

**SOUTH DAKOTA BOARD OF REGENTS**

**Planning Session**

**AGENDA ITEM: 7 – D**  
**DATE: August 4 - 5, 2020**

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**SUBJECT**

**Tuition Landscape – Differentiated Rates**

**CONTROLLING STATUTE, RULE, OR POLICY**

- [BOR Policy 5:5](#) – Tuition and Fees: General Procedures
- [BOR Policy 5:5:1](#) – Tuition and Fees: On-Campus Tuition
- [BOR Policy 5:5:2](#) – Tuition and Fees: Off-Campus Tuition
- [BOR Policy 5:5:3](#) – Tuition and Fees: Special Course Types
- [BOR Policy 5:5:4](#) – Tuition and Fees: Fees
- [BOR Policy 5:17](#) – Instructional Funding
- [SDCL 13-51-1.2](#) – Tuition Rates at Off-Campus Locations
- [SDCL 13-53-6.3](#) – Qualification for Resident Tuition Rates
- [SDCL 13-53-24](#) – Twelve-Month Residency Requirement to Qualify as a Resident Student
- [SDCL 13-53-29](#) – Exception to Twelve-Month Residency Requirements

**BACKGROUND / DISCUSSION**

**Current Tuition Structure:**

Higher Education, and the South Dakota Regental System specifically, has long offered differentiated rates on many levels: research institutions vs. comprehensive institutions, resident students vs. non-resident students, on-campus courses vs. off-campus courses, and lower cost majors vs. higher cost majors via special discipline fees.

Information contained herein will provide some historical context for decisions that have been made on differentiated rates, the rationale behind said differentials, and some items to take into consideration before making changes to any of these rates.

(Continued)

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**INFORMATIONAL ITEM**

**Differential Pricing Between Research and Comprehensive Institutions:**

Prior to academic year 1997, there were different tuition rates for each of our institutions, likely as a way to recognize the difference in missions and graduate education costs. The Board gave direction in 1998 to standardize all tuition and fees across the system in order to reflect the unified approach to education delivery. At that time, all tuition was deposited into a system pool and then distributed based upon enrollment changes, so a standardized approach made sense - a higher rate would not necessarily mean more funding for the research institutions.

In March 2012, the Board established differential tuition for the research institutions with the rationale of recognizing the additional costs associated with a broader research mission and growth of research activities at the three universities (SDSMT, SDSU, and USD). This differential in rates better aligned the costs associated with research via higher paid faculty, breadth of graduate education offerings, additional overhead needs to support research, space requirements, and equipment investments with actual tuition charges. At this time, University Managed Resources (UMR) were also developed, which allowed each campus to retain all tuition and fees they generated vs. the pooled approach previously utilized to distribute revenues. The move to UMR was strongly supported by the campuses and reinforced by a Revenue Gap Analysis which demonstrated a significant revenue shortfall at BHSU, SDSMT, SDSU and USD. It was felt that one way to remedy some of the funding disparity was to allow SDSMT, SDSU, and USD to generate additional revenues through a tuition increase.

At the March 2017 tuition setting, the Board decided once again to equalize rates amongst the six campuses with the rationale that the comprehensive institutions had a need for additional resources to meet the growth in student success initiatives. That equality of rates was short-lived when the Board reversed course in March of 2018 and established differentiated rates between the research and comprehensive institutions for academic year 2019.

The table below summarizes the on-campus tuition rates at each of the institutions for the years mentioned. BHSU's rates for 2018 are different as a result of a pilot program where BHSU rolled all special discipline fees into their tuition, however, the tuition portion for resident student matched DSU, NSU, USD, and SDSU. BHSU has since reverted back to the traditional model of tuition and special discipline fees being charged separately. SDSMT had received slight tuition increases above the other schools that were not equalized, resulting in some slight differences in rates at that campus starting in 2018.

Tuition Landscape – Differentiated Rates

August 4-5, 2020

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	<b>BHSU</b>	<b>DSU</b>	<b>NSU</b>	<b>SDSMT</b>	<b>SDSU</b>	<b>USD</b>
<b>AY1997</b>						
UG Res	\$ 51.45	\$ 51.45	\$ 51.45	\$ 53.00	\$ 53.00	\$ 53.00
UG Non Res	\$ 151.25	\$ 151.25	\$ 151.25	\$ 168.00	\$ 168.00	\$ 168.00
G Res	\$ 78.25	\$ 78.25	\$ 78.25	\$ 79.75	\$ 79.75	\$ 79.75
G NonRes	\$ 217.25	\$ 217.25	\$ 217.25	\$ 235.25	\$ 235.25	\$ 235.25
<b>AY1998</b>						
UG Res	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00
UG Non Res	\$ 171.75	\$ 171.75	\$ 171.75	\$ 171.75	\$ 171.75	\$ 171.75
G Res	\$ 82.00	\$ 82.00	\$ 82.00	\$ 82.00	\$ 82.00	\$ 82.00
G NonRes	\$ 241.75	\$ 241.75	\$ 241.75	\$ 241.75	\$ 241.75	\$ 241.75
<b>AY2013</b>						
UG Res	\$ 124.20	\$ 124.20	\$ 124.20	\$ 129.90	\$ 129.90	\$ 129.90
UG Non Res	\$ 186.35	\$ 186.35	\$ 186.35	\$ 194.75	\$ 194.75	\$ 194.75
G Res	\$ 188.30	\$ 188.30	\$ 188.30	\$ 196.80	\$ 196.80	\$ 196.80
G NonRes	\$ 398.60	\$ 398.60	\$ 398.60	\$ 416.55	\$ 416.55	\$ 416.55
<b>AY2018</b>						
UG Res	\$ 250.45	\$ 239.70	\$ 239.70	\$ 246.00	\$ 239.70	\$ 239.70
UG Non Res	\$ 350.45	\$ 337.35	\$ 337.35	\$ 369.05	\$ 347.95	\$ 347.95
G Res	\$ 323.35	\$ 314.70	\$ 314.70	\$ 320.05	\$ 314.70	\$ 314.70
G NonRes	\$ 603.35	\$ 587.50	\$ 587.50	\$ 642.35	\$ 605.05	\$ 605.05
<b>AY2021</b>						
UG Res	\$ 251.35	\$ 251.35	\$ 251.35	\$ 257.95	\$ 256.55	\$ 256.55
UG Non Res	\$ 353.70	\$ 353.70	\$ 353.70	\$ 404.00	\$ 372.40	\$ 372.40
G Res	\$ 329.95	\$ 329.95	\$ 329.95	\$ 335.55	\$ 336.80	\$ 336.80
G NonRes	\$ 632.60	\$ 632.60	\$ 632.60	\$ 673.50	\$ 647.55	\$ 647.55

Almost every state in the U.S. has a higher tuition and fee pricing structure for research universities compared to that of comprehensive/master institutions. The last time this issue was reviewed at a national level was 2014 when we used the *Washington Student Achievement Council 2013-2014 Tuition and Fee Rates: A National Comparison*. That study has not been updated. At that time, the average tuition and fee price difference between research universities and comprehensive/master institutions was \$2,180 (\$7,766 to \$9,946). It also showed that of the 46 states surveyed with both comprehensive and research universities, 43 of the states charged more to attend a research university. The difference ranged from 2.64% to 56.3%, with the average at 15.22% higher to attend a research university.

The following table provides a sample of the differential for nearby states as of the 2014 study and the current differential for South Dakota.

FY20 Tuition and Fees						
UG Resident						
<b>Iowa</b>				<b>Nebraska</b>		
Doctoral/Research	\$	9,830		Doctoral/Research	\$	9,522
Baccalaureate/Masters	\$	8,938		Baccalaureate/Masters	\$	7,940
Percent Difference		9.07%		Percent Difference		16.61%
<b>Minnesota</b>				<b>North Dakota</b>		
Doctoral/Research	\$	13,318		Doctoral/Research	\$	8,606
Baccalaureate/Masters	\$	8,668		Baccalaureate/Masters	\$	7,470
Percent Difference		34.92%		Percent Difference		13.20%
<b>Montana</b>				<b>South Dakota</b>		
Doctoral/Research	\$	8,304		Doctoral/Research	\$	7,697
Baccalaureate/Masters	\$	7,079		Baccalaureate/Masters	\$	7,540
Percent Difference		14.75%		Percent Difference		2.04%

For resident students taking 15 credit hours at NSU (a comprehensive institution) vs. the same credit hours at SDSU (a research institution), the cost differential is \$78.00 per semester.

Undergraduate Resident Research vs. Comprehensive			
# Hours	NSU	SDSU	Differential
15 Cr Hrs	\$ 3,770.25	\$ 3,848.25	\$ 78.00

**Differential Pricing for Residents and Non-Residents:**

Public institutions of higher education rely on allocations of tax revenue from state governments to help defray the cost of attendance for resident students. Traditionally non-resident students pay more simply because they have not paid taxes to the state in which the university is located. Resident students and their families have been contributing to the tax base of their state and thus, benefit from lower tuition.

With the number of South Dakota high school graduates declining, the battle for non-resident enrollment at our institutions has ramped up. As early as 2004 our Regental schools began offering resident rates to non-resident students from one or two nearby states. Beginning with FY20 all of our campuses were offering the South Dakota Advantage – resident rates to new students from all our surrounding states plus Colorado. Minnesota students are part of a reciprocity agreement, and thus not included in the South Dakota Advantage.

<b>Resident Rates Offered to Other States</b>		
<b>State</b>	<b>Year</b>	<b>Campuses</b>
ND	2004	NSU
WY	2013	BHSU
IA	2016	DSU, NSU, SDSU, USD
MT	2018	BHSU
CO	2018	BHSU, SDSMT
NE	2018	DSU, NSU, SDSMT, SDSU, USD

The ultimate goal behind the South Dakota Advantage was that enrollment would grow, fulfill the workforce needs of South Dakota, and bring in additional revenue to the universities and state. The demonstrated success of such programs in the past led our campuses to believe an expanded resident rate would positively impact enrollment. The table below shows the number of students participating in the reduced rates by fiscal year. This information is prior to resident rates being available at all campuses in FY20.

<b>Student Participaton Resident Rates Offered to Other States</b>		
<b>States Included</b>	<b>Year</b>	<b># of Students</b>
CO, IA, MT, ND, NE, WY	FY19	3,219
	FY18	3,871
IA, ND, WY	FY17	1,528
	FY16	1,581
ND, WY	FY15	346

A non-resident undergraduate student at NSU would pay an additional \$1,535.25 per semester, while a non-resident undergraduate student at SDSU would be an additional \$1,737.75 per semester.

<b>Undergraduate Resident vs. Non-Resident - NSU</b>				<b>Undergraduate Resident vs. Non-Resident - SDSU</b>			
<b># Hours</b>	<b>Res</b>	<b>Non</b>	<b>Differential</b>	<b># Hours</b>	<b>Res</b>	<b>Non</b>	<b>Differential</b>
15 Cr Hrs	\$ 3,770.25	\$ 5,305.50	\$ 1,535.25	15 Cr Hrs	\$ 3,848.25	\$ 5,586.00	\$ 1,737.75

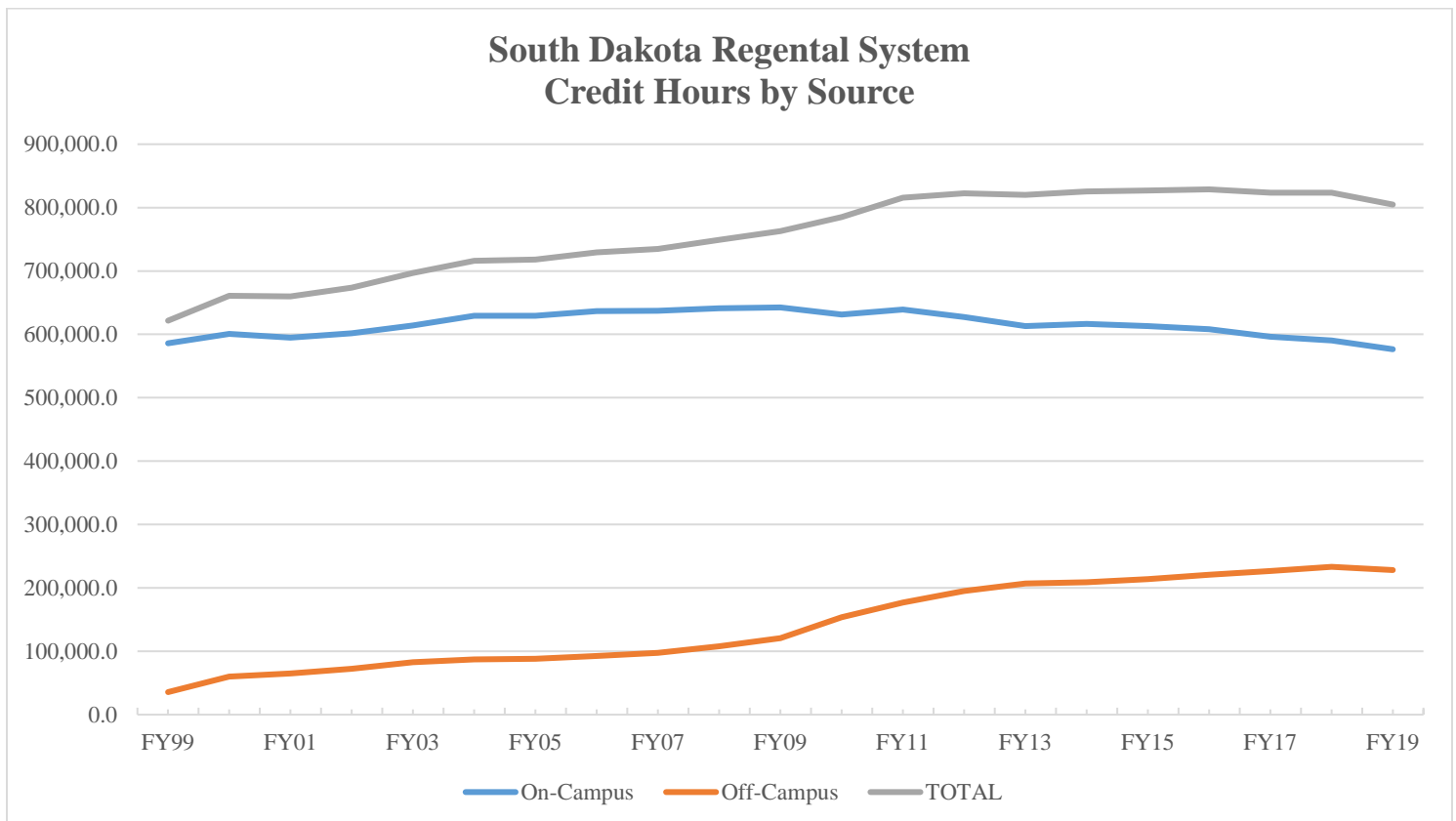
**Differential Pricing for On-Campus vs. Off-Campus Courses:**

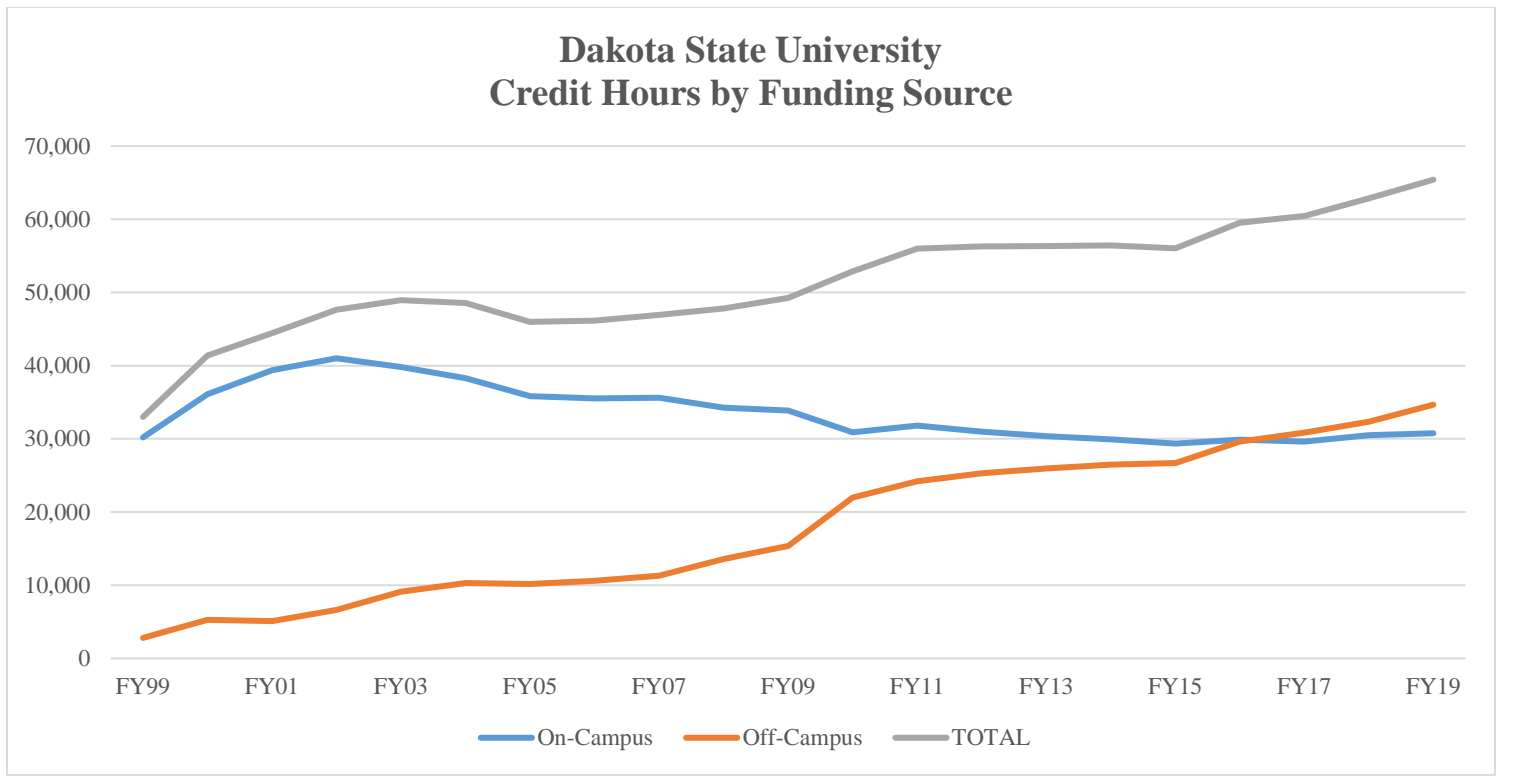
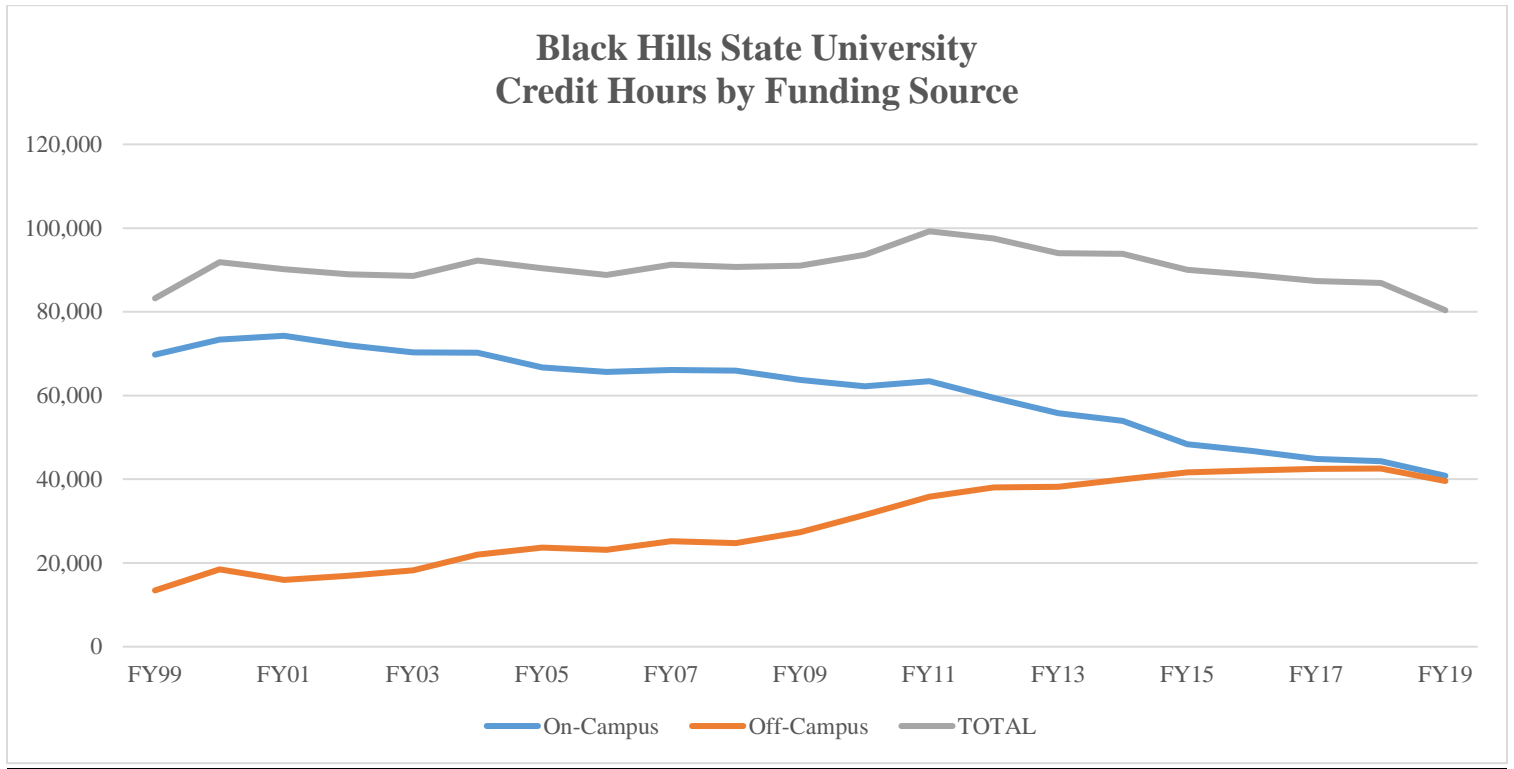
All courses offered off-campus, including those at the University Centers, electronically delivered courses, and remedial courses taken on campus are charged a higher tuition rate. Prior to 2009 there were both state-support and self-support rates for courses taken online, with the student’s residency status as the factor used for rate determination.

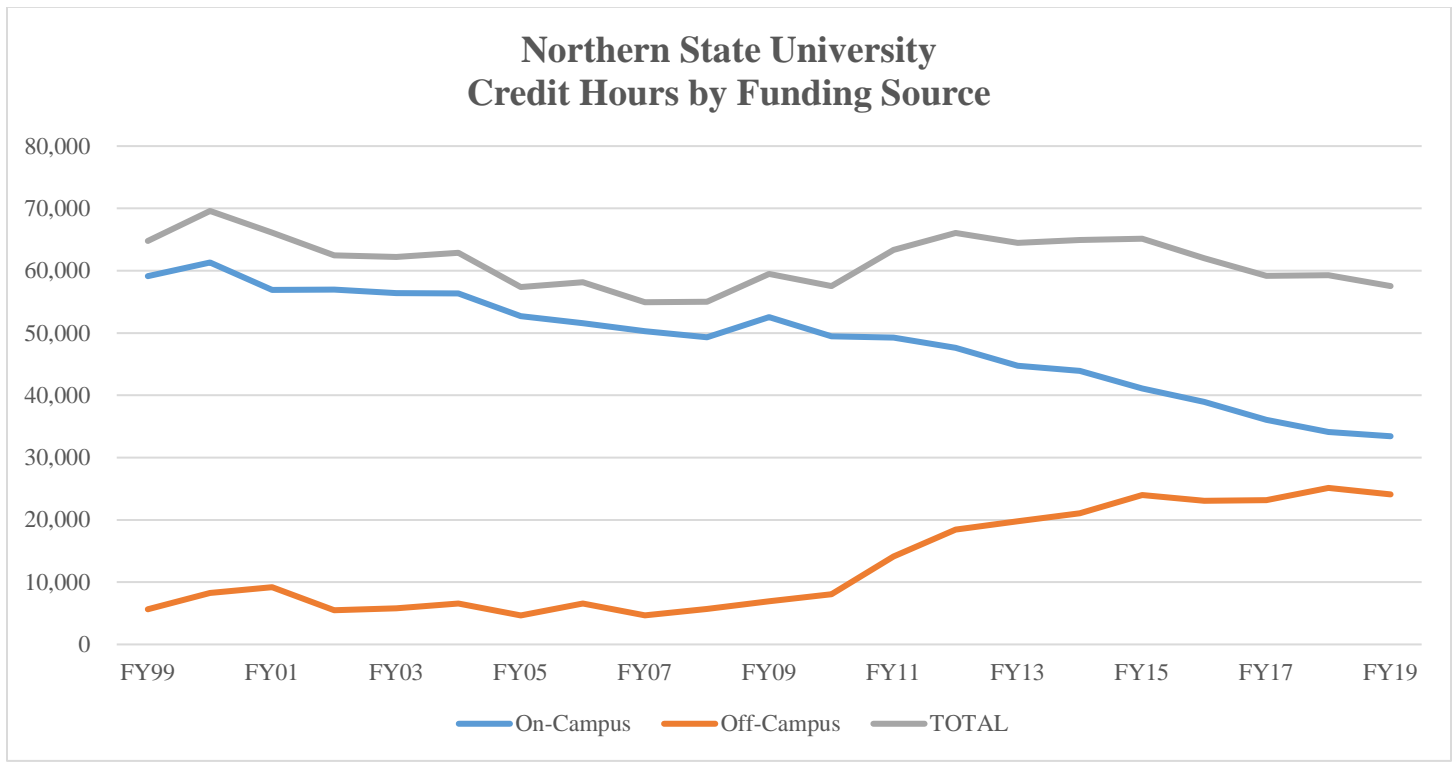
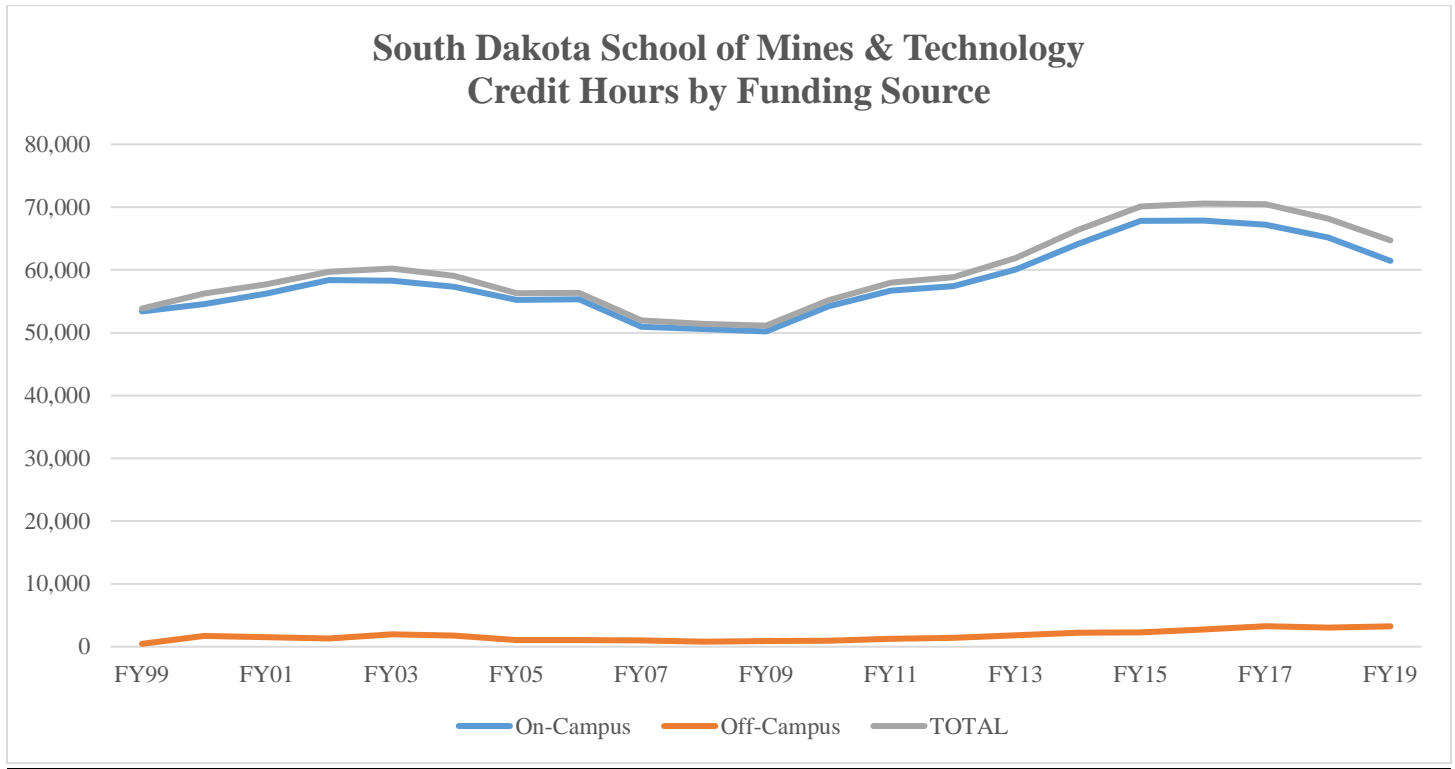
Currently SDCL 13-51-1.2 states that, “All courses offered at off-campus locations will be at self-support tuition rates established by the Board of Regents, with the exception of nursing courses offered at the Pierre site through the University of South Dakota and South Dakota State University, which can be offered at state-support if authorized by the board.”

In the era of COVID-19, the move of many courses to either strictly online or some sort of hybrid model, and the direction higher education has been taking over the last 10-15 years, this requirement for differentiated rates seems out of sync with reality.

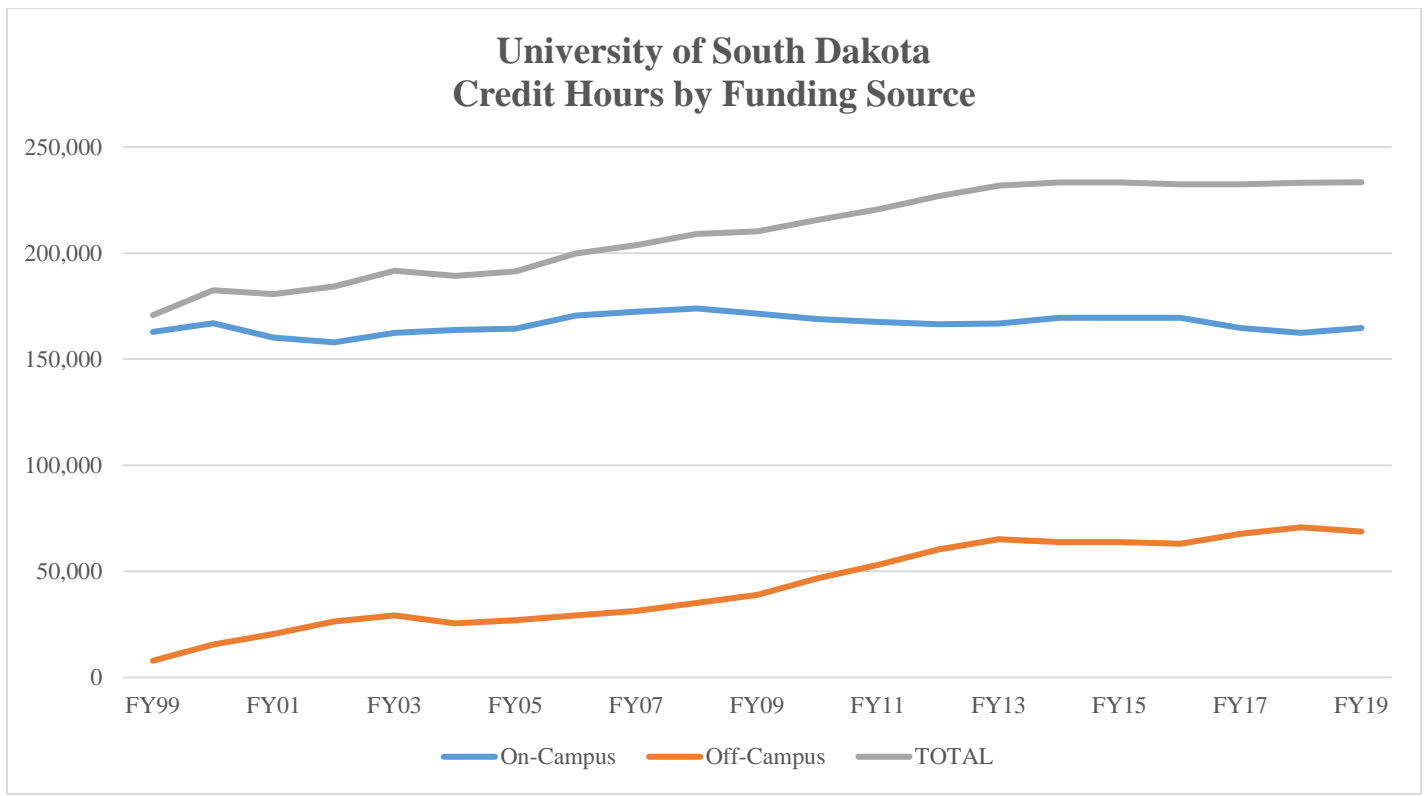
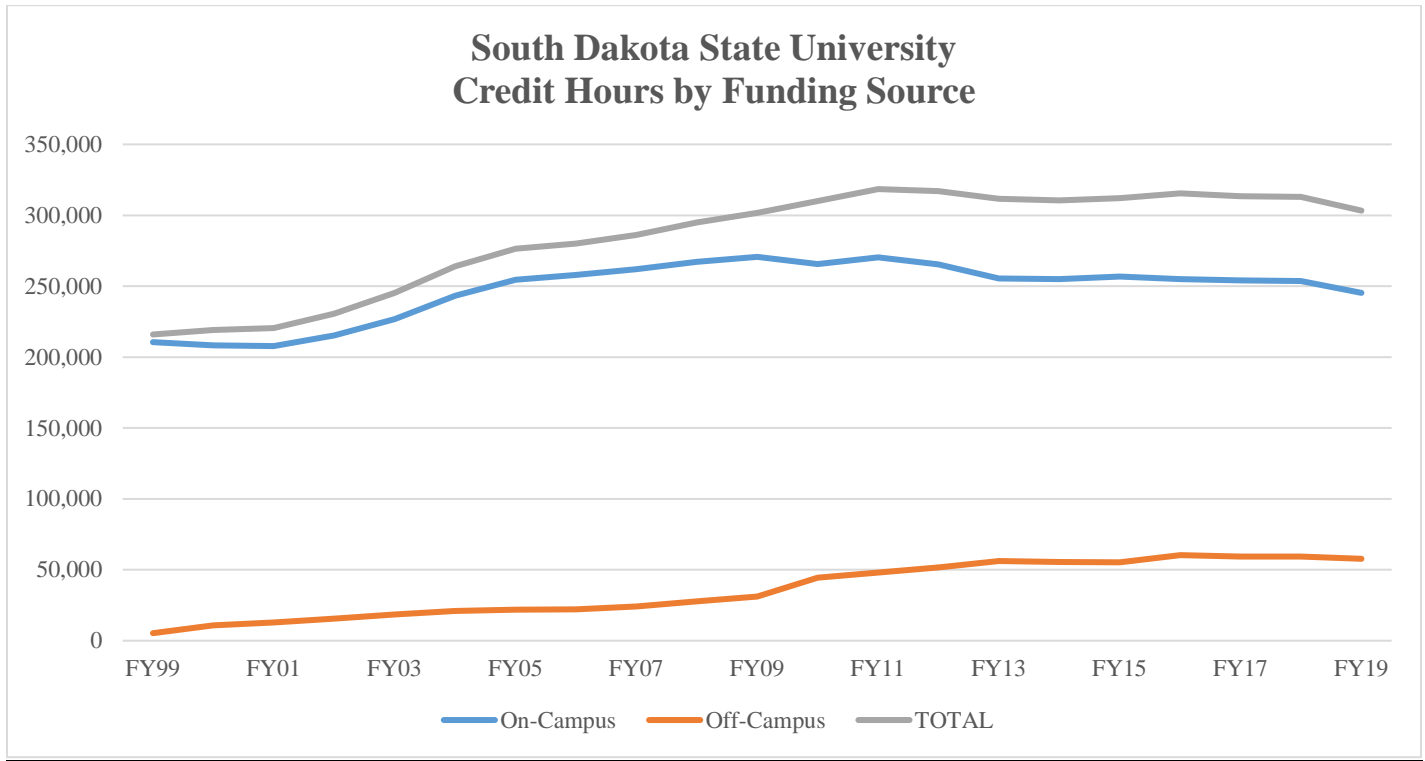
The charts below demonstrate the move from on-campus credit hour production to off-campus over time at each of our institutions.











An undergraduate resident student taking all online courses at NSU vs. all on-campus courses would pay an additional \$1,498.50 per semester, while an undergraduate resident student taking all online courses at SDSU vs. all on-campus courses would pay an additional \$1,420.50 per semester.

Undergraduate Resident On-Campus vs. Off-Campus - NSU				Undergraduate Resident On-Campus vs. Off-Campus - SDSU			
# Hours	On	Off	Differential	# Hours	On	Off	Differential
15 Cr Hrs	\$ 3,770.25	\$ 5,268.75	\$ 1,498.50	15 Cr Hrs	\$ 3,848.25	\$ 5,268.75	\$ 1,420.50

**Differential Pricing Using Special Discipline Fees:**

The Regental System has utilized special discipline fees (SDF) to capture additional revenues to support higher cost disciplines, much like other states in our region. It is virtually impossible to know if we use special discipline fees to a lesser or greater extent than other states without assessing every discipline and the basis for such assessment. In addition, special discipline fees are not reported by states when publishing mandatory tuition and fees.

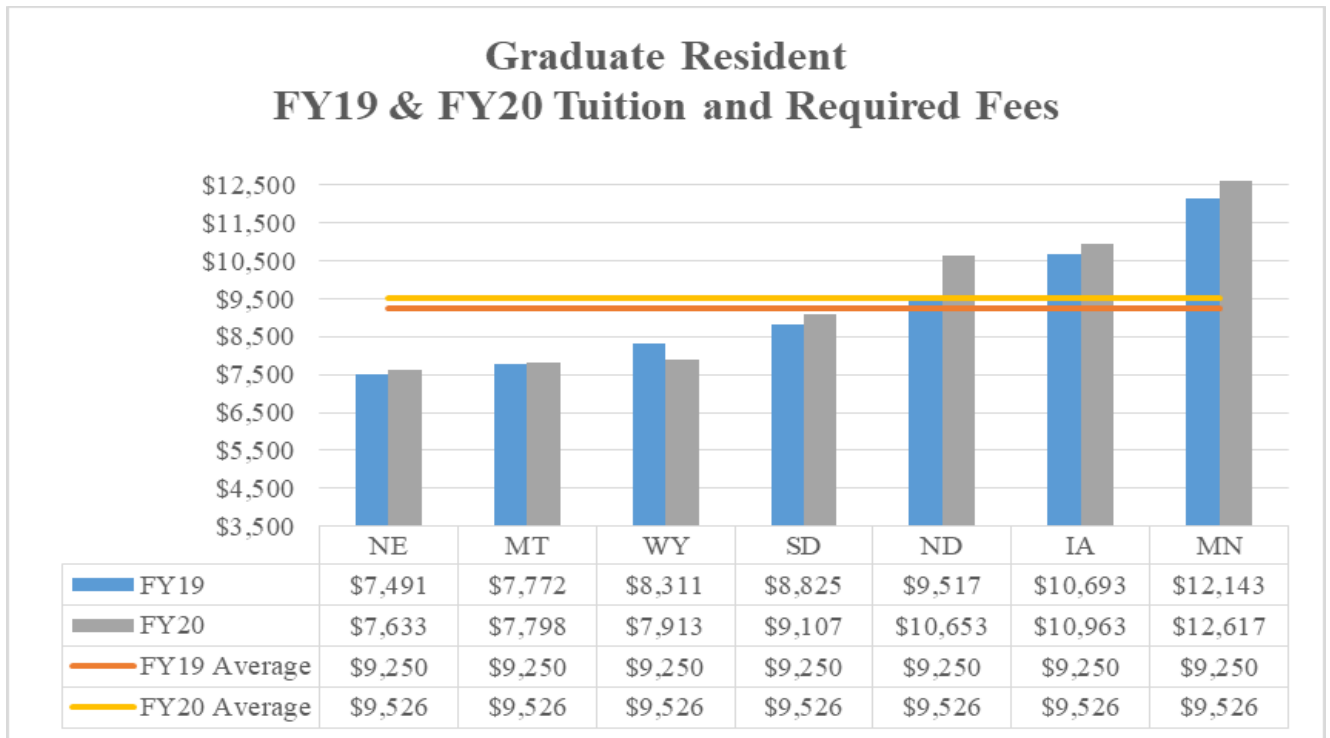
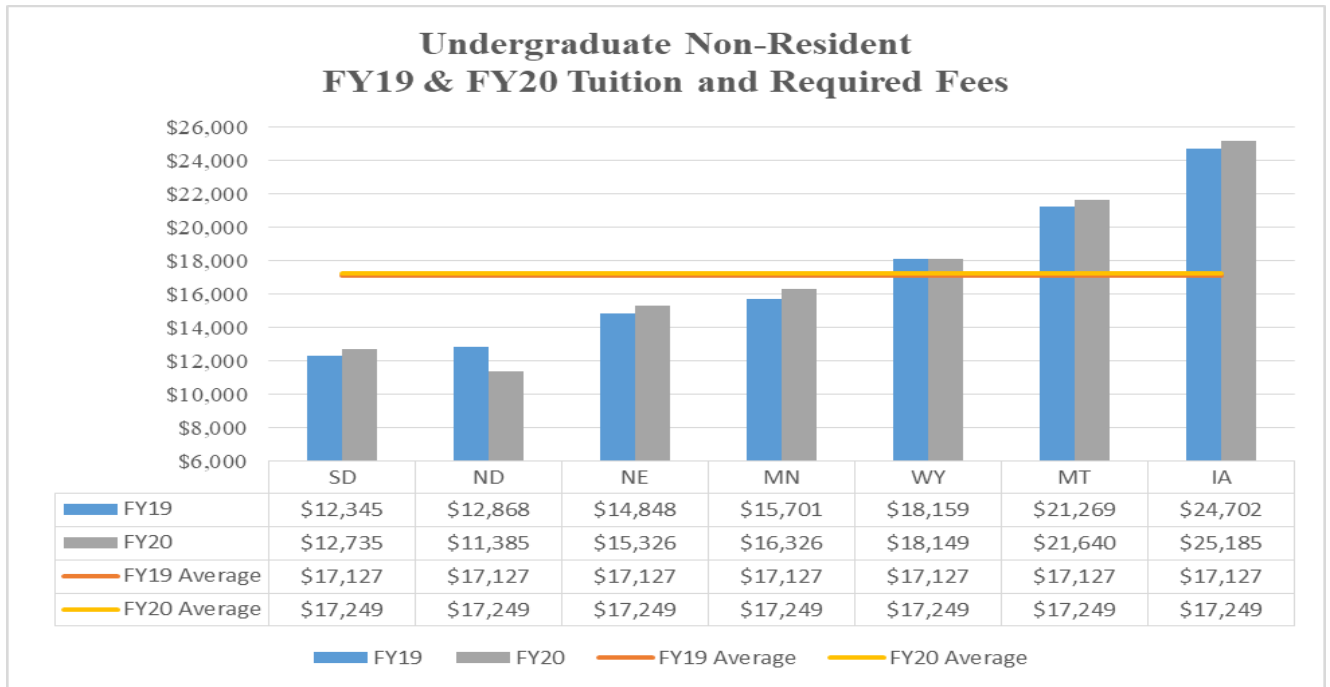
As you can see below, the special discipline fees charged at our institutions can cause additional price differentiation due to the per credit hour average generated. In FY19, BHSU was still under the model of combined tuition and fees, resulting in a very low rate.

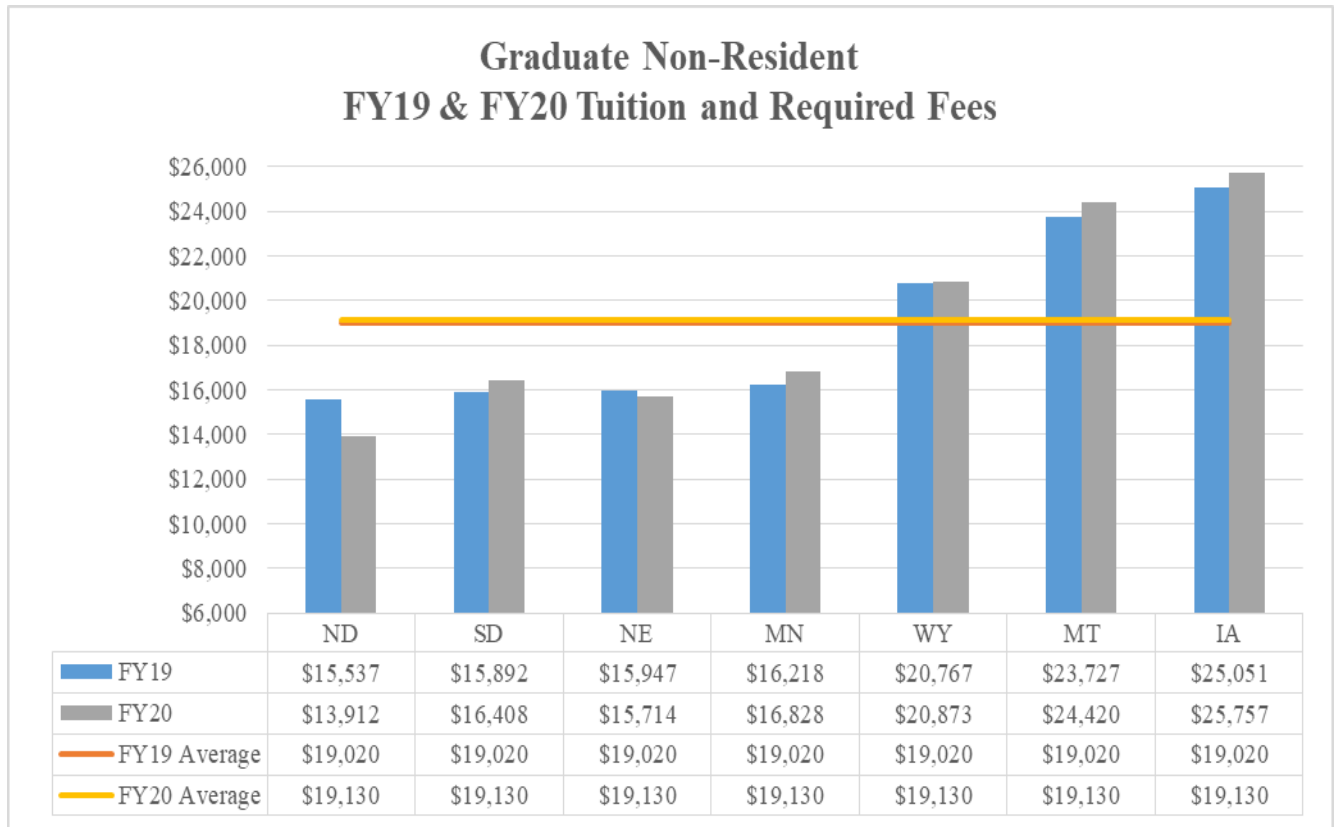
	FY19 Fees	FY19 On-Campus Hours	Per Credit Hour Basis
<b>BHSU</b>	\$104,922	40,825	\$2.57
<b>DSU</b>	\$1,002,332	30,746	\$32.60
<b>NSU</b>	\$393,932	33,421	\$11.79
<b>SDSMT</b>	\$3,689,325	61,443	\$60.04
<b>SDSU</b>	\$14,831,209	245,395	\$60.44
<b>USD</b>	\$5,363,549	164,687	\$32.57

Assuming an average special discipline fee at each campus, an undergraduate resident student at NSU taking courses with required SDF would pay an additional \$176.85 per semester, while a student with the same circumstances at SDSU would pay an additional \$900.60 per semester.

Undergraduate Resident All Special Discipline Fee vs. None - NSU				Undergraduate Resident All Special Discipline Fee vs. None - SDSU			
# Hours	SDF	No SDF	Differential	# Hours	SDF	No SDF	Differential
15 Cr Hrs	\$ 3,947.10	\$ 3,770.25	\$ 176.85	15 Cr Hrs	\$ 4,748.85	\$ 3,848.25	\$ 900.60







**Historical Cost Increases:**

While tuition and fees are a large part of the cost to attend college, the total annual cost (excluding discipline fees) must be considered.

Each year at the end of March/beginning of April, the Board approves tuition rates, all fees, room, and board rates for the upcoming academic year. The Board balances the resource needs of the institutions to ensure 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 shown in the following table on the left. The table on the right shows the average cost increases for ONLY tuition and mandatory fee approvals by the Board for the same timeframe.

History of Total Costs Undergraduate Resident				History of Tuition & Fee Undergraduate Resident			
	Total Cost	\$ Change	% Change		Total Cost	\$ Change	% Change
<b>FY00</b>	\$ 6,294.50	\$ 345.50	5.8%	<b>FY00</b>	\$ 3,703.08	\$ 166.23	4.7%
<b>FY01</b>	\$ 6,581.50	\$ 287.00	4.6%	<b>FY01</b>	\$ 3,890.46	\$ 187.38	5.1%
<b>FY02</b>	\$ 6,999.91	\$ 418.41	6.4%	<b>FY02</b>	\$ 4,087.32	\$ 196.86	5.1%
<b>FY03</b>	\$ 7,419.38	\$ 419.47	6.0%	<b>FY03</b>	\$ 4,287.19	\$ 199.87	4.9%
<b>FY04</b>	\$ 7,930.90	\$ 511.52	6.9%	<b>FY04</b>	\$ 4,535.85	\$ 248.66	5.8%
<b>FY05</b>	\$ 8,783.79	\$ 852.89	10.8%	<b>FY05</b>	\$ 4,834.49	\$ 298.64	6.6%
<b>FY06</b>	\$ 9,133.45	\$ 349.66	4.0%	<b>FY06</b>	\$ 5,078.05	\$ 243.56	5.0%
<b>FY07</b>	\$ 9,769.83	\$ 636.38	7.0%	<b>FY07</b>	\$ 5,477.32	\$ 399.27	7.9%
<b>FY08</b>	\$ 10,405.67	\$ 635.84	6.5%	<b>FY08</b>	\$ 5,822.96	\$ 345.64	6.3%
<b>FY09</b>	\$ 11,172.13	\$ 766.46	7.4%	<b>FY09</b>	\$ 6,319.28	\$ 496.32	8.5%
<b>FY10</b>	\$ 11,896.95	\$ 724.82	6.5%	<b>FY10</b>	\$ 6,693.57	\$ 374.29	5.9%
<b>FY11</b>	\$ 12,628.93	\$ 731.98	6.2%	<b>FY11</b>	\$ 7,076.69	\$ 383.12	5.7%
<b>FY12</b>	\$ 13,206.48	\$ 577.55	4.6%	<b>FY12</b>	\$ 7,566.27	\$ 489.58	6.9%
<b>FY13</b>	\$ 13,381.16	\$ 174.68	1.3%	<b>FY13</b>	\$ 7,571.10	\$ 4.83	0.1%
<b>FY14</b>	\$ 14,037.00	\$ 655.84	4.9%	<b>FY14</b>	\$ 7,905.98	\$ 334.88	4.4%
<b>FY15</b>	\$ 14,485.00	\$ 448.00	3.2%	<b>FY15</b>	\$ 7,924.73	\$ 18.75	0.2%
<b>FY16</b>	\$ 15,252.00	\$ 767.00	5.3%	<b>FY16</b>	\$ 8,377.66	\$ 452.93	5.7%
<b>FY17</b>	\$ 15,387.00	\$ 135.00	0.9%	<b>FY17</b>	\$ 8,317.50	\$ (60.16)	-0.7%
<b>FY18</b>	\$ 15,851.03	\$ 464.03	3.0%	<b>FY18</b>	\$ 8,515.00	\$ 197.50	2.4%
<b>FY19</b>	\$ 16,922.99	\$ 1,071.96	6.8%	<b>FY19</b>	\$ 8,950.55	\$ 435.55	5.1%
<b>FY20</b>	\$ 17,381.17	\$ 458.18	2.7%	<b>FY20</b>	\$ 9,250.82	\$ 300.27	3.4%
<b>FY00 - FY20 Change</b>	<b>\$ 11,086.67</b>		<b>176.1%</b>	<b>FY00 - FY20 Change</b>	<b>\$ 5,547.74</b>		<b>149.8%</b>

**Tuition and Fee Cost Drivers:**

There are multiple funding issues that must be considered when determining the annual cost increase to students. Traditionally, the following issues were considered:

- Salary policy adopted by the Legislature. It is important to note that the state provides financial support for generally funded employees only. General funds represent roughly forty-two percent (42%) of the total personal services budget with tuition and other funds making up the other fifty-eight percent (58%). Federal and other funds are provided to the Regental System as authority only. The actual cash for tuition, general activity fee, special discipline fees, housing, food service, and all other fees must be raised internally to fund the salary package. As a result, when the Board voted for no increase to tuition and fees for FY21 and the Legislature approved a 2.0% salary policy, the campuses were only able to provide raises ranging from 0.49% to 1.0% for NFE and Faculty. All CSA employees received the full 2.0% increase.
- Employer paid health insurance – as with salary policy, the state only provides financial support for generally funded employees. Increases to employer paid health insurance increased by \$702 for FY21 and \$1,601 for FY20.

- The Consumer Price Index (CPI) as calculated by the Bureau of Finance and Management has been used to provide inflationary increases to maintain the purchasing power of the universities.

**Examples of Pricing Differentials:**

The scenarios seen below demonstrate the complexity involved in the pricing of higher education in South Dakota. Depending upon the institution attended, the residency status of a student, whether a course is taken on or off-campus, and whether the courses taken include a special discipline fee – a resident student could pay anywhere from \$3,770.25 to \$5,268.75 per semester and a non-resident student’s costs could range from \$5,268.75 to \$5,305.50 per semester.

<b>Multiple Differentials Compared - Resident On-Campus</b>				
<b>Campus</b>	<b>15 Cr. Hr</b>	<b>Non-Res</b>	<b>SDF</b>	<b>Total</b>
NSU	\$3,770.25	\$ -	\$ 176.85	\$ 3,947.10
SDSU	\$3,848.25	\$ -	\$ 900.61	\$ 4,748.86
<b>Multiple Differentials Compared - Non-Resident On-Campus</b>				
<b>Campus</b>	<b>15 Cr. Hr</b>	<b>Non-Res</b>	<b>SDF</b>	<b>Total</b>
NSU	\$3,770.25	\$ 1,535.25	\$ 176.85	\$ 5,482.35
SDSU	\$3,848.25	\$ 1,737.75	\$ 900.61	\$ 6,486.61
<b>Multiple Differentials Compared - Resident Off-Campus</b>				
<b>Campus</b>	<b>15 Cr. Hr</b>	<b>Non-Res</b>	<b>SDF</b>	<b>Total</b>
NSU	\$5,268.75	\$ -	\$ -	\$ 5,268.75
SDSU	\$5,268.75	\$ -	\$ -	\$ 5,268.75
<b>Multiple Differentials Compared - Non-Resident Off-Campus</b>				
<b>Campus</b>	<b>15 Cr. Hr</b>	<b>Non-Res</b>	<b>SDF</b>	<b>Total</b>
NSU	\$5,268.75	\$ -	\$ -	\$ 5,268.75
SDSU	\$5,268.75	\$ -	\$ -	\$ 5,268.75

**IMPACT AND RECOMMENDATIONS**

With the impact of COVID-19 and an increased appetite for courses offered via hybrid and distance methods, now is a good opportunity for the Board of Regents to discuss and review pricing differentials that have been established within our system.

**ATTACHMENTS**

None