

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**AGENDA ITEM: 7 – D**

**DATE: April 2-4, 2019**

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**SUBJECT:**

**FY20 Tuition and Fees Overview**

**CONTROLLING STATUTE, RULE, OR POLICY**

None

**BACKGROUND/DISCUSSION**

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 FY20 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 FY20 academic year, the following issues needed to be considered:

- The Legislature adopted a 2.5% salary policy for all employees, including faculty, exempt, and CSA. It is important to note that the state provides actual cash for the general fund portion only. General funds represents forty-two percent (42%) of the total personal services budget and tuition and other funds is fifty-eight percent (58%). The federal and other funds are provided to the Regental system as authority. The actual cash for tuition, general activity fee, discipline fees, housing, food service, and all other fees must be raised internally to fund the salary package. The cost of funding the non-general and non-federal salary increase and benefits is estimated at \$4.3M.
- For FY20, the cost to provide employer paid health insurance will increase \$1,601, bringing the annual cost per benefit eligible employee to \$10,071. The cost of funding the non-general and non-federal health care increase is estimated at \$3.5M.
- The Consumer Price Index (CPI) rate as calculated by the Bureau of Finance and Management is 2.2% for the past fiscal year. The Board recognizes the importance of inflationary increases to maintain the purchasing power of the universities; however, to hold the cost increases to a minimum, an inflationary increase on operating expenses is not recommended.
- All six universities have contracted food service. The Board uses the Consumer Price Index for “Meals Away From Home” to reflect the market basket for food service costs. The CPI rate is 2.5% for the past fiscal year.

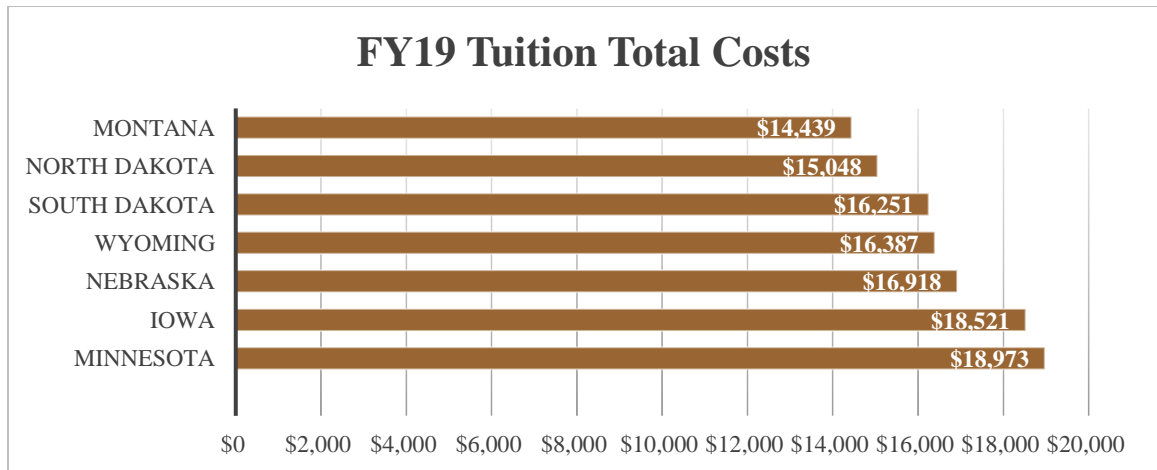
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**INFORMATIONAL ITEM**

- Housing rates need to be adjusted by 2.2% to cover the salary policy and health care increase for employees.
- Discipline fees, delivery fees, the general activity fee, and all other fees must be increased to fund the salary and benefit package.

**Annual Cost**

The following table compares the FY19 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.



**State and Student Funding**

A major determinant of the need to increase 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 FY19.

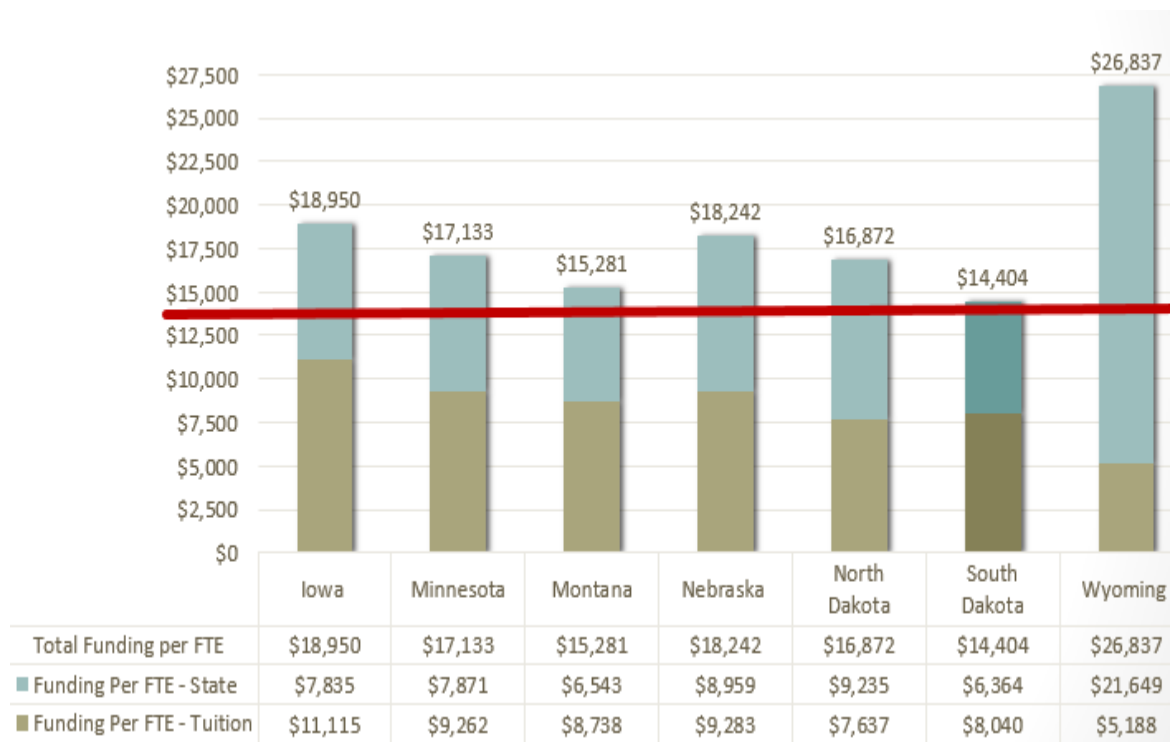
Both of these measures show that four of the seven surrounding states support higher education better than South Dakota with state funded appropriations. South Dakota ranks in the middle for funding per \$1,000 of personal income.

	State Funding per Capita and Personal Income				
	Appropriation	Per Capita	Rank	Per \$1000 Personal Income	Rank
Iowa	\$815,518,230	\$258.39	6	\$5.34	5
Minnesota	\$1,630,558,000	\$290.59	4	\$5.18	6
Montana	\$244,454,061	\$230.12	7	\$4.90	7
Nebraska	\$7,625,330	\$395.24	3	\$7.64	3
North Dakota	\$358,491,256	\$471.65	2	\$8.77	2
<b>South Dakota</b>	<b>\$238,879,017</b>	<b>\$270.77</b>	<b>5</b>	<b>\$5.49</b>	<b>4</b>
Wyoming	\$384,799,235	\$666.05	1	\$11.18	1

*Note: Includes Postsecondary Vocational Education Funding  
 Personal Income from 2rd Quarter of 2018, Bureau of Economic Analysis, US Dept. of Commerce  
 Source: <http://www.grapevine.ilstu.edu/tables/>*

Comparing the amount of state funds per student to the level of tuition also provides insight into tuition and fee rates. The following data is taken from the *State Higher Education Finance* report produced 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 \$7,642.

FY17 Public Postsecondary Education  
Educational Appropriations and Net Tuition Revenue per FTE



Source: IPEDS Data, 4 year, degree granting, Public Universities

Finally, an additional factor that must 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.

**Regional Comparison of Total Grant and Aid Funding**

	<u>Need Based Grant Aid Awarded by State</u>	<u>Non Need-Based Grant Aid Awarded by State</u>	<u>Total Grant Aid Funding by State</u>
Montana	\$400,000	\$929,000	\$1,329,000
South Dakota	\$225,000	\$5,337,000	\$5,562,000
Wyoming	\$17,033,000	\$0	\$17,033,000
Nebraska	\$17,837,000	\$2,580,000	\$20,417,000
North Dakota	\$11,243,000	\$9,331,000	\$20,574,000
Iowa	\$61,176,000	\$5,216,000	\$66,392,000
Colorado	\$124,530,000	\$5,788,000	\$130,318,000
Minnesota	\$194,577,000	\$1,560,000	\$196,137,000

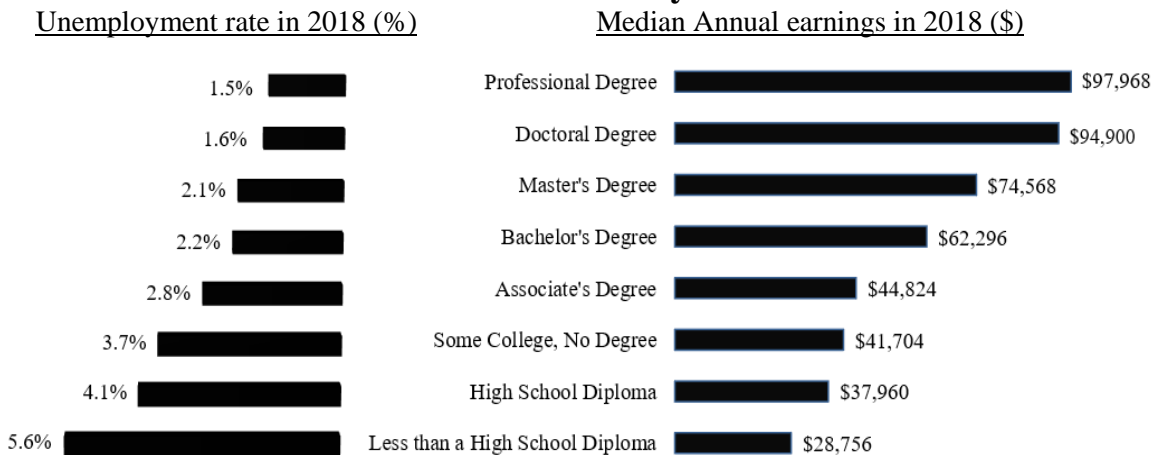
*Based on Total Enrollments Receiving Pell Awards  
Source: 48<sup>th</sup> Annual Survey Report by NASSGAP*

**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.

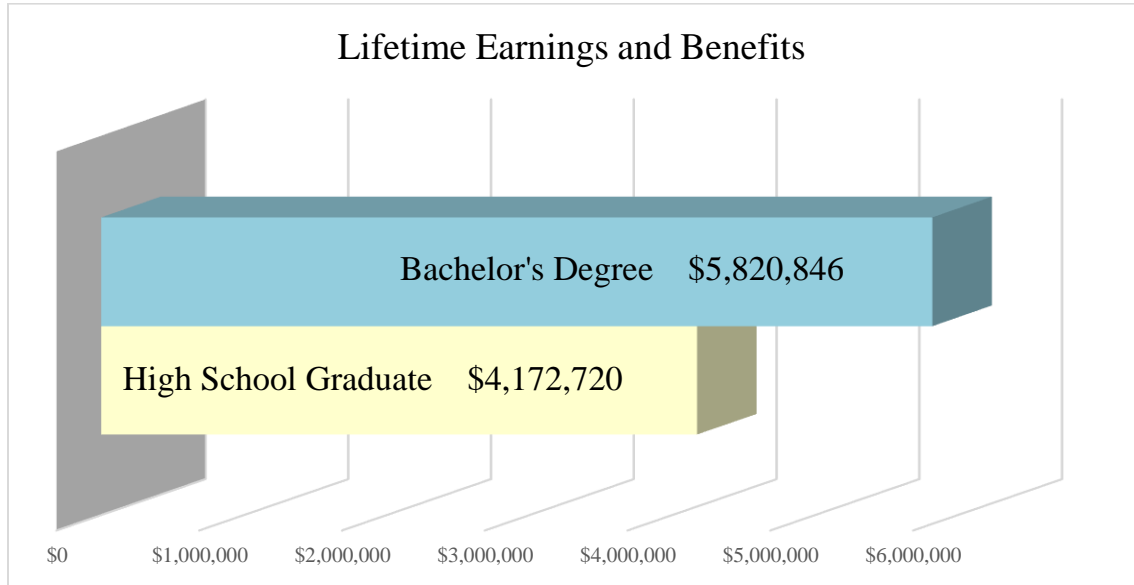
The economic benefits of education are clear when earnings and unemployment rates are examined by level of educational attainment. The chart on the following page provides information from the U.S. Bureau of Labor Statistics.

**Education Pays**



- 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 +\$9,204
  - Associate degree +\$6,864
  - Bachelor’s degree +\$17,472
  - Master’s degree +\$12,272
  - Doctoral degree +23,400
- The unemployment rate decreases with educational attainment:
  - High school graduate -1.5%
  - Associate degree -1.3%
  - Bachelor’s degree -0.6%
  - Master’s degree -0.1%

When considering a bachelor’s degree compared to a high school diploma and adjusting for 2% annual inflation and a 29.9% benefit package, the value of a bachelor’s degree outweighs that of a high school diploma by lifetime earnings of \$1,648,127. Considering the investment for a degree of about \$45,000 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.



**IMPACT AND RECOMMENDATIONS**

This information is provided to give some background on the value of an education and how it is paid for in each state.

**ATTACHMENTS**

None