



South Dakota Board of Technical Education

To: Board of Technical Education

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

Re: FY22 Budget Request—Major Items Priority Recommendations

Date: 8/18/20

DRAFT

This memo is intended to outline recommended priorities for the technical college system FY22 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 Tuesday, August 18, 2020.

Recommended FY22 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 2019-2020 to project for the current academic year (2020-2021). That number is **5,810**. Based on initial guidance from the Bureau of Finance and Management (BFM) an inflationary rate increase of 1.5% has been applied. The PSA for FY21 is \$3,682.53. A 1.5% increase would bring the FY22 PSA to **\$3,737.76** (an increase of \$55.23/FTE).

With a flat FTE of 5,810, our requested increase would be **\$320,886.30**.

2. Maintenance and Repair (M&R)

FY21 was intended to be year three of a six-year plan to reach a one percent to one percent match in state to local M&R contributions. The FY21 M&R appropriation was level with FY20 and remained at **\$505,103**. To re-align with the original six-year time frame, I recommend the system request a two step increase in FY22 which would bring our total to **\$938,420** (an increase of **\$433,317**). A portion of new M&R funding could be supported through one-time, rather than ongoing, funding.

The Office of Risk Management is in the midst of completing update valuations for FY20, which will adjust our totals slightly.

3. Tuition Assistance

Since FY15, the state has provided tuition assistance to enhance student affordability. As of FY17, the tuition assistance total has been **\$10/credit hour**, totaling **\$1,743,000** in FY21. Because student affordability is a key objective, I would recommend we request an increase in tuition assistance per credit hour. Increasing the total to **\$15/credit hour** would bring our total request to **\$2,614,500** in FY22 (5,810 x 30 x \$15), an increase of **\$871,500**.

4. Bonding Support

Currently, the state contributes **27%** of the system's annual overall debt service. According to the South Dakota Healthcare and Educational Facilities Authority (SDHEFA), that total will be **\$2,311,896** in FY22, which is a \$2,586 decrease from FY21.

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5. **Equipment**

In FY21, the system received **\$1,500,000** in one-time funding to support equipment needs throughout the system. The state appropriation was matched by **\$741,996** in local commitments from the four institutions. The system has a demonstrated need of \$5,000,000 in FY22. I recommend a request of one-time funding to support 75% of need, with the institutions meeting 25% of the total need.

The FY22 request totals **\$3,750,000** (75% of \$5,000,000).

6. **Instructor Salary Support**

Since FY17 (and the passage of HB 1182), the system has received Instructor Salary Support (ISS). In FY21, the system received a two percent increase which brought the total to **\$3,167,865** (an increase of **\$62,115**).

While the system is considering a revision to the existing distribution method, any such revision would not be implemented until FY23. In FY22, one-time funding could be applied to address the inequity between Southeast Technical College and the other three institutions.

I recommend the FY22 request only include a 1.5% increase, totaling **\$47,517.97**, to align with the level of the requested PSA increase. This request would bring the total ISS amount to **\$3,215,382.97**.

Summary of Requested Increases

Description	FY21 (Actual)	FY22 (Request)	Difference
PSA	\$21,395,499.30	\$21,716,385.60	\$320,886.30
M&R	\$505,103.00	\$938,420.00	\$433,317.00
Tuition Assistance	\$1,743,000.00	\$2,614,500.00	\$871,500.00
Bonding Support	\$2,314,482.00	\$2,311,896.00	(\$2,586.00)
Equipment	\$0.00	\$3,750,000.00	\$3,750,000.00
Instructor Salary Support	\$3,167,865.00	\$3,215,382.97	\$47,517.97
Total	\$29,125,949.30	\$34,546,584.57	\$5,420,635.27

One-Time Funding Opportunities

While ongoing funding provides more certainty for the system, certain budget priorities could be addressed through one-time funding in FY22. Those opportunities are outlined below.

- **Maintenance & Repair (Year Four)** In FY21, the system received level M&R funding. Ongoing monies could be used to support year three funding (an increase of \$325,362), which would bring the total appropriation to \$830,465. Year four funding could be supported through an additional \$107,955 in one-time monies in FY22.
- **Tuition Assistance Increase** The system has received \$10/credit hour in tuition assistance since FY17. This appropriation helps control the level of state tuition and fees and provides direct benefit to students. Approximately \$871,500 in one-time monies could be used to support moving tuition assistance to \$15/credit hour in FY22 (academic year 2021-2022).
- **Bonding Support** The use of one-time funding to buy-down existing debt, would alleviate pressure on the system's debt service capacity in coming years and minimize the needs to adjust the facility fee assessed to students.

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One-Time Funding Opportunities (continued from page two)

- **Equipment** Each technical college has ongoing equipment needs and priorities could be met using either ongoing or one-time funding.
- **Instructor Salary Support** The system is recommending a shift in the ISS distribution process beginning in FY23. This timeline will give the technical colleges an opportunity to prepare for the adjustment, but does leave STC with an inequitable appropriation in FY22. Equity could be achieved by applying approximately \$800,000 in one-time funding to support instructor salaries at STC.