



South Dakota Board of  
**Technical Education**

**To:** South Dakota Board of Technical Education  
**From:** Nick Wendell, Executive Director, Board of Technical Education  
**RE:** Proposed FY21 Budget Request  
**Date:** 7/29/19

According to SDCL 13-39A-13, the Board shall review and approve recommendations for annual state funding requests for the postsecondary technical institutes and make recommendations to the Governor and the Legislature.

The proposed FY21 budget request, outlined in the following memo, was developed by the Board of Technical Education staff in collaboration with the technical institute presidents. The request aligns with local and state-level initiatives. The priorities reflect the system's goal of increasing overall enrollment and growing the number of skilled professionals entering South Dakota's workforce.

Budget priorities for FY21 include:

1. **Per Student Allocation (PSA) Increase**

In FY20, the Per Student Allocation (PSA) amount was set at \$3,610.32 (a 2.5% increase over FY19). A base funding increase of 2.0% (inflationary factor) would bring the FY21 PSA total to \$3,682.53. Additional PSA dollars would be allocated to support multiple initiatives, including:

- a. **Affordability**—any increase in the PSA minimizes the necessity of increasing tuition and fee levels, thus limiting overall costs to students.
- b. **Professional Staff Salary Support**—HB 1182 allocated tax revenues to support enhanced instructor salaries at the technical institutes. Those revenues could not be expended to increase professional staff (admissions/recruitment, student success, leadership) salaries, which has caused inequity within the system or transferred the burden to students through increased local fees.
- c. **Federal Funding Replacement**—in FY16, 11% of the system's revenues came from federal funding. In FY19, that number had fallen to 2.7%.

2. **Equipment**

In previous years, the system has received support for new equipment purchases through both the appropriation of state general funds and one-time funding through the Governor's Office of Economic Development. The FY21 budget request reflects equipment needs at each of the four campuses, to support new and expanding programs and to provide updated technology.

The system has forecasted a \$4,500,000 need for new equipment in FY21. The FY21 request is for \$3,015,000 (67% of total need), with the commitment that the institutions will support \$1,485,000 (33% of total need) through local and federal sources.

3. **Tuition Assistance (per credit hour)**

Students in the system currently receive a \$10/credit hour tuition buy-down. This effort is funded through an annual state appropriation. The approved tuition rate for the 2019-2020 academic year is \$121/credit hour (without the current \$10/credit hour tuition assistance program that rate would be \$131/credit hour). The FY21 request includes a 2.0% (inflationary factor) increase from FY20, totaling \$1,868,456.

The system's goal is to maintain a level of affordability for students, while still providing high-quality technical education opportunities. The state supported tuition assistance program provides a direct-to-student benefit. The \$10/credit hour rate has been in place since FY17.

**4. Instructor Salary Support Increase**

The technical institute system received \$3,105,750 in instructor salary support dollars in FY20. The system’s appropriation has increased from the initial amount of \$3,000,000 in FY17. While the calculation of need requires a re-evaluation, the FY21 request includes a 2.0% increase (inflationary factor) totaling \$62,115. The requested increase would bring the total appropriation of instructor salary support dollars to \$3,167,865.

**5. Maintenance and Repair (M&R) Continued Contribution**

In FY19, the system, in partnership with the Bureau of Finance and Management, developed a six-year plan to grow the maintenance and repair funds at the technical institutes. The plan is designed to assist the system in reaching an M&R fund balance equal to 2% replacement value for all state-owned facilities on each campus. By FY24, the state’s contribution should be equal to 1% and the system’s contribution will match. In FY20, the system received \$505,103 (year two). To maintain the intended trajectory of the plan, the FY21 request is for an additional \$422,142. The total requested appropriation in FY21 is \$927,245.

**6. Potential Veterans Legislation**

The system anticipates legislation in 2020 to support free tuition for veterans at the state’s public, post-secondary institutions. A similar bill was proposed in 2019 and did not include a state appropriation to support the effort. The system would be unable to absorb an unfunded mandate of this nature. The FY21 request includes a line item that recognizes the need for state funding to support free tuition for veterans at the technical institutes.

The request amount is an estimate. The system would revert unused funds at the end of the fiscal year and, if need surpasses the appropriation, would request an amendment in FY22.

**Chart 1 FY21 Budget Request**

The chart below outlines the proposed budget request, assuming a 2.0% inflationary increase to the Per Student Allocation.

	<b>FY20 Appropriation</b>	<b>Proposed Increase/(Decrease)</b>	<b>FY21 Request</b>	<b>FTE</b>
Per Student Allocation	\$21,416,418	\$513,048	\$21,929,466	5,955
Equipment	-	\$3,015,000	\$3,015,000	
Tuition Assistance	\$1,831,820	\$36,636	\$1,868,456	
Instructor Salary Support	\$3,105,750	\$62,115	\$3,167,865	
M&R (Year 3)	\$505,103	\$422,142	\$927,245	
National Guard Tuition Assistance*	\$214,190	\$4,284	\$218,474	
Veterans Legislation	-	\$100,000	\$100,000	
Bonding Support**	\$2,317,668	(\$3,186)	\$2,314,482	
<b>Total</b>	<b>\$29,390,949</b>	<b>\$4,150,039</b>	<b>\$33,540,988</b>	

*FY20 allocation is based on an estimated FTE of 5,839.*

\*The proposed FY21 request for National Guard Tuition Assistance maintains the FY20 appropriation and includes a 2.0% increase (inflationary factor) totaling \$218,474.

\*\*The proposed FY21 request includes maintaining the state’s contribution to the system’s debt service at 27%. Assuming the 27% contribution, the state appropriation in that area is projected to decrease by \$3,186 in FY21.