program already in place, specifically focusing on mathematics. Providing student support by increasing the number of tutors available and providing supplemental instruction in math. This enhancement will lead to increased first and second year success leading to increased retention and graduates.

Requested: \$165,000 and 0.5 FTE (base funding)

Recommended: \$0

**12. USD – Mathematics Initiative**

This request proposes a program to increase student success in their first college level math course by reducing class size, increasing the number of tutors available and moving to a 5-day a week class structure. This plan is expected to significantly increase the number of students who complete the required math sequence, leading to degree completion.

Requested: \$165,000 and 2.0 FTE (base funding)

Recommended: \$0

**13. REED 100 Gigabit Network**

This request will allow South Dakota to keep up with our neighboring states and level the playing field for our researchers. Upgrading the REED network to 100Gb along the North-South path and eventually the East-West path will keep our universities competitive and allow for the continuation of the exchange of equal network services with our neighboring states. Regional and national efforts, along with the National Science Foundation, are emphasizing high speed connections for network collaborations. Winning grants is highly competitive and states with updated infrastructures are being rewarded for their efforts.

Requested: \$3,000,000 (one-time funding)

Recommended: \$0