

To: South Dakota Board of Technical Education

From: Nick Wendell, Executive Director *Nick Wendell*

Re: Impact of COVID-19 on Tuition-Setting Process

Date: 3/31/20

It is likely that the COVID-19 pandemic will have a negative impact on revenue throughout the state of South Dakota. This impact will potentially require the legislature to revisit the FY21 budget, including a variety of state appropriations made to the technical college system. As of now, the legislature intends to address the FY21 budget during a special session in June.

The FY21 appropriations which could be adjusted, include:

Two-Percent Increase to the Per Student Allocation (PSA)

- The PSA would move from \$3,610.32 (FY20) up to \$3,682.53 (FY21).
- If the PSA was adjusted to the FY20 level, the system would receive approximately \$425,000 less than anticipated in FY21.
- The PSA is typically aligned with increases given to state employees and K12 school districts.

Two-Percent Increase in Instructor Salary Support (ISS)

- The ISS would move from \$3,105,750 (FY20) up to \$3,167,865 (FY21).
- If the ISS was adjusted to the FY20 level, the system would receive approximately \$62,115 less than anticipated in FY21.
- The ISS is typically aligned with HB1182 funding distributed to K12 school districts.

Equipment Funding

- The FY21 budget included \$1,500,000 in equipment funding for the technical college system.
- These dollars were appropriated using one-time monies, rather than through the general fund.
- This funding represents 67% of the total cost of equipment priorities, with the institutions providing a 33% match in local/private dollars.
- It is anticipated that these dollars will be among the first to be adjusted.

The attached tuition and fee setting proposal was built using the state budget finalized on Thursday, March 12, 2020. Much uncertainty has emerged since that day. I have worked with our presidents to consider a variety of scenarios. None are ideal. It is my recommendation that we proceed with the original proposal, allowing our technical colleges to address specific needs at a local level.



TUITION-SETTING PROPOSAL (2020-2021)
South Dakota Board of Technical Education
3/30/20

A primary goal of South Dakota's technical college system is to provide a high-quality, affordable education for all those who seek to become skilled professionals. Post-secondary education is an investment in both the student's future and the state's vitality. The four technical colleges in South Dakota recognize that the cost of a certificate, diploma or Associate of Applied Science degree must lead to well-compensated, fulfilling careers that meet the needs of employers throughout the state.

Each spring, the South Dakota Board of Technical Education will set the tuition and state fee rates for the following fiscal year. The rates become effective on July 1st. The tuition and state fee rates that students pay are combined with revenues generated through local or program-specific fee payments and state resources to cover the overall cost of their educations.

CONSIDERATIONS FY21 Forecast

The following considerations are based on revenue and expenditure projections for fiscal year 2021 and final appropriations decisions made during the 2020 Legislative Session.

Revenue Impacts

- 2% increase in the per student allocation (\$3,682.53/FTE in FY21).
- 2% increase in instructor salary support funding (\$3,167,865 in FY21).
- One-time funding for equipment (\$1,500,000 throughout the system).
- Level Maintenance and Repair funding (\$505,103 in FY21).
- Level tuition buy-down (\$10.00/credit hour in FY21).
- Proposed increase to the facility fee (\$36.00/credit hour in FY21).
- Combine M&R and Technology Fee (\$6.00/credit hour in FY21)

Expenditure Impacts

- Inflationary increase to a variety of costs (i.e. utilities, maintenance, service contracts, etc.) totaling approximately \$325,000 in FY21.
- Increased salary and benefits totaling approximately \$1,000,000 in FY21. The increases vary among institution and some are applied to non-faculty, professional staff.
- Institutions have more than \$1,500,000 in M&R related needs in FY21. The state appropriation did not advance to year three of the six-year plan.
- The \$1,500,000 in equipment funding from the state is based on a 33% match from the institutions, requiring local investments of nearly \$750,000.

PROPOSED STATE TUITION AND FEES RATES 2020-2021

Based on the details outlined above, the technical college system is proposing no increase to the state tuition rate per credit hour for the 2020-2021 academic year. This would leave the tuition rate assessed to students at \$121 per credit hour (after applying the \$10/credit hour state-funded tuition buy-down).

The system is proposing a \$1.00 per credit hour increase to the facility fee, bringing the total facility fee rate to \$36.00 per credit hour. Based on FY21 credit hour projections, a one-dollar increase to the facility fee would generate an additional \$176,000. These dollars are used to service existing debt. If both current full-time equivalent enrollment projections and the facility fee remain, the system would have a debt service shortfall in FY24.

Table one on page two outlines all of the components which contribute to tuition and state fees.

Table 1 Proposed 2020-2021 Tuition and State Fees

Tuition	\$121/credit hour	Details The proposed rate assessed to students is \$121. State tuition buy-down supports an additional \$10.00/credit hour (without tuition buy-down support, the proposed rate would be \$131/credit hour.) Tuition supports all aspects of education and operations (i.e. faculty, classroom materials, utilities, etc.).
Facility Fee	\$36/credit hour	Details Facility fees are used for the technical institutes' payment on debt service coverage to pay down debt on facilities constructed through bond proceeds. The technical institute payment covers 73% of the annual payment and the State of South Dakota contributes the remaining 27%.
Maintenance and Repair Fee*	\$6/credit hour	Details Maintenance and repair dollars fund upkeep of land and facilities on the campuses. Examples include parking lots, heating systems, flooring and lights. Each technical institute works to match the fees collected from students with other institutional dollars. In FY21, the former Technology Fee (\$1/credit hour) would be collapsed into the existing M&R Fee.
Total Tuition and State Fees (assessed to students)	\$163/credit hour	Institutions assess local and program fees in addition to the state tuition and fees. *M&R Fee is collected locally.

POTENTIAL IMPACT OF A FACILITY FEE INCREASE

As noted on page one, current projections, compiled by the South Dakota Health and Educational Facilities Authority (HEFA), indicate that the system could experience a debt service shortfall in FY24.

Two forms of revenue contribute to the debt service:

- **State appropriation** equal to 27% of the annual debt service total
- **Facility fee** assessed to students on a per credit hour basis

The proposed increase to the facility fee would begin to address a potential FY24 shortfall. If the system doesn't have an FTE increase and doesn't receive an increased state appropriation, the only way to generate additional income is a facility fee increase. If all other factors remain flat, the facility fee would need to be at least \$37 per credit hour by FY23 and \$38 by FY25.

Table two on page three provides a recap of the system's tuition and fee history and the FY21 proposal.

Table 2 Tuition and State Fees History (FY17-FY20) and Current Proposal (FY21)

	FY17	FY18	FY19	FY20	FY21 (proposed)
Tuition	\$119	\$124	\$126	\$131	\$131
(Tuition Buy-Down)	(\$10)	(\$10)	(\$10)	(\$10)	(\$10)
Facility Fee	\$35	\$35	\$35	\$35	\$36
M&R Fee	\$5	\$5	\$5	\$5	\$6
Transition Fee	\$1	\$1	\$1	\$1	
Total	\$150	\$155	\$157	\$162	\$163

SUMMARY

This document includes a memo outlining potential changes to the FY21 state appropriation.

System leaders have committed to maintaining level tuition and fees in FY21 wherever possible. This commitment includes no new increase to the tuition rate and a modest increase to the facility fee (last increased in FY16).

The facility fee increase, additional state appropriations (PSA, salary support and equipment) will bring new revenues into the system.