

**SOUTH DAKOTA BOARD OF REGENTS**

**Full Board**

**AGENDA ITEM: 37**

**DATE: April 1-2, 2015**

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**SUBJECT: FY16 Tuition and Fees Overview**

The following information is presented to frame the context of the proposed tuition and fee increase that the Board will consider at this Board meeting. It will be helpful to keep these items in mind as the cost structure for FY16 is developed.

**Cost Drivers**

There are a number of funding issues that must be considered when looking at the annual cost increase of tuition and fees. A summary of these follows:

- The Legislature provided a 2% salary package that includes a 2% movement to market for CSA employees below the market of their salary range, and funding for the reorganization of CSA employee classifications. It is important to note that the state provides actual cash for the general fund portion only. The federal and other funds are provided to the Regental system as authority. The actual cash for tuition, general activity fee, university support fee, salary competitiveness fee, room, board, and all other fees must be raised internally to fund the salary package. The cost of funding the non-general and non-federal salary and benefits is estimated at \$2.6M. The state funds approximately 50% of the salary policy cost; the Regents must raise the remaining 50%.
- The cost to provide employer paid health insurance will not increase for FY16. The annual cost of health care for each benefit eligible FTE is \$8,622.
- The Board started a salary competitiveness program back in 1998 to keep faculty and exempt salaries competitive in the region. In FY99, the System trailed the surrounding states' (regional) faculty market by 16.6%. This past fiscal year (FY14), the salaries of faculty and exempt staff trailed the regional market by 6.03% and nationally at a rate of 29.25%. If the Board includes an additional 1% for FY16 salaries, it will cost \$2.1M. The increase must cover 100% of the increase including staff supported with general funds.
- The Board recognizes the importance of inflationary increases to maintain the purchasing power of the universities. The CPI rate as calculated by the Bureau of Finance and

(Continued)

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**RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR**

Information only.

Management is 1.55% for the past fiscal year. This rate is used to adjust the operating expense budgets for all tuition and fees. The cost of this is \$523,776.

- All six universities have contracted 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 2.55% for the past fiscal year.

**Annual Cost**

The following table compares the FY15 total cost 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 a double residence hall room, and having a full meal plan. South Dakota continues to rank third highest in the region. The cost does not reflect any special discipline fees.

<b>FY15 Average Total Cost of Public Institutions</b>		
	<b>Rank</b>	<b>Total Cost</b>
Minnesota	1	\$17,287
Iowa	2	\$16,299
<b>South Dakota</b>	<b>3</b>	<b>\$14,485</b>
Nebraska	4	\$14,157
Wyoming	5	\$13,600
Montana	6	\$13,276
Idaho	7	\$13,117
North Dakota	8	\$12,773

**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 FY14.

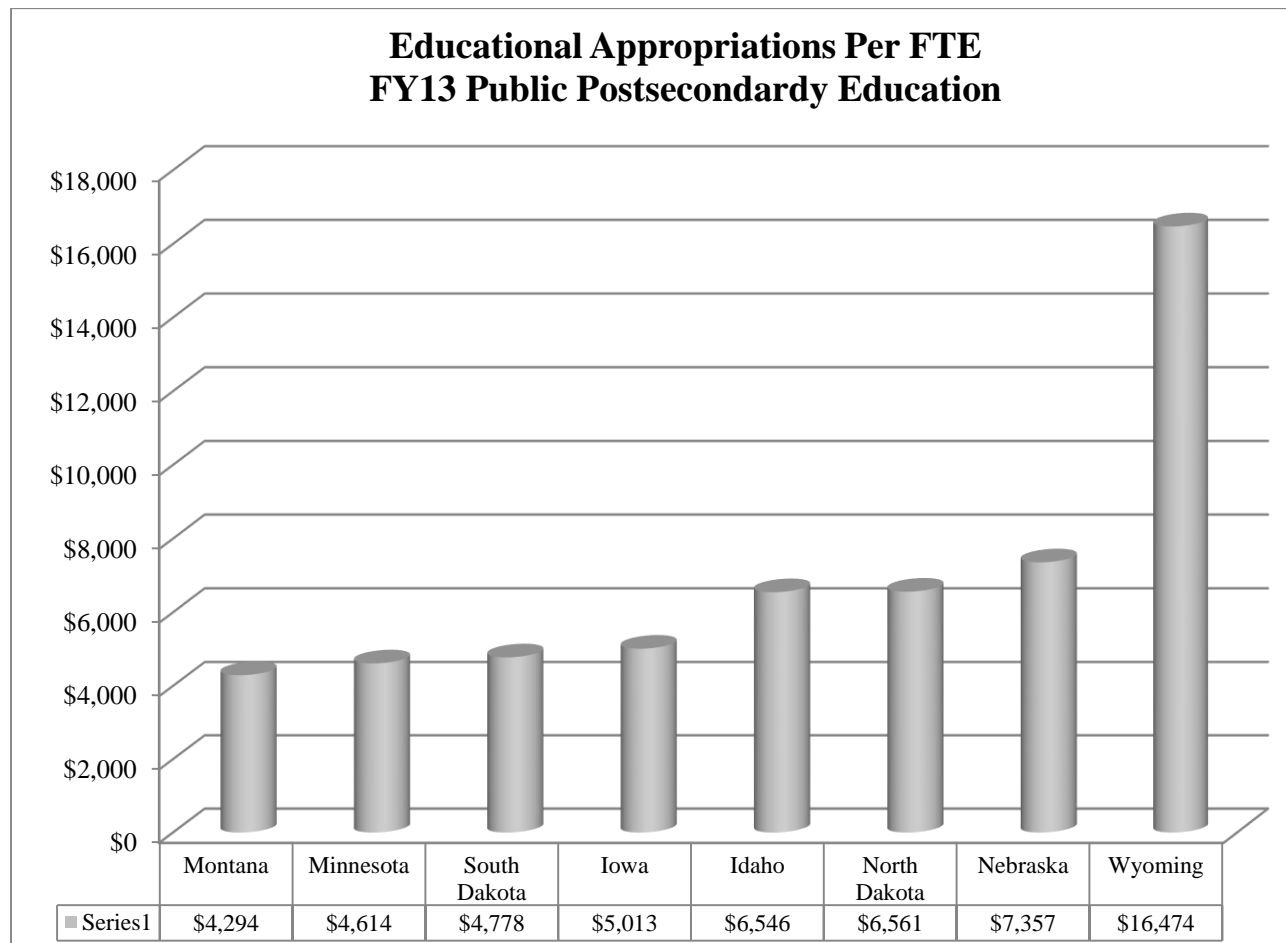
	<b>Appropriation \$M</b>	<b>Per Capita</b>	<b>Rank</b>	<b>Per \$1000 Personal Income</b>	<b>Rank</b>
Wyoming	\$373,838,466	\$639.97	1	\$11.68	1
North Dakota	\$409,696,640	\$554.03	2	\$10.08	2
Nebraska	\$717,198,058	\$381.18	3	\$8.05	3
Iowa	\$847,741,404	\$272.84	4	\$6.01	5
Minnesota	\$1,445,822,000	\$264.94	5	\$5.47	7
<b>South Dakota</b>	<b>\$217,442,912</b>	<b>\$254.86</b>	<b>6</b>	<b>\$5.45</b>	<b>8</b>
Idaho	\$401,454,400	\$245.62	7	\$6.53	4
Montana	\$240,959,102	\$235.41	8	\$5.80	6

Note: Includes Postsecondary Vocational Education Funding  
 Personal Income from 3rd Quarter of 2013, Bureau of Economic Analysis, US Dept. of Commerce  
 Source: <http://www.grapevine.ilstu.edu/tables/>

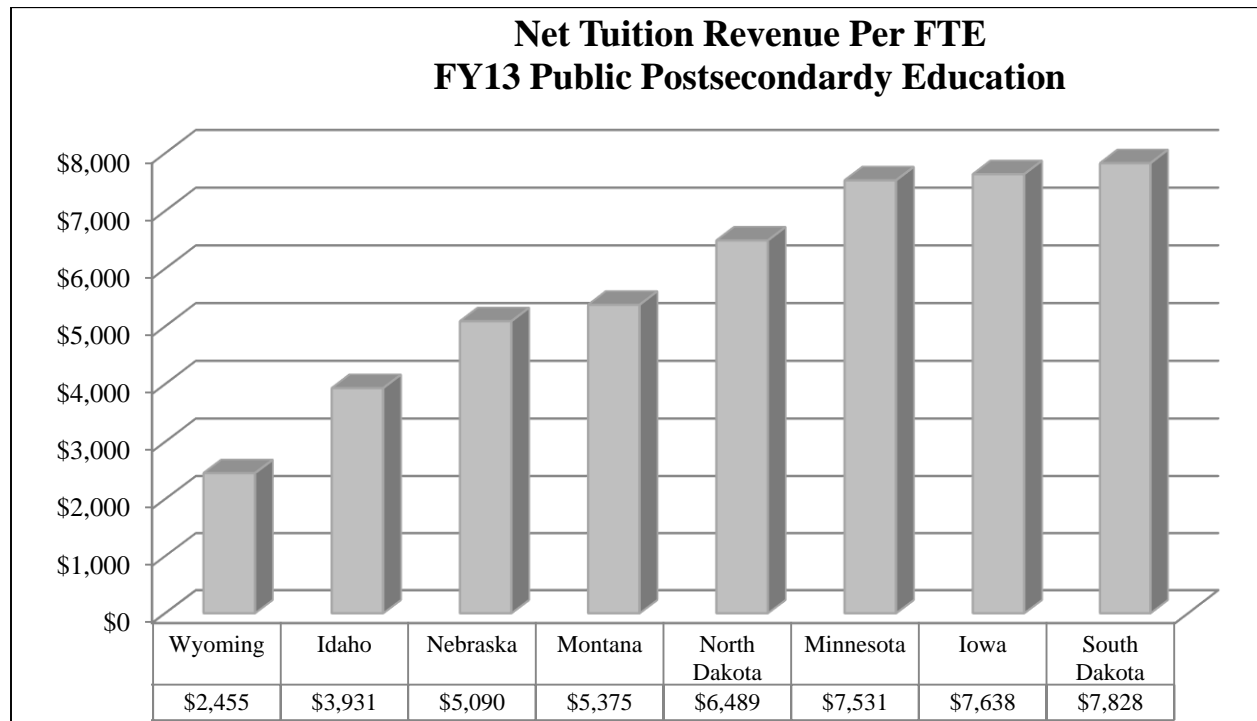
Depending on which measure you use, the preceding table makes it clear that either five or all seven of the states included support higher education better than South Dakota for FY14. The

Board has recognized that it must pick up a bigger share of the cost to compete and provide a quality education for its residents.

For another view, the following data generated by the State Higher Education Executive Officers Organization (SHEEO) compare state appropriations and net tuition revenues – another look at state funding compared to student cost. 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 \$6,105, compared to \$4,778 per student FTE in South Dakota.

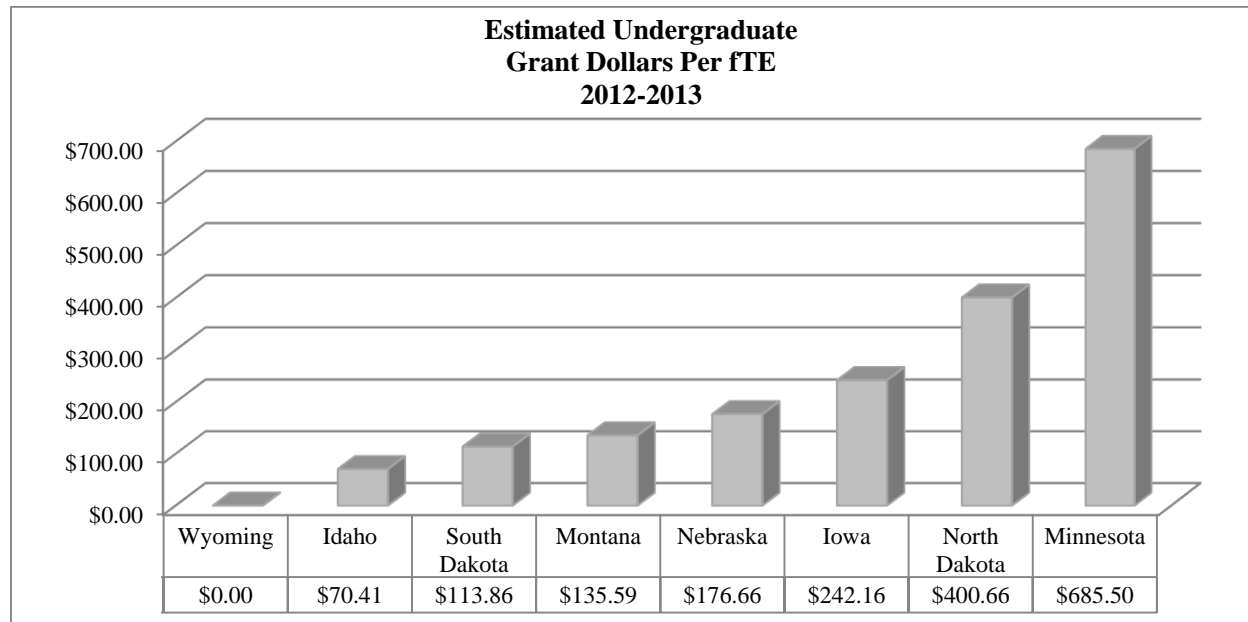


Source: SHEEO State Higher Education Finance (SHEF) Report, 2013  
(SHEF data adjusted for enrollment mix and cost of living, so numbers may differ from SD's Fact Book)



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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.



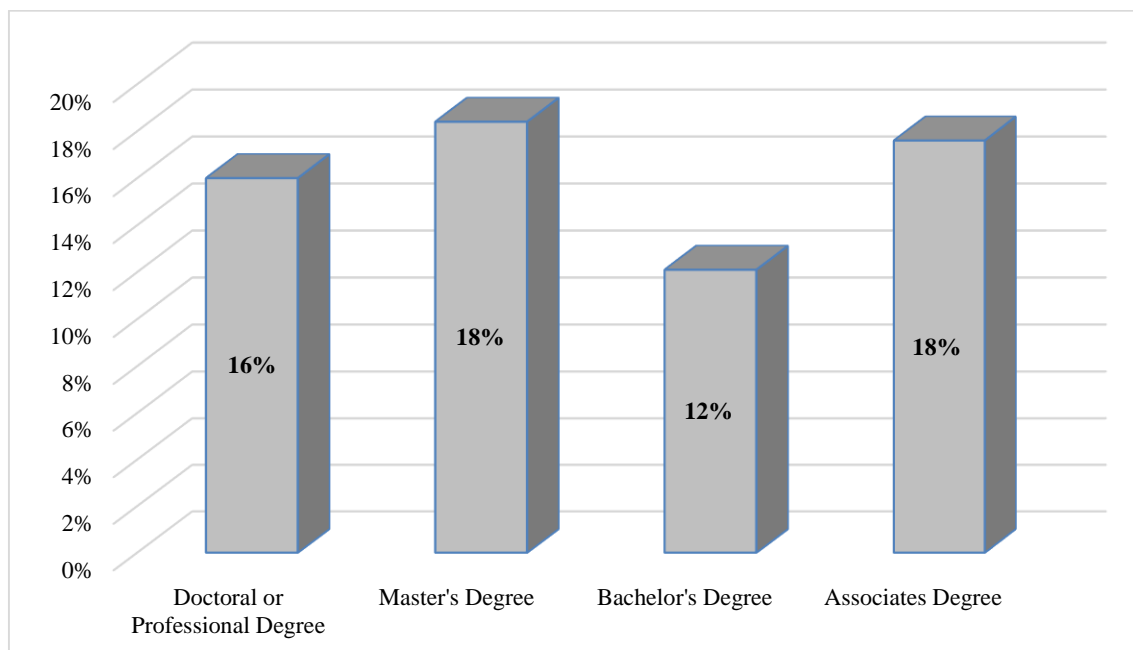
Source: National Association of State Student Grant and Aid Programs (NASSGAP)  
(FTE data from the US Department of Education, National Center of Education Statistics, Integrated Postsecondary Data System (IPEDS) Data Center, Fall Enrollment 2010.)

### 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 the U.S. Census Bureau, 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. Master's and Professional Degrees must grow at an even higher rate!

**Growth in Job Openings 2012 – 2022**

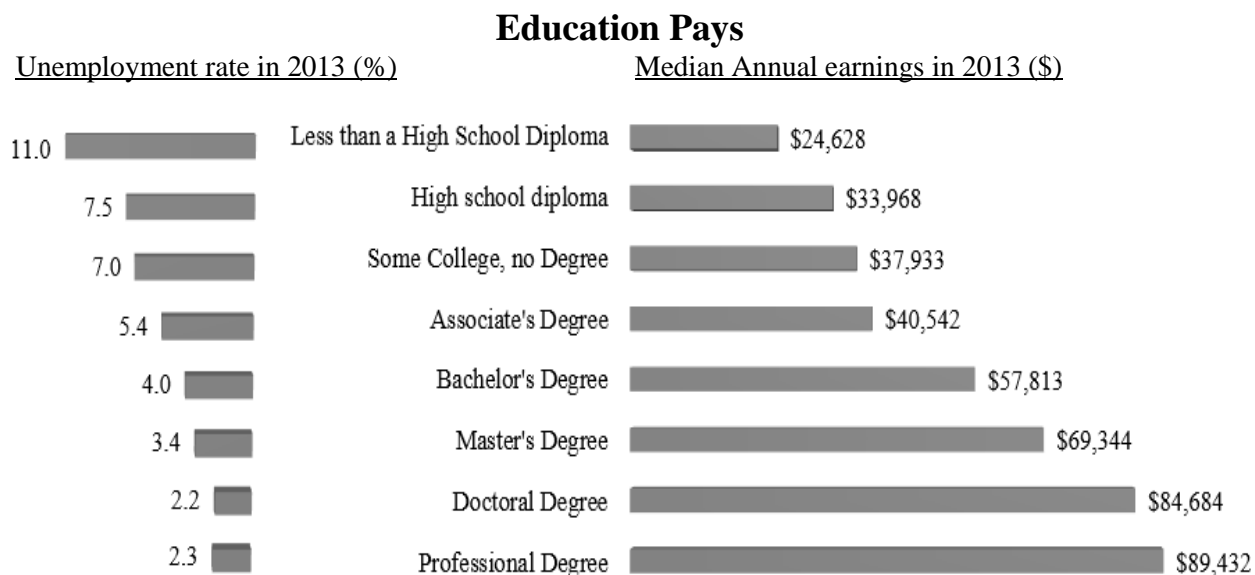


Source: U.S. Bureau of Labor Statistics

<http://www.bls.gov/opub/mlr/2013/article/occupational-employment-projections-to-2022.htm>

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.

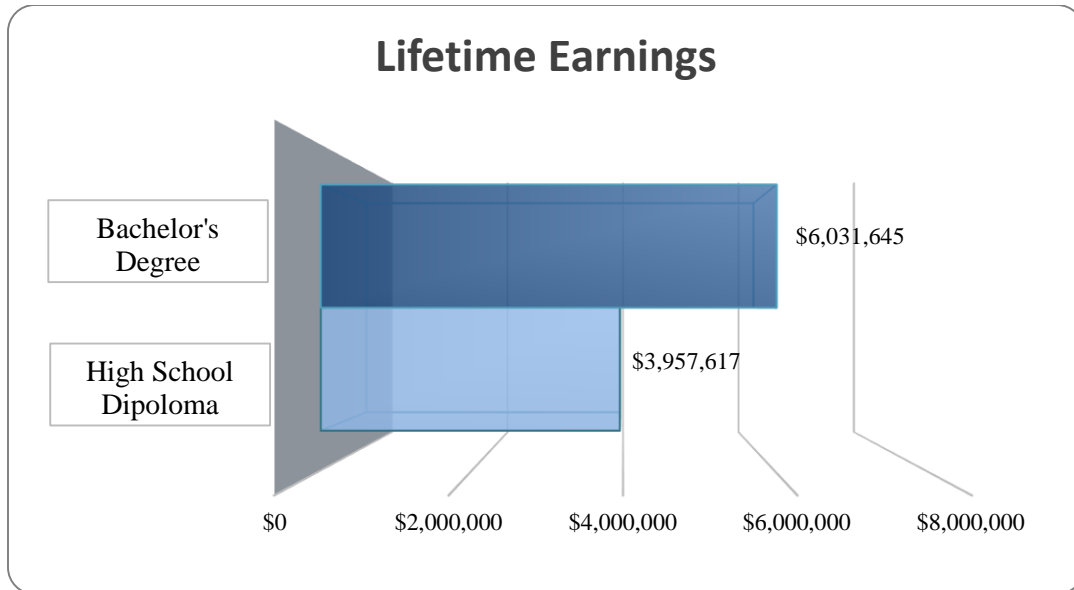
### Unemployment Rate and Median Weekly Earnings by Level of Educational Attainment, 2013



Source: U.S. Bureau of Labor Statistics, Current Population Survey

- 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 +\$9,340
  - Associate degree +\$6,574
  - Bachelor's degree +\$17,271
  - Master's degree +\$11,531
  
- The unemployment rate decreases with educational attainment:
  - High school graduate -3.5%
  - Associate degree -2.1%
  - Bachelor's degree -1.4%
  - Master's degree -0.6%

When considering a bachelor's degree compared to a high school diploma and adjusting for 3% annual inflation and a 21.4% benefit package, the value of a bachelor's degree outweighs that of a high school diploma by lifetime earnings of \$2,074,028. Considering the investment for a degree of about \$35,000 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.



Note: Annual earnings inflated by 3% each plus benefit package of 21.4%

\* Bachelor's Degrees – 42 years of employment. High School Diploma – 46 Years of employment.

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.