



To: Board of Technical Education
From: Nick Wendell, Executive Director, Board of Technical Education
Re: FY26 Budget Request Recommendations
Date: 7/25/24

This memo is intended to outline recommended priorities for the FY26 budget request. These recommendations were developed by the Board of Technical Education (BOTE) staff and the college presidents. The final recommended priorities will be shared with the Bureau of Finance and Management (BFM) and the Office of the Governor as they work to build the recommended FY26 budget.

Recommended FY26 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 the estimated FTE number from academic year 2023-2024 to project for the current fiscal year (2024-2025). That number is **5,855**.

I recommend an FY26 PSA request totaling **\$7,956.80**, up from \$6,232.68 in FY25 (an increase of \$1,724.12/FTE). The FY26 request includes the inflationary rate increase and ongoing support for equipment. The two components of the requested increase are outlined below.

a. Inflationary Rate Increase

Based on current circumstances, I recommend an inflationary rate increase of **3%**. The PSA for FY25 is \$6,232.68. A 3% increase would bring the FY26 PSA up to **\$6,419.66** (an increase of \$186.98/FTE). This increase will cover growing costs associated with many of the basic operations of an institution (i.e. utilities, safety and security, technology, and communication).

b. Equipment

Equipment is an essential component of delivering high-quality technical education and each of our budget requests since FY18 has included ongoing equipment support. To build a more sustainable model for equipment funding, I recommend requesting **\$9,000,000** in ongoing equipment funding. I recommend these dollars be distributed using the funding formula, which would bring the FY26 PSA up to **\$7,956.80** (an increase of \$1,537.14/FTE). Institutions have submitted equipment planning forecasts for FY26. The forecasts were used to determine the need and to identify priorities.

The approximate increase in PSA support from the state would be **\$10,094,722.60** in FY26.

2. Maintenance and Repair (M&R)

Starting in FY18, the state and the system launched a multi-year plan to reach a 1% to 1% (state to System) match for annual Maintenance and Repair (M&R) funding. The FY25 appropriation (\$1,801,861) was based on a revised overall goal of 1.75% of total replacement value, with several other deviations between FY18 and FY25. I recommend we request continued support aimed at maintaining the initial 2% of total replacement value goal and a full 1% to 1% match. Continued implementation of the original plan would bring the FY26 appropriation to approximately **\$3,380,539** (this number may be adjusted when FY26 replacement valuations are completed).

The approximate increase in M&R support from the state would be **\$1,578,678** in FY26.

3. Tuition Assistance // Salary Policy

After implementing a tuition and fee freeze for three consecutive academic years (2022-2023, 2023-2024, 2024-2025), the system will likely need to consider an increase to the state tuition rate in academic year 2025-2026 (FY26). Much of that need will be driven by salary policy, which typically matches the inflationary rate. Based on estimates provided by the institutions, the system would need approximately **\$1,076,878** in additional tuition and fee revenue to accommodate a 3% salary policy.

The system is forecasted to generate approximately 175,650 credits in FY26, which translates to an estimated \$6.00/credit needed to cover a 3% increase in salary policy. I recommend a \$3.00/credit increase in our FY26 tuition assistance request, with the expectation that the system will increase the state tuition rate by an additional \$3.00/credit in 2025-2026 (FY26) to meet salary needs. This approach will allow us to meet salary policy expectations without overburdening either the state or students.

Since FY17, the system has received approximately \$10/credit in tuition assistance. I recommend increasing the FY26 request to **\$13/credit**, which will generate **\$2,283,450**.

The approximate increase in tuition assistance from the state would be **\$526,950** in FY26.

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 **\$2,019,907** in FY26, which is a **\$135,907** increase from the FY25 state contribution.

Summary of Requested Increases to Ongoing Support

Description	FY26 (Request)	FY25 (Actual)	Difference
PSA	\$46,587,064	\$36,492,341	\$10,094,723
M&R	\$3,380,539	\$1,801,861	\$1,578,678
Tuition Assistance	\$2,283,450	\$1,756,500	\$526,950
Bonding Support	\$2,019,907	\$1,884,000	\$135,907
Equipment*	-	\$4,800,000	-\$4,800,000
Total	\$54,270,960	\$46,734,702	\$7,536,258

*Equipment support was received as one-time funding in FY25. The FY26 PSA total includes \$9,000,000 in ongoing equipment support.