

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 7 – L

DATE: March 28-30, 2017

SUBJECT: FY18 Budget Summary

The 2017 Legislative Session has concluded and with that came the passage of the FY18 General Bill (SB 178). The Board of Regents received an overall decrease to the general fund base of (\$3,675,961). No employee compensation package was approved this year. This is a 1.7% decrease to the FY17 general fund base.

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

- Base budget cuts totaling (\$1,000,675).
- A reduction of (\$907,302) in M&R base funding reducing our maintenance and repair down to approximately 1.8% of replacement cost.
- A total decrease of (\$2,589,441) in utility funding. This is based on utility rates and usage projections for FY18.
- \$412,798 increase for the growth in the South Dakota Opportunity Scholarship.
- \$145,383 increase for the Postsecondary Scholarship Fund. These dollars represent the proceeds from the endowment.
- \$146,493 increase for the K-12 Teacher’s Salary increase at the Special Schools.
- \$120,286 increase to the Dakota Lakes Research Farm.
- A decrease of (\$3,502) for the lease payment adjustments.

The FY18 budget has a total federal fund expenditure authority decrease of (\$46,559,360) and other fund authority decrease of (\$51,210,475), this is a total reduction of 14.9% in spending authority. These authority reductions are the result of the creation of the continuously appropriated federal and other fund Research Grants and Contracts funding centers. There was also an increase of 14.8 FTE.

The estimated base for FY18 does not include proposed health insurance funding. An estimated increase of \$83 per benefit eligible was funded by the Legislature as part of the FY18 General Bill (SB 175). The original estimated increase of \$342 per benefit eligible have to be offset with health insurance plan changes yet to be identified by the Bureau of Human Resources. The general fund appropriation for the Board of Regents for health insurance will total about \$175,000.

(Continued)

INFORMATIONAL ITEM

The FY18 utility projections will be revisited during the FY19 budget process and adjustments will be made if needed.

Also addressed during this legislative session was the funding for the expansion and upgrade of the Animal Disease Research and Diagnostic Laboratory (ADR&DL). The total cost of the project has been estimated to be \$61,381,637. The funding plan passed by the Legislature is as follows:

- \$1,167,000 – one-time funds from ADR&DL cash balance (FY16 and FY17).
- \$1,575,000 – one-time funds from the Livestock Disease Research fund (FY17).
- \$6,000,000 – one-time funds from SDSU/ADR&DL.
- \$2,600,000 – one-time funds from the Livestock Disease Emergency & Animal Remedy Funds.
- \$50,039,637 – ADR&DL & Agricultural Industry, 25 year bond, 4.0% interest, 3.0% authority fee = \$3,303,209 per year. Agricultural Property Tax Offset will be the source of revenue for the bond payment.

The ongoing ADR&DL operating funds, estimated at \$779,100, are to be funded with the following animal product fees:

- Commercial Per Food Fee 7,600 products * \$74 = \$562,400
- Specialty Pet Food Fee 800 products * \$86.50 = \$69,200
- Animal Remedy Exemption Repeal 700 products * \$75.00 = \$52,500
- Animal Remedy Fee 1,520 products * \$62.50 = \$95,000

Attachment I details the adjustments showing the changes from the FY17 general fund base budget of \$212,097,277 to the FY18 general fund base of \$208,421,316. Attachment II shows the movement from the Board's original request to the final legislative action.

**SD Board of Regents
FY18 General Fund Base Changes**

	FY17 General Fund Base	M&R Funding	Lease Payments	SDOS	Postsecondary Scholarship	Dakota Lakes Research Farm	K-12 Teacher's Salary Increase	Budget Cuts	Utilities	FY18 General Fund Base
BOR	\$25,873,851	(\$907,302)	(\$3,502)	\$412,798	\$145,383			(\$21,580)		\$25,499,648
BHSU	\$9,689,385							(\$65,080)	(\$81,276)	\$9,543,029
DSU	\$9,834,109							(\$63,172)	(\$33,763)	\$9,737,174
NSU	\$14,775,858							(\$63,032)	(\$86,450)	\$14,626,376
SDSM&T	\$16,887,673							(\$99,592)	(\$99,575)	\$16,688,506
SDSU	\$48,416,984							(\$333,893)	(\$1,742,974)	\$46,340,117
Extension	\$8,654,361							(\$19,073)		\$8,635,288
AES	\$12,194,624					\$120,286		(\$26,994)		\$12,287,916
USD	\$37,092,974							(\$295,652)	(\$522,741)	\$36,274,581
School of Medicine	\$22,912,215									\$22,912,215
SDSD	\$2,805,388						\$59,508	(\$6,234)	(\$16,751)	\$2,841,911
SDSBVI	\$2,959,855						\$86,985	(\$6,374)	(\$5,911)	\$3,034,555
Totals	\$212,097,277	(\$907,302)	(\$3,502)	\$412,798	\$145,383	\$120,286	\$146,493	(\$1,000,676)	(\$2,589,441)	\$208,421,316

NOTE: Health insurance funding not included.

South Dakota Board of Regents FY18 Board of Regents Budget Request and Appropriated							
	FY17 Base	General		FTE			
		\$212,097,277		5,140.4			
Requested					Appropriated		
Priorities	Base Funding	One-Time	FTE	Base Funding	One-Time	FTE	
Student Affordability	\$9,232,903			8.00	\$0		0.0
Innovation and Institutional Initiatives							
University College, Helping Students Graduate	\$580,500			9.00	\$0		0.0
Support for Autism Spectrum Students	\$77,672			1.00	\$0		0.0
American Indian Circle Program	\$164,600	\$30,000		2.00	\$0	\$0	0.0
Math at Mines	\$303,500			3.50	\$0		0.0
Math Success Initiative	\$245,434			2.50	\$0		0.0
School of Law	\$600,000				\$0		
SDSBVI/SDSD Teacher Salaries	\$146,493				\$146,493		
Technology Security Investments	\$662,827	\$3,000,000		7.00	\$0	\$0	0.0
Research Initiatives							
Dakota Lakes Research Farm	\$120,286	\$75,000		0.75	\$120,286	\$0	0.8
SDSU Extension STEM Outreach	\$282,882				\$0		
Precision Agriculture	\$87,303			1.00	\$0		0.0
Shared Responsibility Student Aid Model (Year 1)	\$3,504,243				\$0		
South Dakota Opportunity Scholarship	\$360,000				\$412,798		
Postsecondary Scholarship					\$145,383		
M&R Funding					(\$907,302)		
Utilities	(\$2,589,441)				(\$2,589,441)		
Base Budget Cuts					(\$1,000,676)		
Authority Reductions							
Lease Adjustment	(\$3,502)				(\$3,502)		
Capital Projects							
Cyberinfrastructure Security R&D Labs (MADLABS)		\$18,000,000				\$0	
SD Materials and Manufacturing Institute		\$20,000,000				\$0	
Discovery District GEAR Expansion		\$14,000,000				\$0	
Animal Disease Research & Diagnostic Laboratory		\$68,800,000				\$0	
Base Funding Change without Salary Policy	\$13,775,700	\$123,905,000		34.75	(\$3,675,961)	\$0	0.8
Percent Base Change	6.5%			0.7%	-1.7%		0.0%
FY18 Base Funding	General	One-time	FTE		General	One-time	FTE
	\$225,872,977	\$123,905,000	5,175.2		\$208,421,316	\$0	5,141.2
FY18 One-Time Funding and Specials							
Strong Support for Following State Initiatives							
Research - GOED	\$3,670,000						
Fund Authority and FTE	FY17 Base	Federal	Other	FTE	Federal	Other	FTE
		\$130,207,116	\$529,252,080	5,175.2	\$130,207,116	\$529,252,080	5,141.2
Authority Reductions		(\$46,559,356)	(\$45,807,532)		(\$46,559,356)	(\$51,210,475)	
FTE - NSU and SDSD				14.00			14.0
Base Authority		\$83,647,760	\$483,444,548	5189.15	\$83,647,760	\$478,041,605	5155.2
Percent Base Authority Change		-35.8%	-8.7%	0.3%	-35.8%	-9.7%	0.3%

Note: FY18 Health insurance funding not included