- Overview Presentation - FY14 - BOR

Friday, January 25, 2013
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Public Higher Education in South Dakota

South Dakota Board of Regents - 2013

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What is our challenge?

- Delivering a Career-Ready and Job-Ready Workforce
- Strengthening Economic Development through Research

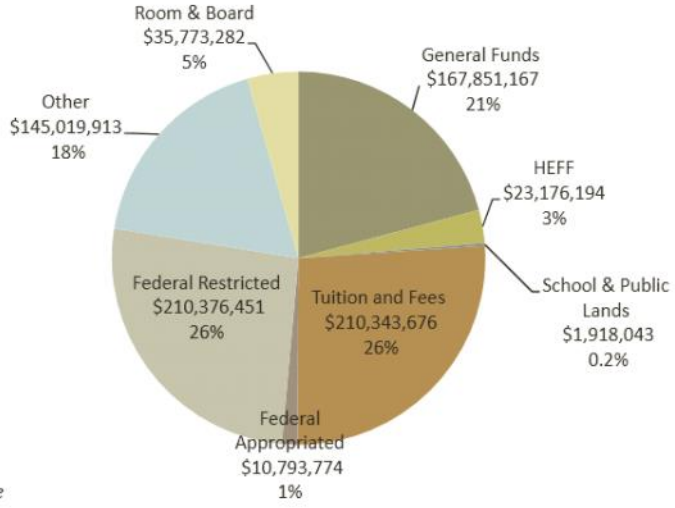
Higher Education and Workforce Development: A Strong Partnership

Our priorities are:

- Enroll and graduate more citizens
- Attract new residents to South Dakota
- Leverage university-based research and development
- Grow graduate programs

38% of Educational Costs and 21% of Total Public Higher Education Budget Supported by State Tax Dollars

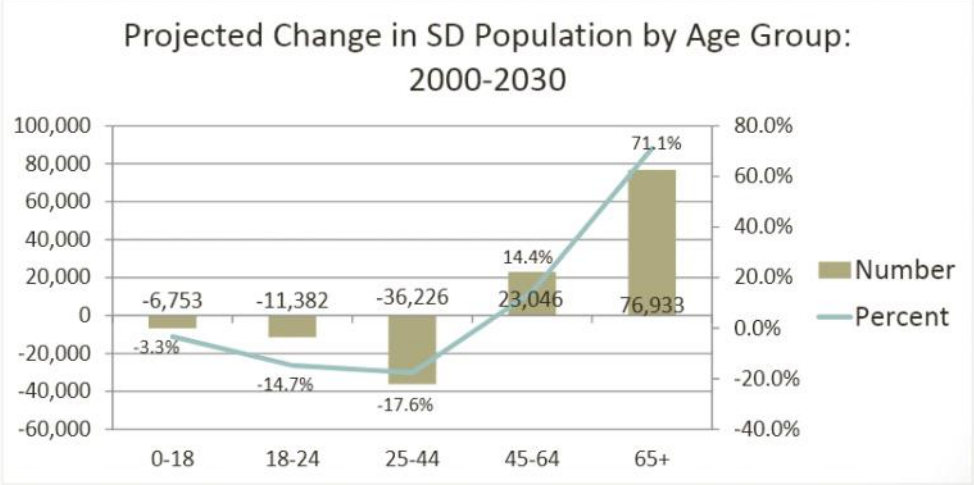
Board of Regents All Funds by Funds Source
Fiscal Year 2013
$805,252,501



Source: BOR system office

Workforce Development

- Unique demographic challenges for South Dakota

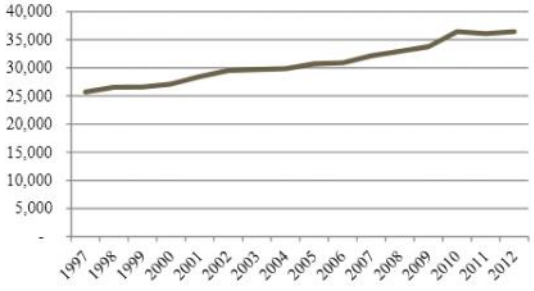


Source: U.S. Census Bureau, State Interim Population Projections, 2005

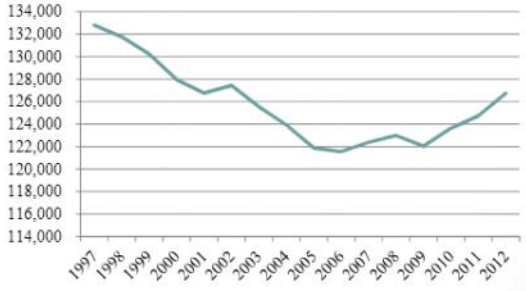
As a State, We are Making Progress to Enroll More Students

- A record number of students are being served by SD public universities, at the same time that K-12 enrollments have declined, then leveled.

Public University Enrollment

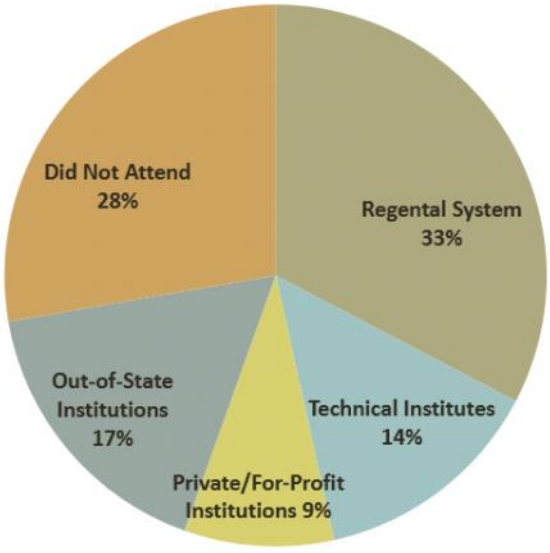


K-12 Enrollment



Sources: BOR Fact Book FY 2013;
South Dakota Department of Education

Postsecondary Placement of High School Graduates in South Dakota



- Regental System
- Technical Institutes
- Private / For-Profit Institutions
- Out-of-State Institutions
- Did Not Attend

Source: U.S. Department of Education, Digest of Education Statistics

System Productivity

- How are we doing?
  - **Steady growth** in student enrollment, completions

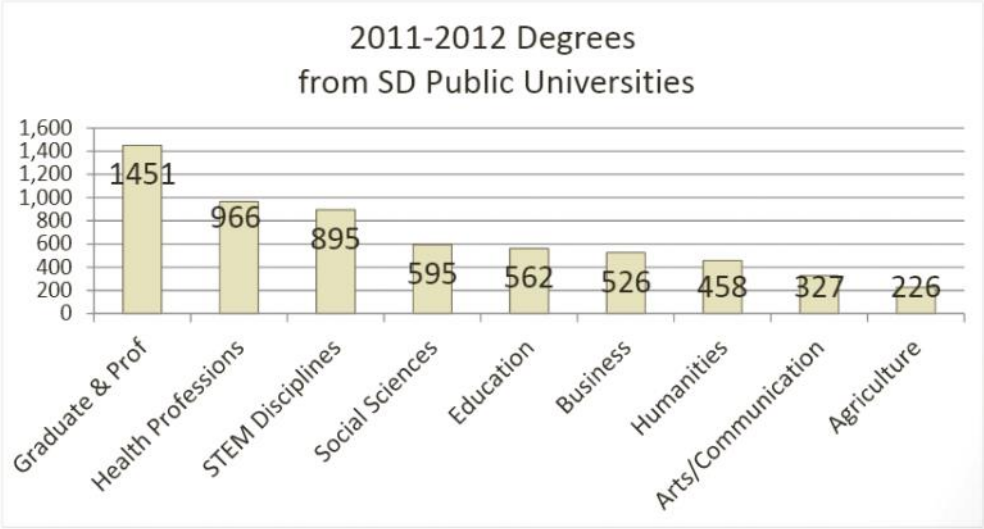
Graduate and Enrollment Growth Since FY05									
	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	% Growth
Fall FTE Enrollment	23,534	24,089	24,144	24,512	24,926	25,468	26,625	26,720	14%
Graduates - Associate	387	398	451	401	423	419	432	413	7%
Graduates - Bachelor	3,235	3,329	3,463	3,604	3,794	3,656	3,824	3,986	23%
Graduates - Total	3,622	3,727	3,914	4,005	4,217	4,075	4,256	4,399	21%

Over this time period, the public university system averaged 111 *new* graduates per year.

Source: Regents' Information Systems

Workforce Development

- Filling the workforce pipeline:



Source: Regents' Information Systems

Default Rates: South Dakota Students Pay Back Their Debts

Average Loan Default Rates for Institutions in the United States

2008-2010 (3-Year Averages)	All Institutions	Private	Proprietary	Public
South Dakota	6.4%	5.2%	12.6%	4.8%
Nation	8.2%	4.5%	13.2%	7.2%
SD State Rank	15	32	31	7

South Dakota Postsecondary Institution Loan Default Rates 2006-2010

Institution Type	2006	2007	2008	2009	2010	5-Year
Private	1.9%	4.0%	3.3%	6.2%	6.1%	4.3%
Proprietary	7.2%	8.0%	9.4%	13.5%	14.9%	10.6%
Technical	4.3%	3.9%	4.2%	6.9%	10.8%	6.0%
Regental	1.8%	2.2%	2.6%	4.0%	5.2%	3.2%
All Types	3.0%	3.8%	4.3%	6.5%	8.5%	5.2%

Source: U.S. Department of Education

Workforce Development

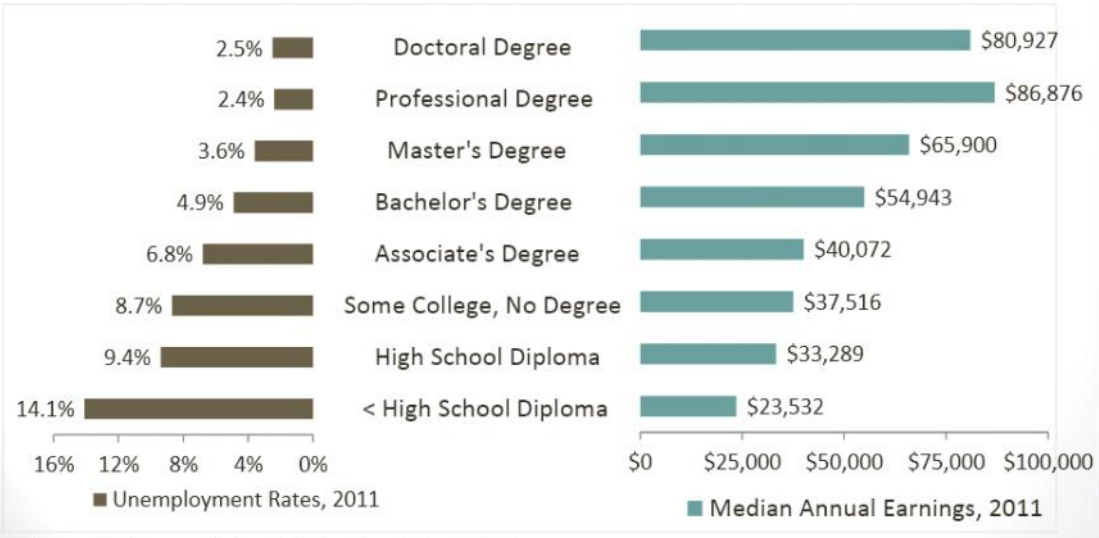
- Attracting and retaining a future workforce
  - 2012 Freshmen Migration Study
    - South Dakota is a **net importer of college freshmen**:
      - 2,288 freshmen imported from other states
      - 1,458 freshmen lost to other states
      - Net gain to South Dakota = +830 students
      - Import-to-export ratio has improved steadily since 2000
        - Gain to SD improved by nearly 46% between 2008 and 2010
  - Placement Study of Public University Graduates
    - 73% of South Dakota resident students **remain in state** after college to work or pursue additional education
    - 32% of out-of-state students also stay in the state following graduation

Sources: BOR Placement Study, 2012; BOR Student Migration Analysis, 2012

Benefits of Higher Education

- Benefits to the **individual**

Unemployment and Earnings by Educational Attainment, 2011 (US)

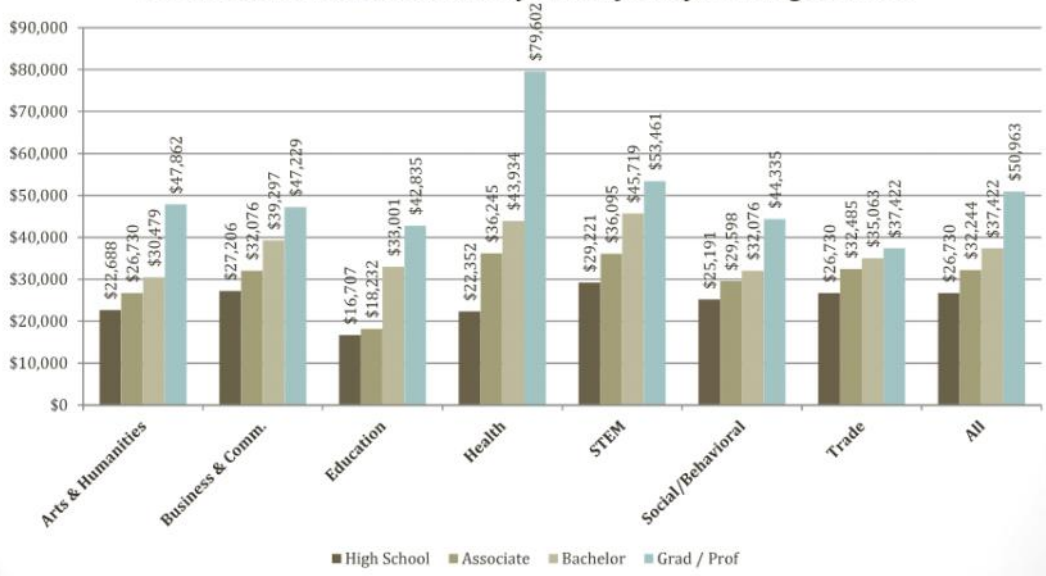


Source: U.S. Bureau of Labor Statistics, Current Population Survey

Wage Premiums:

The financial **value added** of higher education

South Dakota Median Income by Field of Study and Degree Level



Source: U.S. Census Bureau – American Community Survey (2006-2010 5-Yr Est.)

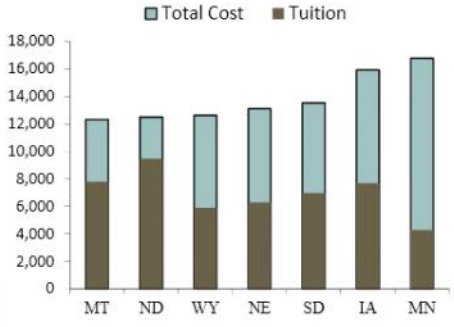
Where is the thin ice?

- Access and Affordability

Access and Affordability

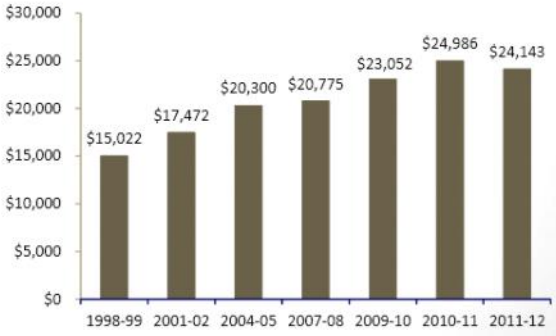
- State investment in postsecondary education
  - Moderates tuition and fees
  - Assists students with scholarship aid
  - Leads to greater access to benefits for students with limited means

Undergraduate Resident—
FY13 Tuition & Fees as a Part of
Total Cost



Source: BOR Fact Books

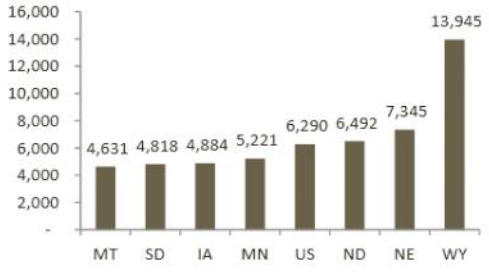
Average Student Loan Debt
South Dakota System
2011 National Average: $26,600



Limited State Support Puts Pressure on Tuition to Fill Funding Gaps

- The connection between state funding and cost to students

Appropriations Per FTE FY11 Public Postsecondary Education

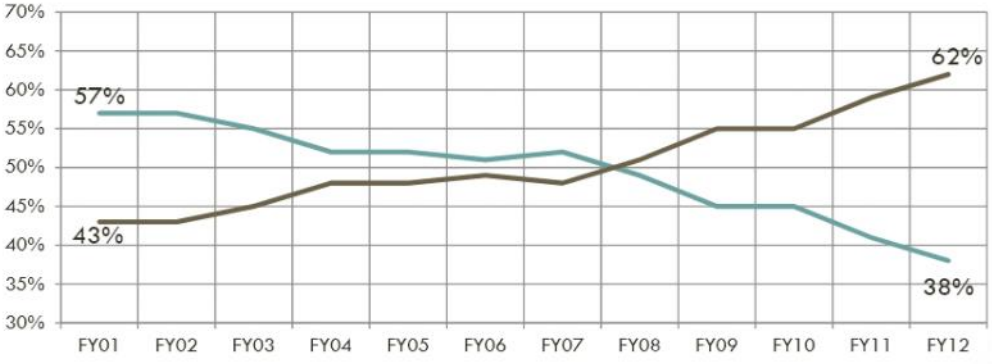


Net Tuition Revenue Per FTE FY11 Public Postsecondary Education

Source: SHEEO State Higher Education Finance (SHEF) Report, 2011
(SHEF data adjusted for enrollment mix and cost of living, so numbers will differ from BOR Fact Book)

Today's Reality

- Declining state support drives up tuition and fees...and limits access for lower-income students

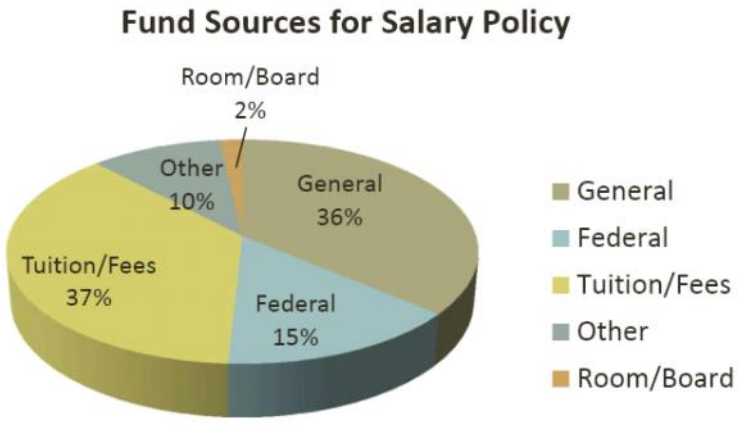


State support of South Dakota public higher education has dropped from 57% to 38% in 11 years.

source: BOR Fact Book FY 2013

Funding Distribution for Higher Education Salaries

- State currently funds only 36.2% of all higher education salaries



Source: BOR system office

Salary Package Drives Up Tuition and Fee Increases to Students

- Tuition and fees must be increased to maintain base operation
  - Salary Increase of 3% and health insurance increase of 24.3% = $1,542 cost increase per benefit eligible employee
  - Purchasing power – inflation of 2.95%

Preliminary Estimates

Salary Policy and Health Insurance	Cost	Tuition & Fee Increase
Tuition	$3,433,164	
Fees	$1,691,312	
Subtotal	$5,124,476	3.6%
2.95% Inflation on OE		
Tuition	$277,226	
Fees	$867,128	
General Funds	$491,697	
Subtotal	$1,636,051	1.4%
Total Cost to Students	**$6,760,527**	**5.0%**

Source: BOR system office

Meeting our Goal to Produce More Graduates: BOR Policy Changes

- Reduced credit hour requirements for most bachelor and associate degrees
  - From 128 to 120 for bachelor degrees
  - From 64 to 60 for associate degrees
  - Student savings to degree of $2,000
- Redesign of remedial coursework
  - Engagement with *Complete College America*
  - Expansion of co-requisite developmental courses
  - Bridge programs offered prior to first semester of attendance

Other BOR Initiatives to Graduate More Students, Increase Affordability

- New degree for 'ready adults'
  - 166 Students currently pursuing major
  - 83 Graduates in FY12
- Beefed-up articulation agreements with technical institutes
  - 260 Transfer Students in Fall 2012
  - Common General Education curriculum
- College-readiness initiatives with DOE
  - Target students during senior year of high school
  - Provide assessment and intervention
  - Potential $867 savings on each remedial course
- UC-Foundations program in Sioux Falls

A Track Record of System Efficiencies

Recent examples:

- Established and implemented process to annually review program productivity
  - Terminated 58 academic programs and 140 specializations within academic majors due to a pattern of low enrollments
- Implemented '7-10 rule' to ensure that lower-enrolled courses have enough critical mass to be offered successfully
- Created an integrated enterprise system and common business practices, with no new state resources
- Centralized IT and student enrollment services through the Regents' Information Systems and Enrollment Services Center, avoiding unnecessary duplication on each campus
- Created 9 new Ph.D. programs to grow research in SD through $5 million internal reallocation of funds

What can the Legislature do?

- Consider a Funding Formula for Public Universities

BOR History: Formula Budget Requests

- 1970s to late1990s: **enrollment-driven formula**
  - Enrollment measured by state-support credit hours
  - Formula estimated resources needed to teach these credit hours
    - e.g., level of instruction, discipline, class size, faculty workload
  - The formula generated budget requests for *instructional* resources only
    - BOR submitted a separate budget request to cover non-instructional needs
  - Policymaker concerns with formula:
    - Too complex
    - Difficult to explain to constituents
    - Failed to reward efforts to address state priorities

BOR History: Targeted Budget Requests

- Late 1990s to present: **Base budget appropriations with targeted requests**
  - BOR consulted with policymakers to frame the new approach:
    - State would maintain the value of the FY98 base instructional budget
    - BOR would provide for a small performance funding allocation
    - Each year, BOR would request resources targeted to specific policy goals
      - Examples:
        - Technology Fellows program
        - New PhD, DSc programs
        - Program expansions (e.g., nursing, MDs, PAs)

BOR History: Funding Method Outcomes

- All growth in enrollments since FY98 have been covered by tuition
- There is no state tax support for distance education
- Salaries would lag region by 36.3% if not for student tuition increases used to fund salary competitiveness program
- Virtually all facility costs are paid for with student dollars
- SD lags national average appropriations per student by $1,640 per FTE
  - Tuition is higher than national average by $1,603
- State currently funds only 36.2% of all higher education salaries

LRC Summer Study: Recommended Legislation

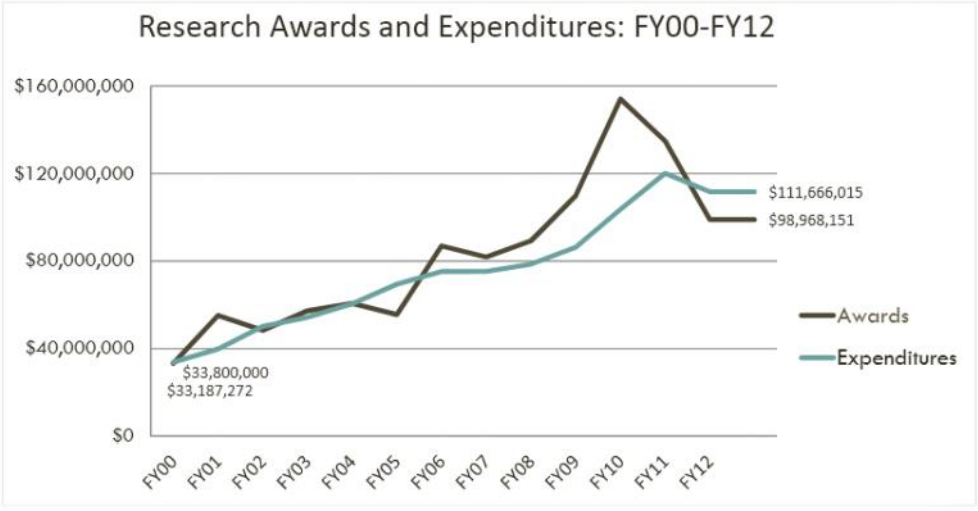
- Senate Bill 5 creates a Council on Higher Education Policy Goals, Performance, and Accountability

- Calls for a funding model that includes, subject to state revenue availability:
  - Performance
    - Growth in graduates
    - Growth in research
  - Enrollment Growth
    - Total credits
    - Earned credits
  - Inflation

The Research Agenda

- Improving South Dakota's Economy Through Research

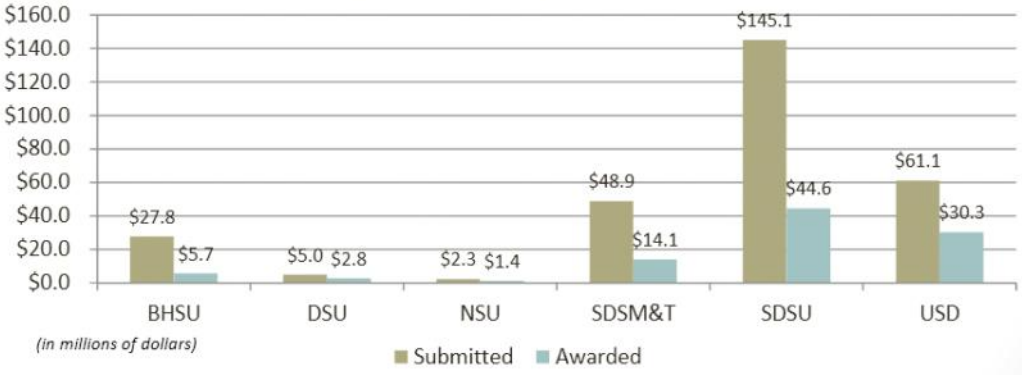
Research is Economic Development



Source: BOR system office

Research Creates Jobs in SD

- **Research-related job creation***
  - Faculty research efforts (FTE) – 720
  - M.S. research assistants – 269
  - Ph.D. research assistants – 219
- **Institutional-level grant activity**



*National Science Foundation

Source: BOR system office

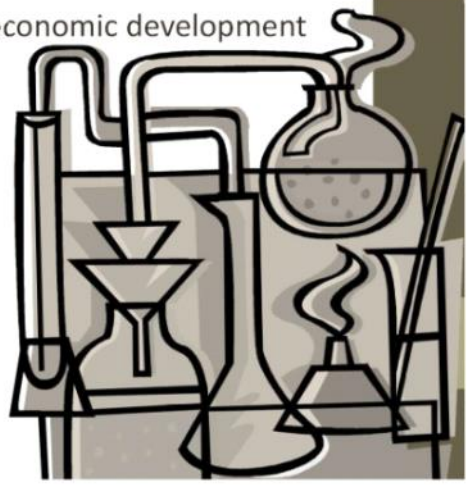
Commercializing Research Efforts

- **Research Innovations – FY07-FY11**
  - Invention disclosures – 200
  - Patent and IP protection signed – 78
  - Patents/licenses issued – 44
- **R&D Leading to Economic Development in South Dakota**
  - Nano-Cold Spray Applications – SDSM&T
  - Aquaculture Feedstock – SDSU
  - Germanium Crystal Growth – USD
  - Enhanced Ballistic Panels – SDSM&T
  - Drop-in BioFuels for U.S. Green Fleet Initiative – SDSU
  - Photo-Active Nanoscale Systems – USD and SDSM&T

Source: BOR system office

Return on State Investments

- South Dakota Experimental Program to Stimulate Competitive Research (EPSCoR) programs
  - $600,000 state match
  - SD receives EPSCoR funding from 4-5 federal agencies
  - Historical **25:1 return on state investment**
  - **Renewed in FY15** – Stronger emphasis on economic development and state-level industry partnerships
- Governor Research Centers
  - Eleven centers established since 2004
  - $25 million state investment to date
  - **$179 million return on state investment**
  - $335 million total economic impact
  - New centers emphasize workforce development



Source: BOR system office; Governor's Office of Economic Development

Research Considerations

- Sanford Underground Research Facility at Homestake
  - New Ph.D. degree in physics recommended by Gov. Daugaard - **$1,878,466 requested**
  - South Dakota one of only two states without a doctoral-level academic program in physics
- Agricultural Experiment Station
  - Focused research in three areas: animal health and nutrition, biofuels, and grasslands profitability - **$998,592 requested**
- More researchers needed to conduct more research
  - Campuses lack 'bench strength' in research ranks, maxing out on ability to initiate additional research projects
- Emphasis on technology transfer and intellectual property development

Overview of FY14 Budget Request

FY14: Salaries Top Budget Concern

- Top priority: salary policy for all state employees
  - Regents support Gov. Daugaard's plan:
    - 3% salary policy
    - 3.5% movement to mid-point
  - Public universities must compete in national market for their talent.
- $1,878,466 for new Ph.D. degree in physics
  - Creates degree program at USD and SDSM&T
  - Doctoral students will be full participants in Sanford Underground research
- $1,729,824 for an additional HEFF M&R match
  - Match will be implemented over 4-year period
  - Helps bring HEFF M&R up to 2% of academic buildings' replacement value
- $998,592 for additional research at Agricultural Experiment Station
  - Focused research
    - Animal health and nutrition
    - Biofuels
    - Profitability and sustainability of grasslands
- $455,440 to pay physician assistant preceptors
  - Expands access to clinical education opportunities

Governor's Recommended One-Time Investments

- This year, Gov. Daugaard recommends one-time funds for the public university system:
  - *$600,000* – Public universities and technical schools may apply to the Department of Veterans Affairs for dollars to support campus-based veterans' services programs on a one-time basis
  - *$500,000* – Public universities may apply to the Governor's Office of Economic Development for funds to support 'proof of concept' projects

BOR Requests for One-Time Funds: Health Insurance Shortfall & Research

- $3,483,403 in general funds to cover increased employee health insurance costs in the current fiscal year (FY13)
  - Timing of this increase comes mid year after tuition/fees are already set for current academic year
  - Students should not be expected to shoulder higher costs associated with unexpected employee health insurance charges
- $4 million in general funds for competitive research grants

FY13: One-Time Investments

- Last year, the Legislature appropriated $5.9 million in one-time funds for the Board of Regents
  - Strategic investments directed to workforce development, research initiatives, and ensuring student success
    - *$3 million* – Matched universities' contribution to a Performance Fund pool; awarded universities for performance exceeding system-wide goals
    - $2 million – Competitive projects to grow research, i.e. specialized lab equipment, start-up packages to attract new research talent
    - $805,932 – Student success projects to improve advising, degree completion, and to lower remediation
    - $116,226 – Advanced Placement course delivery at NSU's Center for Statewide E-Learning

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