

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**AGENDA ITEM: 7 – U**

**DATE: March 28-30, 2017**

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**SUBJECT: SDSU Replacement of Bond and Utility Fee with General Activity Fee**

Currently, student meal plan costs at four of the universities (BHSU, SDSMT, SDSU and USD) include a facility fee, also known as bond and utility fee (BUF), in the total semester meal plan cost paid by the student. This fee is used to pay utility costs and bond payments on the student food service facilities. The semester fee may vary slightly on different priced meal plans, but the FY18 proposed fee charge is approximately:

BHSU	\$212.95
SDSM&T	\$46.45
SDSU	\$204.40
USD	\$93.70

This assessment methodology has been in place since the 1970’s when food service was structured around traditional “board plans” (a specified number of meals provided per semester) and before the current food service flexibility to choose from a wide variety of meal options in the student union. Historically, this fee has been paid by the students residing in the university residence halls (residential students). With recent renovations and relocations of food service facilities to student unions and other locations, university food service facilities now serve non-residential students in addition to the traditional residential students. Over time, this assessment methodology has become outdated and increasingly unfair to residential students. Many on-campus students use the current student union food service venues, but only the residential students are currently paying the bond and support costs for those services.

SDSU proposes to assess the facility fee as a component of the general activity fee (GAF) rather than as an addition to residential meal plan costs. By assessing the fee through the general activity fee, the cost would be recovered from all students rather than just from residential students. This change would replace the current outdated assessment method with a fairer assessment method that fits contemporary food service operations that provide service to both residential and non-residential students. Students taking on-campus courses would pay the fee as they are likely the ones using the food service venues.

(Continued)

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**DRAFT MOTION 20170328\_7-U:** I move to approve the plan to replace the bond and utility fee at SDSU with a GAF increase over the next four years and to reduce the food service rates.

Rationale

The following table shows that 15% of the students taking at least one credit hour class on campus for fall 2016 have never had a meal plan and have never paid any BUF. Of the undergraduate student population, approximately 9% have never paid any BUF fees, and of the graduate student population over 69% have never paid any BUF.

2016FA SDSU students enrolled in Courses On Campus			
<u>Class</u>	<u>Students - Never had Meal Plan</u>	<u>All Students</u>	<u>% Never Had Meal Plan</u>
Freshmen	232	3004	7.72%
Sophomores	134	1941	6.90%
Juniors	182	1800	10.11%
Seniors	238	2075	11.47%
Graduate	696	1005	69.25%
Total	1482	9825	15.08%

The Business Affairs Council has discussed this on two different occasions, but only SDSU has shown a strong interest in making this change. While the other schools agree that this may be a better way to recover costs to pay for improvements used by more and more students, they do not want to increase the GAF on all students at this time. This proposal was first introduced to the Board in October of 2015, with a proposal brought forward in December of 2015 for action. No action was taken at that time because it was a mid-year change and it was decided that the transition plan needed more work.

The proposed change would be revenue neutral – the facility fee on the meal plans would be phased out and the general activity fee (GAF) would be increased to recover the revenue currently received from the facility fee. The FY18 facility fee for SDSU meal plans is \$204.40 and will generate approximately \$1,559,753. To fully replace the bond and utility fee (BUF) would require a \$6.55 per credit hour fee.

Instead of entirely replacing the BUF with a GAF in FY18, a four-year transition plan is proposed for FY18 to FY21. The proportion of revenue generated from the BUF will transition to GAF over the four-year period, phasing out the bond and utility fee entirely in FY21. This is the fairest approach to students that have already paid the full bond and utility fee as sophomores and juniors.

The proposal is to lower the bond and utility fee rate over a four-year period and implement a general activity fee that will be increased over that same time period. The bond and utility rate and the GAF rate would phase out/in as follows:

	Bond and Utility Fee Rate	General Activity Fee Rate
FY18	\$143.30	\$1.95
FY19	\$102.65	\$3.25
FY20	\$61.95	\$4.55

SDSU Replacement of Bond and Utility Fee With General Activity Fee

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FY21	\$0.00	\$6.55
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The following table provides the revenue stream summary as well as the impact to students as the GAF is phased in. As the proposal is implemented the bond and utility fee burden is distributed to more and more students through the GAF. The burden of the transition is shared evenly during the transition.

Revenue Analysis and Impact to Students for Bond and Utility Fee Swap with GAF										
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Total Paid	
<b>Current</b>										
Bond and Utility Fee Rate*	\$204.40	\$204.40	\$204.40							
Revenue	\$1,559,776	\$1,559,776	\$1,559,776							
<b>Proposed</b>										
Bond and Utility Fee Rate			\$143.30	\$102.65	\$61.95	\$0.00	\$0.00	\$0.00		
Revenue			\$1,093,522	\$783,322	\$472,740	\$0	\$0	\$0		
GAF Rate			\$1.95	\$3.25	\$4.55	\$6.55	\$6.55	\$6.55		
Revenue			\$465,826	\$776,376	\$1,086,927	\$1,564,697	\$1,564,697	\$1,564,697		
Total Revenue			\$1,559,348	\$1,559,698	\$1,559,667	\$1,564,697	\$1,564,697	\$1,564,697		
<b>Impact to Students with Meal Plan through Transition</b>										
FY16 Start	\$409	\$409	\$59	\$98					\$974	
FY17 Start		\$409	\$345	\$98	\$137				\$988	
FY18 Start			\$345	\$303	\$137	\$197			\$981	
FY19 Start				\$303	\$260	\$197	\$197		\$956	
FY20 Start					\$260	\$197	\$197	\$197	\$850	

\* The bond and utility rate used for the analysis is the FY18 proposed rate.

If this proposal is approved, the food service rates will be reduced by \$61.10 and the GAF rate will be increased by \$1.95 for FY18.

	<u>From</u>	<u>To</u>
FY18 GAF Rate	\$39.70	\$41.65
Food Service:		
Premier	\$2,093.25	\$2,032.15
100 Block	\$1,678.35	\$1,617.25
50 Block	\$1,678.35	\$1,617.25
Silver Flex	\$1,678.35	\$1,617.25
Bronze Flex	\$1,471.85	\$1,410.75
West Flex	\$941.45	\$880.35