



South Dakota Board of Technical Education

To: Board of Technical Education

From: Nick Wendell, Executive Director, Board of Technical Education

Re: FY23 Budget Request Recommendations

Date: 7/15/21

This memo is intended to outline recommended priorities for the technical college system FY23 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 Monday, July 19, 2021.

Recommended FY23 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 2020-2021 to project for the current academic year (2021-2022). That number is **5,839**. Based on initial guidance from the Bureau of Finance and Management (BFM) an inflationary rate increase of 3% has been applied. The PSA for FY22 is \$3,770.91. A 3% increase would bring the FY23 PSA to **\$3,884.03** (an increase of \$113.12/FTE).

With a flat FTE of 5,839, our requested increase would be **\$660,507.68**.

2. Maintenance and Repair (M&R)

FY22 was year four 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 FY22 appropriation was \$1,219,611. Continued implementation of the plan would bring the FY23 appropriation to approximately **\$1,544,973** (this number will be adjusted when FY22 replacement valuations are completed).

The approximate increase in M&R support from the state will be **\$325,362** in FY23.

3. Tuition Assistance

Since FY17, the tuition assistance total has been **\$10/credit hour**, totaling approximately **\$1,831,820** in FY22. I would recommend maintaining the current level in the FY23 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 **\$1,842,947** in FY23, which is a \$468,949 decrease from the level of state support the system was forecasted to receive in FY22.

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5. **Equipment**

In FY22, the system received \$3,366,196 in one-time funding to support equipment needs throughout the system. The state appropriation was matched by more than \$1,683,000 in local commitments from the four institutions. The system has a demonstrated need of **\$9,755,398** in FY23. I recommend a request of funding to support 67% of need, with the institutions matching the remaining amount of the total need. The FY23 request totals **\$6,536,116.83** (67% of \$9,755,398).

6. **Instructor Salary Support**

Since FY17 (and the passage of HB 1182), the system has received Instructor Salary Support. In FY22, the system received a 2.4% increase which brought the total to **\$3,243,894** (an increase of **\$76,029**).

In FY23, the system will implement a new distribution method and intends to adjust fair market ranges for instructor positions throughout the four campuses. I recommend requesting **\$5,641,210.82** in Instructor Salary Support in FY23. This total represents a three percent inflationary rate increase (\$97,316.82) and the necessary adjustment to fair market ranges (\$2,300,000).

Summary of Requested Increases to Ongoing Support

Description	FY22 (Actual)	FY23 (Request)	Difference
PSA	\$22,018,343.50	\$22,678,851.20	\$660,507.67
M&R	\$1,219,611.00	\$1,544,973.00	\$325,362.00
Tuition Assistance	\$1,831,820.00	\$1,831,820.00	\$0.00
Bonding Support	\$2,311,896.00	\$1,842,947.00	(\$468,949.00)
Equipment	\$3,366,196.00	\$6,536,116.83	\$3,169,920.83
Instructor Salary Support	\$3,243,894.00	\$5,641,210.82	\$2,397,316.82
Total	\$33,991,760.50	\$40,075,918.80	\$6,084,158.35

One-Time Funding Priorities

The Board of Technical Education also intends to request approximately \$16,500,000 in one-time funding support for three facility projects in the system. The estimated requests for each project are provided below.

- **Lake Area Technical College** intends to construct the Archway Complex, which will include 50,000 square feet of classroom and technical lab space. LATC will request **\$7,000,000** in one-time state funding to be matched by local, private, and industry support.
- **Mitchell Technical College** requests support for an agriculture center, which will include between 40,000 and 55,000 square feet of technical lab and shop space. MTC will request **\$5,000,000** in one-time funding from the state and match it with \$5,000,000 in local, private, and industry support.
- **Southeast Technical College** intends to renovate more than 45,000 square feet of existing space and through private industry support and sponsorship and create a healthcare simulation center. STC will request **\$4,500,000** in one-time state funding for healthcare simulation equipment and technology.