



DRAFT

To: Board of Technical Education
From: Nick Wendell, Executive Director, Board of Technical Education
Re: FY24 Budget Request Recommendations
Date: 8/4/22

This memo is intended to outline recommended priorities for the technical college system FY24 budget request. These recommendations were developed by the Board of Technical Education (BOTE) staff, vetted through the college presidents, and discussed among the board at the summer planning retreat. The final recommended priorities will be considered for approval by the BOTE at the board meeting on Thursday, August 4, 2022.

Recommended FY24 Budget Request Priorities

1. Per Student Allocation (PSA)

The PSA is appropriated based on the Full-time Equivalent (FTE) number from the previous academic year. In this case, I recommend we use a flat FTE number from 2021-2022 to project for the current academic year (2021-2022). That number is **5,839**. Based on current circumstances, an inflationary rate increase of 7% has been applied. The PSA for FY23 is \$3,997.16. A 7% increase would bring the FY24 PSA to **\$4,276.96** (an increase of \$279.80/FTE).

With a flat FTE of 5,839, our requested increase would be **\$1,633,752.20**.

2. Maintenance and Repair (M&R)

FY23 was year five of an intended six-year plan to reach a one percent to one percent, state to system match for Maintenance and Repair (M&R) funding. The FY23 appropriation (\$1,552,307) was based on a revised overall goal of 1.75% of total replacement value. I recommend we request continued support aimed at maintaining the initial 2% of total replacement value goal. Continued implementation of the original plan would bring the FY24 appropriation to approximately **\$2,271.920** (this number may be adjusted when FY24 replacement valuations are completed).

The approximate increase in M&R support from the state will be **\$719,613** in FY24.

3. Tuition Assistance

Since FY17, the tuition assistance total has been **\$10/credit hour**, totaling approximately **\$1,831,820** in FY23. I recommend maintaining the current level in the FY24 request.

4. Bonding Support

Currently, the state contributes **27%** of the system's annual debt service. According to the South Dakota Healthcare and Educational Facilities Authority (SDHEFA), that total will be **\$1,821,309** in FY24, which is a **\$89,863** increase from the level of state support the system was forecasted to receive in FY23.

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5. Equipment

In FY21, the system received \$1,500,000 in one-time funding for equipment and in FY22, the system received \$3,366,196. Both appropriations were based on a matching agreement with the state providing 67% of total equipment costs and the system matching with 33% of total need.

Given that the system is not currently planning to request one-time funding support for any large-scale facility projects, I recommend our FY24 equipment request include 100% of our total priority one equipment needs, which is **\$15,311,191**.

6. Instructor Salary Support

Since FY17 (and the passage of HB 1182), the system has received Instructor Salary Support. In FY23, the system received a 6% increase which brought the total to \$3,438,528 (an increase of \$194,634). I recommend the FY24 request include a 7% increase to Instructor Salary Support, bringing the appropriation to **\$3,679,225**.

A 7% increase to Instructor Salary Support would increase our FY24 appropriation by **\$240,696**.

7. All Faculty and Staff Salary Enhancement/Tuition Freeze

In FY23, the system received \$2,675,000 to support a 6% salary increase for all faculty and staff (not including adjuncts), in exchange for an agreement to freeze state and local tuition and fees. I recommend the system request an additional 7% increase in exchange for another tuition and fee freeze in academic year 2023-2024. Such an increase would bring the FY24 request total up to **\$6,623,592**.

A 7% increase to Salary Enhancement would increase our FY24 appropriation by **\$3,948,592**.

Summary of Requested Increases to Ongoing Support

Description	FY23 (Actual)	FY24 (Request)	Difference
PSA	\$23,339,417	\$24,973,169	\$1,633,752
M&R	\$1,552,307	\$2,271,920	\$719,613
Tuition Assistance	\$1,831,820	\$1,831,820	-
Bonding Support	\$1,731,446	\$1,821,309	\$89,863
Equipment	-	\$15,311,191	\$15,311,191
Instructor Salary Support	\$3,438,528	\$3,679,225	\$240,696
Salary Enhancement	\$2,675,000	\$6,623,592	\$3,948,592
Total	\$34,568,518	\$56,512,226	\$21,943,708

The summary above includes a **7% increase** applied to the Per Student Allocation (PSA), Instructor Salary Support, and the Salary Enhancement line item. If the system is able to secure a 7% increase in these areas, equipment funding without a matching expectation, and other requested increases, I would recommend a freezing of state and local tuition and fees for academic year 2023-2024.