

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 7 – N

DATE: March 28-30, 2017

SUBJECT: FY18 Tuition and Fee Overview

The following information is presented to frame the context of the proposed tuition and fee increases that the Board will consider at this Board meeting. It will be helpful to keep these items in mind as the cost structure for FY18 is developed while keeping the cost affordable.

Cost Drivers

There are funding issues that must be considered when determining the annual cost increase to students. For the FY18 academic year, the following issues needed to be addressed:

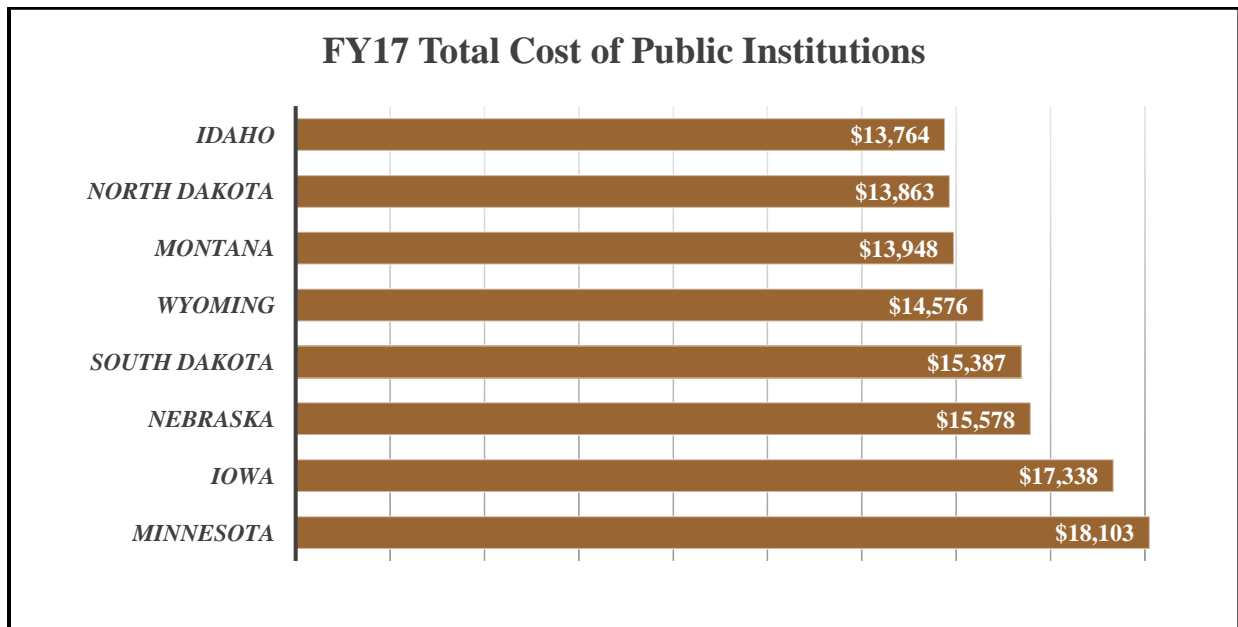
- ✓ Because state-wide sales tax revenues are drastically down, the Legislature passed a total of \$1,000,676 (not including M&R cut of \$907,302) in base budget cuts to the six universities for FY18.
- ✓ The Legislature did not fund a salary policy increase for state employees. This measure puts on hold the Board’s initiative to keep faculty and non-faculty exempt salaries at a competitive pace with the neighboring states.
- ✓ The estimated increase of \$342 in health care per benefit eligible employee was recommended by the Governor, however, the Legislature funded only \$83 of this need through general funds. The difference will have to be made up with health care plan changes.
- ✓ The Board recognizes the importance of inflationary increases to maintain the purchasing power of the universities. The Consumer Price Index (CPI) rate as calculated by the Bureau of Finance and Management is 0.67% for the past fiscal year. Inflation on the FY17 general and tuition and fee operating base was \$566,699.
- ✓ All six universities have contract 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 3.15% for the past fiscal year.
- ✓ Housing rates need to be adjusted by only 0.67% to cover the health care cost increase for benefit eligible employees and the inflationary adjustment to operating expenses.

Annual Cost

The following table compares the FY17 total cost (tuition, mandatory fees, housing and food service) 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 double resident hall room, and having a full meal plan.

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INFORMATIONAL ITEM



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 FY2017.

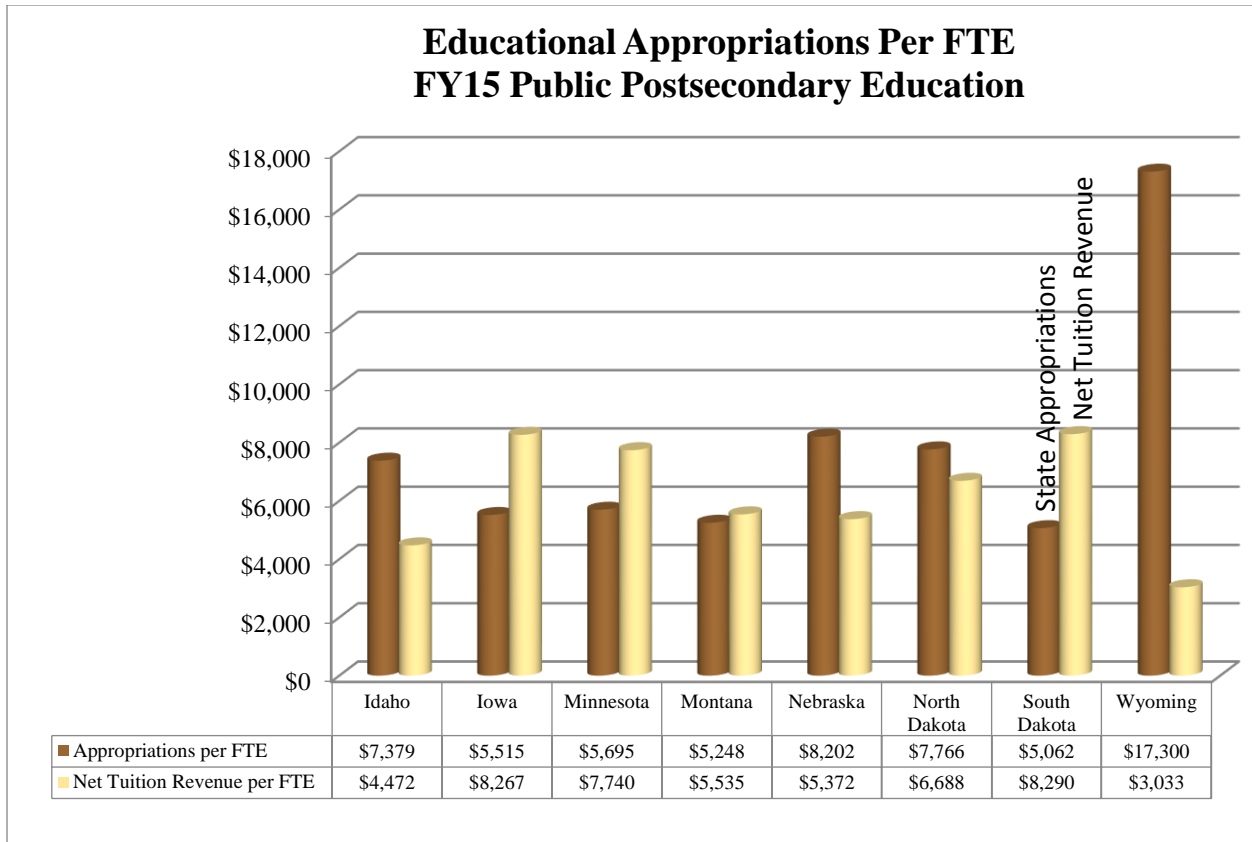
Both of these measures show that four of the states in our region support higher education better than South Dakota with state funded appropriations. South Dakota ranks the second from the bottom for funding per \$1,000 of personal income. The Board has made it a priority and the State has recognized that it must pick up a bigger share of the cost to compete and provide a quality education for its residents.

State Funding per Capita and Personal Income

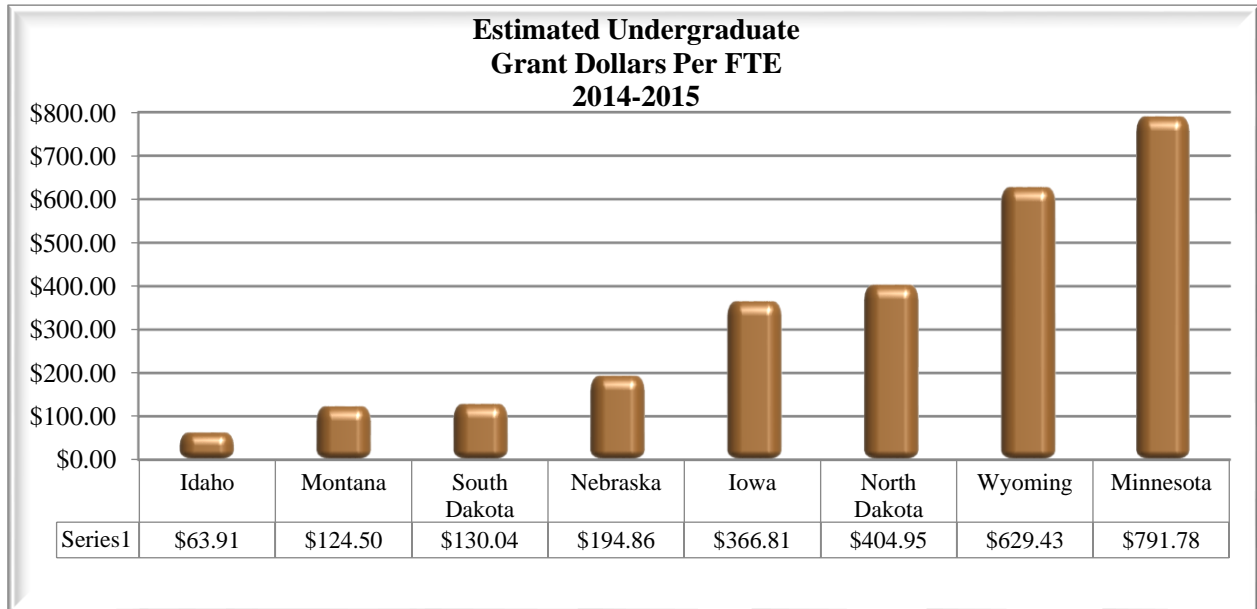
	Appropriation	Per Capita	Rank	Per \$1000 Personal Income	Rank
Idaho	\$460,323,000	\$273.49	6	\$7.02	4
Iowa	\$855,409,017	\$272.88	7	\$5.87	5
Minnesota	\$1,543,313,000	\$279.59	4	\$5.41	8
Montana	\$253,311,859	\$242.98	8	\$5.77	6
Nebraska	\$773,101,444	\$405.38	3	\$8.24	3
North Dakota	\$419,650,340	\$553.66	2	\$10.09	2
South Dakota	\$238,612,300	\$275.71	5	\$5.79	7
Wyoming	\$382,164,128	\$652.71	1	\$11.85	1

Note: Includes Postsecondary Vocational Education Funding
 Personal Income from 2rd Quarter of 2015, Bureau of Economic Analysis, US Dept. of Commerce
 Source: <http://www.grapevine.ilstu.edu/tables/>

Another look is to compare state funding to student costs. The following data is generated by the State Higher Education Executive Officers Organization (SHEEO). 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 \$6,966.



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. The Governor and the Legislature this past 2017 session continued their scholarship support by appropriating an additional \$558,181 towards the South Dakota Opportunity Scholarship and the Postsecondary Scholarship Programs.



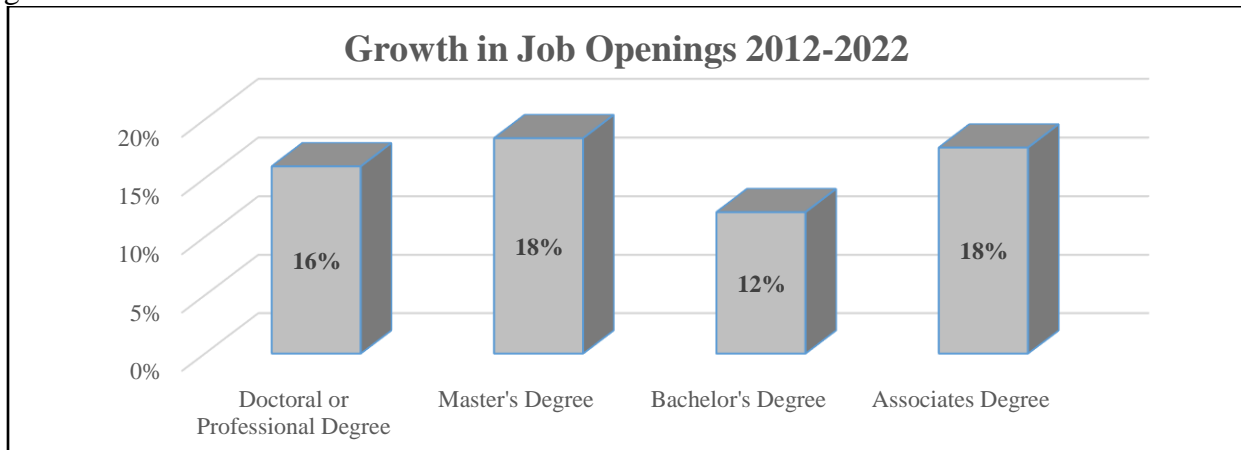
Source: National Association of State Student Grant and Aid Programs (NASSGAP)

(FTE data from the US Department of Education, National Center of Education Statistics, Integrated Postsecondary Data System (IPEDS) Data Center, Fall Enrollment 2014.)

The Future is Here

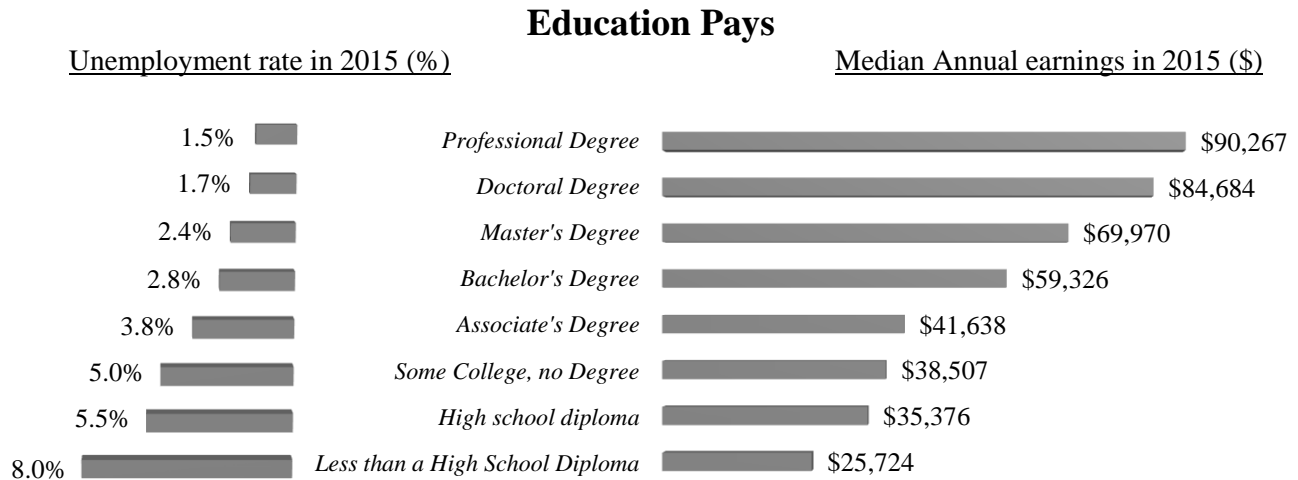
College is an investment in the future. This investment not only provides an economic return, but also provides other benefits, including employment, better health and lifestyle choices, improved family life and enhanced performance of children in schools, civic involvement, and greater opportunities 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 2012 to 2022. In essence, the number of students obtaining bachelor’s degrees needs to increase by over 12% by 2022 in order to fill the need in job growth.



Source: U.S. Bureau of Labor Statistics

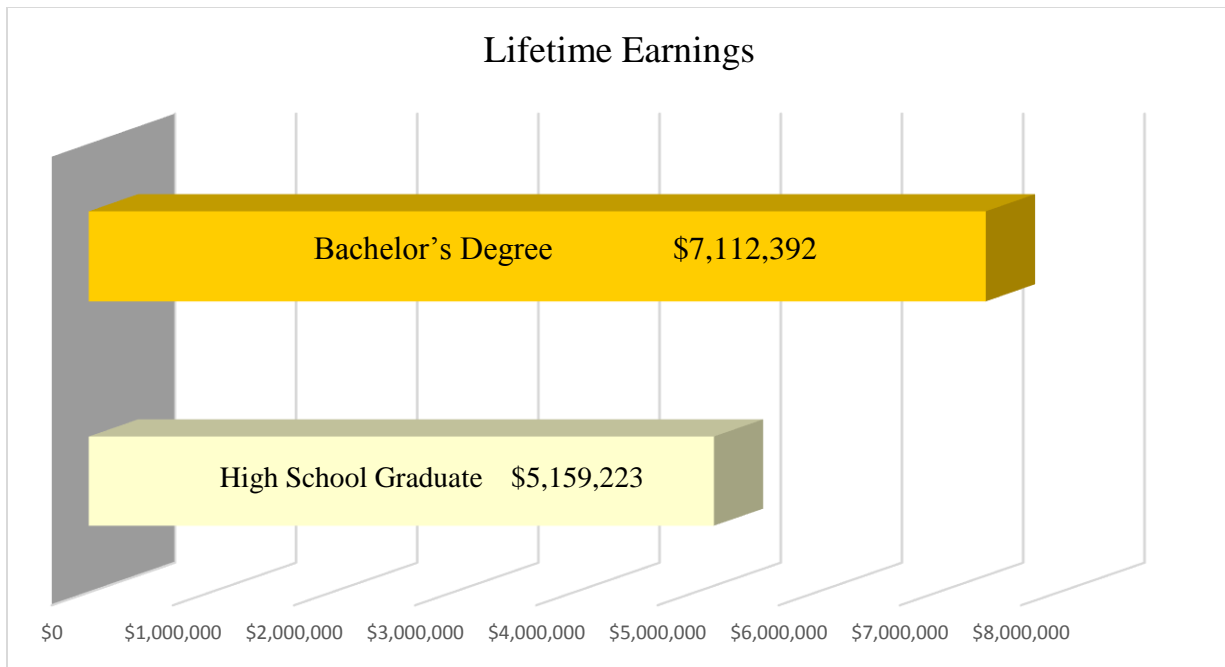
The economic benefits of education are clear when earnings and unemployment rates are examined by level of educational attainment. The following figure provides information from the U.S. Bureau of Labor Statistics.



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- 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 +\$9,652
 - Associate degree +\$6,262
 - Bachelor's degree +\$17,688
 - Master's degree +\$10,644
 - Doctoral degree +14,714

 - The unemployment rate decreases with educational attainment:
 - High school graduate -2.5%
 - Associate degree -1.7%
 - Bachelor's degree -1.0%
 - Master's degree -0.4%

When considering a bachelor's degree compared to a high school diploma and adjusting for 3% annual inflation and a 29.3% benefit package, the value of a bachelor's degree outweighs that of a high school diploma by lifetime earnings of \$1,953,169. Considering the investment for a degree of about \$38,000 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.



Calculation Definitions: Career earnings are calculated by summing the annual earnings, inflated by 3%, of employed, full-time workers through the age of 68. Career starting ages begin at 18 for a high school graduate and 23 for a bachelor's degree graduate.

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.