

SOUTH DAKOTA BOARD OF REGENTS

Regents' Workshop

**REVISED
AGENDA ITEM: 2 – C**

DATE: October 3-5, 2017

SUBJECT: August Retreat Follow-up Discussion – Tuition and Fees

At the August Retreat, the Board reviewed the history of our tuition and fee structure and discussed a number of ideas regarding how to set the rates moving forward and things that need to be considered. The Board president asked that the topic be placed back on the agenda in October. The full item from the retreat can be found at: https://www.sdbor.edu/the-board/agendaitems/2014AgendaItems/2017%20Agenda%20Items/August1017/1_H_BORRetreat0817.pdf

A summary of the topic discussed follows:

History of Rates

The tuition structure has gone through several iterations of standardization and differentiation. There were different rates for BHSU/DSU/NSU and SDSU/SDSM&T/USD up until 1997. In 1998, the rates were standardized to reflect the unified system approach. Starting in FY13, the research universities were given a slight tuition increase of 4.5% to recognize the importance of the research mission and the costs associated with it. It was also intended to provide more funding to three of the schools that were identified as needing more resources based on the Revenue Gap Funding Formula. This past March the Board eliminated out the tuition differential for resident students.

Comprehensive and Research Universities Pricing

Almost every state differentiates the price of their doctoral research universities from their comprehensive institutions by charging a higher tuition rate to attend a research university. The last time survey data were available for FY14 it showed that of the 46 states that had both comprehensive and research universities, 43 of the states charged more to attend a research university. The difference ranged from 3.3% to 85.5%, with the average at 32.78% higher to attend a research university.

Differential Pricing Using Fees

The SD BOR system already has differential pricing based on discipline. Most states have a similar discipline fee structure. It is impossible to know if we use discipline fees to a lesser or greater extent than other states without comparing the rates for every discipline and the basis of the assessment.

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INFORMATIONAL ITEM

Tuition and Fees Cost Comparison

South Dakota’s undergraduate resident mandatory tuition and fee cost is already high when looking at the regional states. This is a key issue the Board must consider if we are going to allow additional increases to our tuition and fees for programmatic needs. When looking at our tuition and fee rates and trying to determine what is appropriate, it is important to understand where we stand in comparison to other states. Setting our rates higher may generate more revenue, or it will send students that are price sensitive elsewhere. The latest tuition and fee survey for FY17 showed SD as the 7th highest out of the 8 regional states for an undergraduate resident student.

Minnesota	\$9,888
South Dakota	\$8,504
Iowa	\$8,201
Eight State Average	\$7,419
Nebraska	\$7,288
North Dakota	\$7,264
Idaho	\$6,847
Montana	\$6,304
Wyoming	\$5,055

Historical Cost Increases

Tuition and fees is only part of the cost to attend college. The total annual cost (excluding discipline fees) must be considered. Each year at the end of March, the Board approves the tuition rates, all fees, and room and board rates for the coming academic year. The Board must balance the resource needs of the institutions to insure quality and student success with the Board’s affordability and accessibility goals. A summary of the total average cost (tuition, fees, room and board) increases approved by the Board since FY00 is provided in the following table:

History of Total Costs Undergraduate Resident			
		Change	
	Total Costs	\$	%
FY00	\$6,294.50	\$345.50	5.8%
FY01	\$6,581.50	\$287.00	4.6%
FY02	\$6,999.91	\$418.41	6.4%
FY03	\$7,419.38	\$419.47	6.0%
FY04	\$7,930.90	\$511.52	6.9%
FY05	\$8,783.79	\$852.89	10.8%
FY06	\$9,133.45	\$349.66	4.0%
FY07	\$9,769.83	\$636.38	7.0%
FY08	\$10,405.67	\$635.84	6.5%
FY09	\$11,172.13	\$766.46	7.4%
FY10	\$11,896.95	\$724.82	6.5%
FY11	\$12,628.93	\$731.98	6.2%
FY12	\$13,206.48	\$577.55	4.6%
FY13	\$13,381.16	\$174.68	1.3%
FY14	\$14,037.00	\$655.84	4.9%

FY15	\$14,485.00	\$448.00	3.2%
FY16	\$15,252.00	\$767.00	5.3%
FY17	\$15,387.00	\$135.00	0.9%
FY18	\$15,851.03	\$464.03	3.0%

Annual Tuition and Fee Approval Cycle

The current tuition and fee approval process is designed to control tuition and fee increases to what is absolutely needed. This is in the spirit of fulfilling the Board’s goals to keep college affordable and accessible. The argument made at the March meeting was that the comprehensive schools needed additional resources to support student success programs. The chosen path was to increase the rates for the comprehensive schools by the amount previously given to the research universities to support their research mission. The resulting annual mandatory and fee cost for an undergraduate student at the six public universities follows:

FY18 Undergraduate Resident Mandatory Tuition and Fees

	Annual	Per Credit
BHSU	\$8,601.00	\$286.70 (includes all discipline fees)
DSU	\$9,147.00	\$304.90
NSU	\$8,280.00	\$276.00
SDSM&T	\$9,627.00	\$320.90
SDSU	\$8,440.50	\$281.35
USD	\$8,772.00	\$292.40

Competition for Students

South Dakota students can now attend 14 institutions in the surrounding states at a lower cost than they can attend in South Dakota. Many institutions are now offering rates close to their resident rates to attract students from other states. South Dakota has employed similar strategies for Minnesota, North Dakota and Wyoming in the past, and most recently has added Iowa to that list.

Nonresident Student Programs

In the past, South Dakota was very successful in attracting nonresident students by offering lower rates to nonresidents, but competition is getting tougher. As the cost to attend a public university in South Dakota increases, South Dakota will continue to look less attractive to nonresident students. The table below shows the surrounding states’ undergraduate in-state tuition and fee costs for FY17 compared to the nonresident rate to attend in South Dakota.

	<u>In-State Rate</u>	<u>SD Rate</u>	<u>Special Rate</u>
Wyoming	\$5,055	\$11,731	BHSU - \$8,004
Montana	\$6,304	\$11,731	None
North Dakota	\$7,264	\$11,731	NSU - \$7,887
Nebraska	\$7,288	\$11,731	None
Iowa	\$8,201	\$11,731	U/S/D/N - \$8,360 avg.
South Dakota	\$8,504	\$8,504	
Minnesota	\$9,888	\$9,060	\$9,060

Balance Between State Funding and Tuition

South Dakota tuition and fees are picking up a much bigger proportion of the operating and facility costs in South Dakota and that high cost is likely impacting enrollments. The FY16 *State Higher Education Finance* report prepared annually by the State Higher Education Executive Officers Association shows that South Dakota’s appropriations per FTE are significantly below the national average and at the bottom for the region. Net tuition on the other hand is the highest in the region and well above the national average. Net tuition is the gross amount of tuition and fees, less state and institutional financial aid, tuition waivers and discounts and medical student tuition and fees. Taking these two elements together shows that our total educational revenue per FTE is below the national average and near the bottom for the region. The educational revenue per FTE is the sum of appropriations per FTE plus net tuition less any tuition used for capital and debt service. This data clearly shows that our students are picking up a greater share of the overall cost due to the minimal amount of scholarships in comparison to other states and of course low state funding.

	Appropriations Per FTE	Net Tuition Revenue Per FTE	Total Education Revenue Per FTE
Wyoming	\$17,620	\$2,563	\$20,148
Nebraska	\$8,769	\$5,871	\$14,641
North Dakota	\$7,189	\$6,624	\$13,813
National Average	\$7,116	\$6,321	\$13,377
Minnesota	\$6,267	\$7,208	\$13,474
Iowa	\$5,491	\$8,301	\$13,792
South Dakota	\$5,030	\$8,515	\$12,583
Montana	\$4,912	\$5,218	\$10,131

Scholarship Funding

The state remains at the bottom when it comes to state-funded scholarship programs. This becomes a significant affordability problem when coupled with our high tuition and fee cost. South Dakota has been ranked at the bottom (currently ranked 49th, ahead of only Wyoming) when comparing the average per student general funding allocations used to provide need-based financial support to students.

Enrollments

Enrollments continue to shift from on-campus to off-campus. As the Board contemplates a tuition structure strategy, it is important to understand the current enrollment trends at the public universities. The number of students choosing a distance education continues to grow. See the following two tables.

Table A3a*
 University FTE, On-Campus

	BHSU	DSU	NSU	SDSMT	SDSU	USD	System
Fall 2010	2,241	1,076	1,693	1,953	8,937	5,345	21,245
Fall 2011	2,101	1,037	1,733	1,945	8,641	5,331	20,787
Fall 2012	1,946	1,043	1,607	2,016	8,246	5,279	20,137
Fall 2013	1,893	1,017	1,583	2,183	8,275	5,277	20,229
Fall 2014	1,680	992	1,451	2,327	8,298	5,268	20,015
Fall 2015	1,643	994	1,358	2,329	8,110	5,312	19,746
Fall 2016	1,626	1,035	1,287	2,305	8,089	5,143	19,485
Fall 2017	1,568	1,089	1,231	2,233	8,035	5,084	19,240
Δ Since 2010 (Percent)	-30.0	+1.2	-27.3	+14.3	-10.1	-4.9	-9.4
Δ Since 2010 (Number)	-673	+13	-462	+280	-902	-261	-2,005

Table A3b*
 University FTE, Off-Campus

	BHSU	DSU	NSU	SDSMT	SDSU	USD	System
Fall 2010	1,000	632	404	44	1,576	1,725	5,380
Fall 2011	1,033	710	469	38	1,780	1,903	5,933
Fall 2012	1,090	685	550	55	1,907	2,046	6,332
Fall 2013	1,169	724	545	51	1,945	2,119	6,553
Fall 2014	1,240	748	693	64	1,882	2,095	6,721
Fall 2015	1,240	864	637	76	2,032	2,089	6,938
Fall 2016	1,199	861	666	89	2,040	2,257	7,112
Fall 2017	1,238	900	700	93	2,073	2389	7,393
Δ Since 2010 (Percent)	+19.9	+42.0	+73.0	+111.3	+31.5	+38.5	+37.4
Δ Since 2010 (Number)	+238	+268	+296	+50	+497	+664	+2,013

*All data for the enrollment analysis are sourced from census date enrollment extracts provided by Regents Information Systems.

Questions to Consider

The Board may wish to consider the following questions as it contemplates the best tuition structure strategy:

1. *Does eliminating the tuition price difference between the comprehensive schools and research universities benefit or burden the comprehensive universities from a competitive vantage point?*
2. *If we do not give the research universities additional tuition dollars, how do we provide funding to support the higher costs of being a research institution?*
3. *Will raising tuition impact enrollments to the point that we will experience a net loss?*

4. *Should the current funding levels at the universities be considered before increasing tuition to fund programs at individual schools?*
5. *What justification will the Board need in order to decide if a new program is worthy of a tuition increase to fund it?*
6. *How do we reconcile the Board's goals for access and affordability with the desire to raise tuition to fund new programs?*
7. *Can we continue to backfill the lack of state funding with increased tuition and fees?*
8. *Which budget requests that are not funded by the state should be brought forward as a proposed tuition increase?*
9. *Should we identify as part of the budget process which programs will be funded with a tuition increase if they are not funded by the state?*
10. *Should we let the presidents propose their own tuition increase each year and identify what programs will be funded with the new revenues?*
11. *Do we need to better understand the base budgets of the institutions before we continue to differentiate funding using tuition?*