SOUTH DAKOTA BOARD OF REGENTS

Committee on Budget and Finance

AGENDA ITEM: III - A

DATE: April 2-3, 2014

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SUBJECT: System Tuition Reserve Pool

Attached you will find a Tuition Pool Condition Statement. The current balance in the account is $1,946,106. The current goal of the pool is 5% of state-support tuition revenue or $4,231,906.

The reserve pool is not growing commensurate with the tuition and fee revenues generated by the campuses. Today, the institutions get back all of their revenues from the tuition pool. The tuition reserve pool only grows by the amount of interest earnings earned through investment. The current reserve concept was also put into place prior to the large self-support operations we now have in place. The revenue generated by self-support tuition exceeds $59M.

The pool is the Board’s only source of funds to address emergencies or to address priorities other than realigning campus budgets. A reserve pool of 5% is far less than the 10% reserves set aside by SD state government. The 5% goal represents less than 1% of the operating budgets of the universities (general, tuition & fees, and other funds).

In order to grow the pool beyond current interest earnings, we would need to capture some of the tuition revenue before allocating the funds back to the campuses. The proposal at this time is to assess .25% of total tuition (self and state) starting in FY15.

Based on the FY14 tuition and fee projections, the assessment estimates are as follows:

Estimated Reserve Assessment Based on FY14 Revenue Estimates

<table>
<thead>
<tr>
<th></th>
<th>BHSU</th>
<th>DSU</th>
<th>NSU</th>
<th>SDSM&amp;T</th>
<th>SDSU</th>
<th>USD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% State-Support Tuition Revenue</td>
<td>$6,454,388</td>
<td>$3,581,906</td>
<td>$4,855,996</td>
<td>$9,088,012</td>
<td>$33,366,126</td>
<td>$27,291,683</td>
<td>$84,638,111</td>
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<tr>
<td>80% Self-Support Tuition Revenue</td>
<td>$10,332,885</td>
<td>$6,644,695</td>
<td>$4,211,365</td>
<td>$654,422</td>
<td>$14,709,406</td>
<td>$16,348,576</td>
<td>$52,901,349</td>
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<tr>
<td>Total Tuition Revenue</td>
<td>16,787,273</td>
<td>10,226,601</td>
<td>9,067,361</td>
<td>9,742,434</td>
<td>48,075,532</td>
<td>43,640,259</td>
<td>137,539,460</td>
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<tr>
<td>0.25% to Reserve</td>
<td>41,968</td>
<td>25,567</td>
<td>22,668</td>
<td>24,356</td>
<td>120,189</td>
<td>109,101</td>
<td>343,849</td>
</tr>
</tbody>
</table>

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RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

Approve the assessment of .25% on all tuition to support the System Tuition Pool Reserve.
### FY13 Actual

**Beginning Cash Balance:** $3,442,935  
**Revenue:**  
- Actual Interest Earnings (on FY12 money) $760,106  
**Expenditures:**  
- WICHE Dues ($125,000)  
**Loans:**  
- 3-Year Loan to SDSM&T to Cover One-Time Stipend Payment ($125,730)  
- 3-Year Loan to SDSM&T ($2,500,000)  
**Ending Cash Balance and Reserve (1)** $1,452,311

### FY14 Projected

**Beginning Cash Balance:** $1,452,311  
**Revenue:**  
- Actual Interest Earnings (on FY13 money) $430,930  
- 3-Year Loan to SDSM&T to Cover One-Time Stipend Re-Payment $62,865  
**Ending Cash Balance and Reserve (1)** $1,946,106

(1) Board's Reserve Goal of 5% of State-Support Base $4,231,906  
Note: 5% Goal of all Tuition would be $7,198,463.