

SOUTH DAKOTA BOARD OF REGENTS

Full Board

AGENDA ITEM: K - 1

DATE: April 2-3, 2009

SUBJECT: Tuition and Fees Overview

The following information is presented to frame the current policies and recent actions of the Legislature and the Board of Regents as they pertain to tuition and fees. It is important to keep these items in mind as the cost structure for FY10 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 0% salary package for FY10. It is important to note that should the Legislature fund salary policy, 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 federal, tuition, general activity fee, university support fee, salary competitiveness fee, room, board, and all other fees must be raised internally to fund a salary package.
- The cost to provide employer paid health insurance is not expected to raise for FY10. The annual cost of health care for one FTE is \$5,773.
- The Regental system is at an all-time high in enrollment growth. Budget growth has come from tuition and student fees with no new funding from the state. The general fund budget for FY10 was cut by 1.5%.
- 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 Management is 3.7% for the past fiscal year. This rate is used to adjust USF, GAF, and other special discipline fees.

(continued)

RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

Information only.

- 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 5.4% for the past fiscal year.
- There is a need for contemporary housing to provide more student amenities and privacy. Most facilities are forty to sixty years old and some are still in need of significant upgrades or replacement. Students today are demanding more space and private housing options.

Surrounding States

Information from the Board’s Regional Tuition Survey indicates that surrounding states continue to increase costs at higher rates than in South Dakota. The following table compares the total cost of an undergraduate resident student attending school in their own state. The total cost data reflects the cost of an undergraduate resident student taking 32 hours, living in a double residence hall room, and having a full meal plan.

FY10		
	Rank	Total Cost
Minnesota	7	\$13,477
Iowa	6	\$13,194
Nebraska	5	\$12,653
Montana	4	\$11,579
North Dakota	3	\$11,241
<i>South Dakota</i>	2	<i>\$11,093</i>
Wyoming	1	\$10,897

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 education. The following table compares the level of funding provided per capita and per \$1,000 of personal income for FY08.

	Appropriation \$M	Per Capita	Rank	Per \$1000 Personal Income	Rank
Montana	\$204,029	\$210.90	8	\$8.65	4
<i>South Dakota</i>	<i>\$201,521</i>	<i>\$250.59</i>	7	<i>\$8.52</i>	5
Idaho	\$424,692	\$278.70	6	\$7.11	6
Minnesota	\$1,576,292	\$301.95	5	\$6.14	8
Iowa	\$935,161	\$311.46	4	\$9.40	3
Nebraska	\$632,901	\$354.88	3	\$10.08	2
North Dakota	\$253,901	\$395.80	2	\$6.69	7
Wyoming	\$313,646	\$588.82	1	\$11.90	1

Note: Includes Postsecondary Vocational Education Funding

Personal Income from 2nd Quarter of 2008 Bureau of Economic Analysis, US Dept of Commerce

Source: <http://www.grapevine.ilstu.edu/tables/>

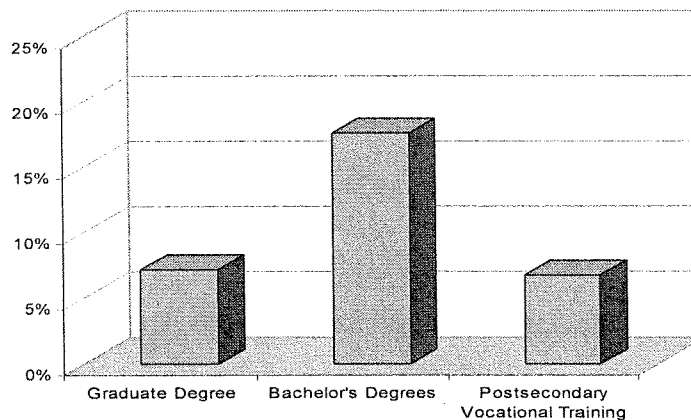
This table makes it clear that other states are supporting higher education to a far greater degree than South Dakota. If South Dakota does not fund higher education at similar levels, the students must pick up a bigger share of the cost.

The Future Is Here

College is an investment in the future. An investment that not only provides an economic return, but an investment that 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 your life.

The following chart, derived from the U.S. Census Bureau, shows that additional college graduates are needed from 2004 to 2014. In essence, the number of students obtaining bachelor's degrees needs to increase by over 22.3% by 2010 in order to fill the need in job growth.

Growth in Job Openings 2004 – 2014

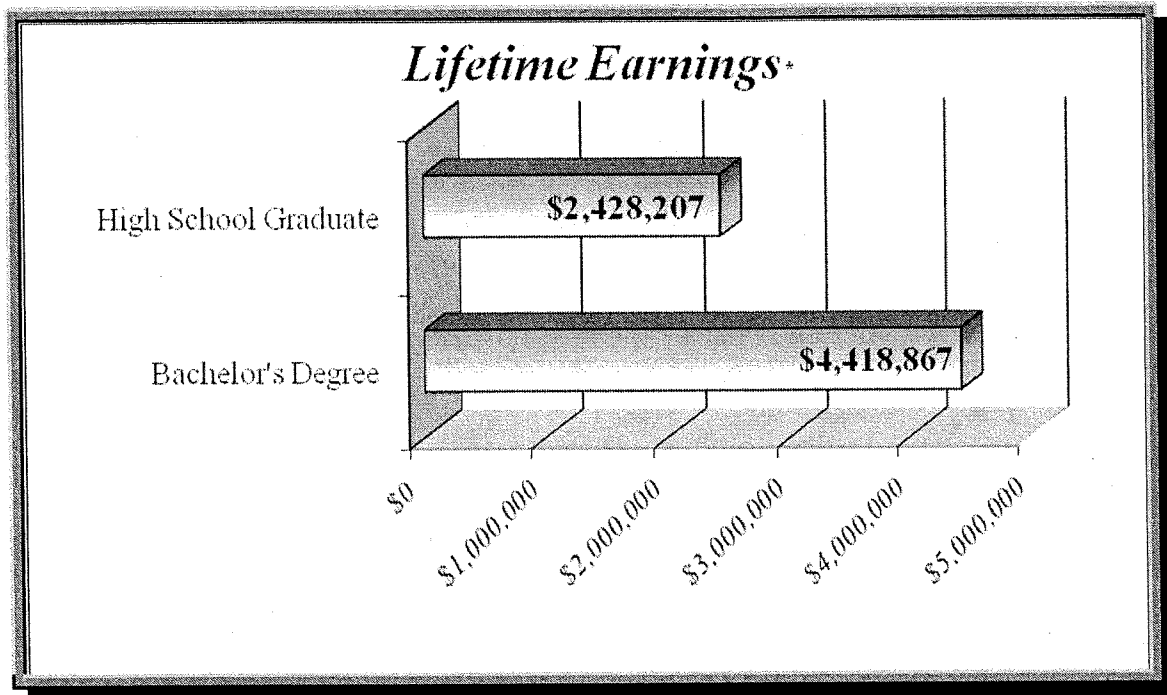


The economic benefit of attaining a higher education degree is often measured as the difference between the incomes of the college and non-college educated. The South Dakota Department of Labor Market Information Center provided the following average annual wage data for 2008, specific to South Dakota:

	<u>Annual Earnings</u>	<u>Lifetime Earnings</u>	<u>Increase Over High School</u>
High School Graduate	\$20,765	\$955,190	
Associate's Degree	\$40,139	\$1,766,116	\$810,926
Bachelor's Degree	\$44,473	\$1,867,866	\$912,676
Bachelor's Degree + Experience	\$78,100	\$3,280,200	\$2,325,010
1 st Professional Degree	\$110,477	\$4,308,603	\$3,353,413

Source: South Dakota Department of Labor, Labor Market Information Center

When considering a bachelor's degree or higher plus experience, the potential lifetime earnings gap will widen rapidly with salaries close to four times greater than that of a high school graduate - \$20,765 compared to \$78,100! Furthermore, if these rates are adjusted 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 \$1,990,660 for an investment of about \$27,000 for tuition and fees. 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

The average earnings potential provides a healthy return on the one-time investment for the cost of attaining a bachelor's degree. If viewed as an investment, the return of a bachelor's degree is worth far more than a million dollars over a career.

Investing in a quality education benefits both individuals and the state. There are numerous other economic and social advantages in both the private and public sectors for college-educated individuals ranging from personal wealth and less reliance on government financial support to improved quality of life for offspring.