



SOUTH DAKOTA
**BOARD of
REGENTS**

FY24 BUDGET REQUESTS



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FY24 BUDGET REQUEST SUMMARY

GENERAL FUNDS PORTION OF REQUESTS ONLY

FY24 BASE BUDGET REQUESTS

PRIORITY	CAMPUS	FTE	AMOUNT
1	System – Tuition Freeze	0.0	\$8,592,579
2	System – Additional Maintenance & Repair	0.0	\$7,155,427
	BOR Office – Transfer Research Budget from GOED	0.0	\$3,672,951
	BOR Office – Critical Deferred Maintenance	0.0	(\$2,538)
	TOTAL FY24 Base Budget Requests	0.0	\$19,418,419
	FY23 Base Funding	5,140.4	\$258,374,288
	FY24 Base Funding Request	5,140.4	\$277,792,707
	Percent Base Change	0.00%	7.52%

FY24 ONE-TIME FUNDING REQUESTS

PRIORITY	CAMPUS	FTE	AMOUNT
1	System – Support for Rising Construction Costs	0.0	\$29,000,000
2	System – Cybersecurity Upgrade	0.0	\$8,125,820
3	System – Deferred Maintenance & Repair/Building Renovations	0.0	\$32,599,000
	TOTAL FY24 One-Time Funding Requests	0.0	\$69,724,820

FY24 CAPITAL PROJECT REQUESTS

PRIORITY	CAMPUS	FTE	AMOUNT
There are no Capital Project Requests for FY24.			



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FY24 BASE BUDGET REQUESTS





SYSTEM

SALARY COMPETITIVENESS

Salary competitiveness continues to be a priority for the Board of Regents (BOR) and its institutions to ensure they are able to recruit and retain qualified employees.

More organizations are offering pay increases, flexible working arrangements, and signing bonuses in an attempt to recruit and retain staff in the midst of the Great Resignation. As inflation continues to rise at a record rate, organizations will need to adjust wages to keep pace, or risk losing employees. A recent survey of employers by compensation data firm, Salary.com, finds that most U.S. organizations (73%) are targeting a payroll budget increase of 4% or more this year.

While compensation is not the only thing to focus on when it comes to employee recruitment and retention, it is the biggest thing. A tight labor market, coupled with the highest inflation rate since 1981, continues to drive increases in salary budgets across the country. A salary budget planning report issued by Willis Tower Watson, found that nearly two-thirds of U.S. employers have budgeted for higher employee pay raises than last year, and 41% have increased their budgets since their original projections earlier in 2022.

Employers that do not take a competitive approach to combat inflation in a tight labor market will likely find themselves at a significant disadvantage if demand continues as anticipated – especially if their competition can offer higher base salaries. More than a quarter of employees say they will look for a new job with higher pay if they don't get a significant pay raise, according to a survey of more than 1,000 US workers conducted in March 2022 by staffing firm, Robert Half. A survey of 5,000 US workers conducted by Grant Thornton LLP found that 40% expect pay increases of greater than 6% this year, 31% expect more than 8%, and 21% anticipate receiving more than 10%. Additional predictions by Gartner HR include US employee annual voluntary turnover to jump nearly 20% in 2022, from a pre-pandemic annual average of 31.9 million employees quitting their jobs to 37.4 million quitting in 2022.



SYSTEM

SALARY COMPETITIVENESS (cont'd)

A number of employers have announced salary increases in recent weeks to address recruitment and retention issues including:

- The Farmers Cooperative Elevator Company in Rosholt, South Dakota increased their hourly rate for CDL licensed drivers from \$20 per hour to \$30 per hour.
- Seasonal positions in the Sioux Falls Parks Department increased from a starting wage of \$11.50 per hour to \$17 per hour for summer 2022 hires.
- Hart2Hart, Inc., owner of 17 McDonald's stores across South Dakota, Minnesota and Iowa raised their starting wage from \$13 to \$15 per hour, in addition to offering more benefits to employees.
- Microsoft announced in May that it is nearly doubling its budget for employee salary increases and will boost some workers by at least 25% in an effort to retain staff and help them cope with inflation.
- Apple says it will increase salaries by 10% or more for corporate and retail workers.
- Amazon is increasing its cap on base pay for all white-collar workers from \$160,000 to \$350,000.
- Bank of America is raising its US minimum hourly wage to \$22 and will jump to \$25 by 2025.

A tight labor market, coupled with rising inflation, will continue to highlight the necessity for competitive compensation and benefits packages. The Board of Regents strongly supports additional salary policy adjustments beyond the standard for all State of South Dakota employees, especially in a year when strong ongoing revenue growth may make progress possible.



SOUTH DAKOTA
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SYSTEM

TUITION FREEZE

\$8,592,579 BASE GENERAL FUNDS

Keeping higher education affordable continues to be a top priority for the Board of Regents (BOR) and its institutions to ensure they are able to recruit and retain students. As the economy adjusts to rapidly changing circumstances in this country and across the world, the Regental institutions have never been more important. By delivering affordable, high-quality education, aligned to the current and future workforce needs of the state, the six Regental institutions are the foundation for the economic well-being of South Dakota.

Increased tuition is primarily driven by adjustments to employee salaries and benefits. The Board of Regents system has over 5,100 employee FTE across the six institutions and two special schools. Of those, only 2,300 (or 45%) are funded by general funds. The remaining 2,800 (or 55%) are funded by a combination of tuition, fees, federal, and other funds. When the legislature votes for state employee salary increases, BOR institutions must raise tuition and fees to accommodate increases for employees paid through those fund sources.

In light of the pandemic, the Board did not increase tuition and fees for academic year 2020-2021. Last year, the Board froze tuition and fees for the 2022-2023 academic year, thanks to the support of the governor and the legislature for an \$8.6 million base budget increase. In the last three fiscal years, the only increase to tuition and fees occurred in 2021-2022, with a nominal 1.1% adjustment across the system. At a time when college affordability is a major issue nationally, it is remarkable that South Dakota has increased tuition cumulatively by only 1.1% in three years. The Board hopes that, with the support of the governor and legislature, it can once again freeze tuition for 2023-2024.

Inflation, a tight labor market, and the continuation of the “Great Resignation” have exacerbated the need for larger than normal salary increases across the country in order to recruit and retain employees. As a result, the South Dakota legislature authorized a 6% salary increase for state employees in the 2022 session. The Board of Regents strongly supports additional salary policy adjustments beyond the standard for all State of South Dakota employees again in FY24, especially when strong ongoing revenue growth may make progress possible.



SOUTH DAKOTA
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SYSTEM

TUITION FREEZE *(continued)*

\$8,592,579 BASE GENERAL FUNDS

The legislature and governor were instrumental in securing an \$8.6 million base general fund increase for FY23 in order to freeze tuition and fees while accommodating a 6% salary increase for BOR employees. A similar base increase in FY24 would ensure a freeze of tuition for the 2023-2024 academic year. The request for \$8.59 million is assuming additional salary increases of 6%.

CAMPUS	5% SALARY POLICY	6% SALARY POLICY	7% SALARY POLICY
BHSU	\$616,719	\$740,062	\$863,406
DSU	\$707,142	\$848,570	\$989,999
NSU	\$424,113	\$508,935	\$593,758
SDSMT	\$789,210	\$947,052	\$1,104,894
SDSU	\$2,380,495	\$2,856,594	\$3,332,692
USD	\$1,653,020	\$1,983,624	\$2,314,228
USD – Law	\$115,389	\$138,466	\$161,544
USD – Med	\$474,397	\$569,276	\$664,156
TOTAL	\$7,160,485	\$8,592,579	\$10,024,677



SYSTEM

ADDITIONAL MAINTENANCE AND REPAIR
\$7,155,427 BASE GENERAL FUNDS

The Board of Regents (BOR) continues to support the state’s target to fund Maintenance & Repair (M&R) equal to 2.00% of the total replacement value of our academic buildings (as well as other state buildings). During the 2022 Legislative session, an additional \$1.74 million was appropriated to the BOR general fund (M&R) fund. This will put the system at 1.62% of FY23 replacement values. The Regents strongly support the 2.00% M&R goal, especially in a year when strong revenue growth may allow significant progress toward that goal.

The estimated FY24 projected M&R % is as follows:

FY24 PROJECTED M&R %	
M&R/Critical Deferred Maintenance Fee	\$3.36
Projected Credit Hours	488,318
Projected Fee Revenue	\$1,640,748
Projected HEFF Revenue	\$12,500,000
General Fund M&R Revenue	\$16,601,112
TOTAL M&R FUNDING	\$30,741,860
Replacement Value	\$1,894,864,357
% of Replacement Invested in M&R	1.62%
ADDITIONAL FUNDING NEEDED FOR 2.00%	\$7,155,427

Additional General Funds of \$7,155,427 would bring the M&R funding to the 2.00% of replacement value for FY24 that the state strives for.



SYSTEM

TRANSFER RESEARCH BUDGET FROM GOED \$3,672,951 BASE GENERAL FUNDS

In FY05, the Legislature began making an annual appropriation of \$3,672,951 to the Governor's Office of Economic Development (GOED) for the following:

- \$600,000 to support the state's required match for the National Science Foundation's Established Program to Stimulate Competitive Research (EPSCOR) Research Infrastructure Improvement Program Track-1 award (RII Track-1); and
- \$3,072,951 to support the Governor's Research Center Program.

The EPSCOR RII Track-1 award is funded by the National Science Foundation and provides up to \$20,000,000 over a 5-year period to enhance the state's research competitiveness by strengthening research capacity and capability through a diverse portfolio of investments from talent development to local infrastructure statewide. This program facilitates and establishes partnerships among government, higher education, and industry to effect sustainable improvements to the state's research infrastructure.

The Governor's Research Center Program provides funding to support applied research centers designed to strengthen South Dakota's research competitiveness and generate commercial activity derived from research. The program provides funding to research centers for 5-6 years to advance the following goals:

- 1) Develop focused research centers that are competitive for external research funding;
- 2) Develop and license inventions; and
- 3) Support existing and spin off start-up companies.

Between FY05 and FY21, the Governor's Research Center Program has funded 18 research centers; leveraging the state's investment of \$57,063,913 to garner \$282,871,510 in external funding from federal and private sources. Additionally, the research centers have generated more than 20 startup companies, employing over 200 individuals in South Dakota today.



SYSTEM

TRANSFER RESEARCH BUDGET FROM GOED (*continued*)
\$3,672,951 BASE GENERAL FUNDS

Historically, these funds have been subawarded from GOED to the Board of Regents (BOR) for expenditure, with GOED remaining engaged in the process and providing the requisite oversight. GOED is now seeking to transfer the funding from its budget to the BOR in order to administer the programs directly - simplifying and streamlining the process. This is a ***net zero change in general funds for the state*** and will not alter the use of the funds or their impact on the state, just where the funds are appropriated.

The Board has enjoyed this longstanding relationship with GOED and is not asking to change it, but if GOED wants to streamline this process, the Board would support transferring the funding so that it flows directly to the BOR. If that happens, the BOR would continue to administer the funds in the hugely successful manner that it has for the past twenty years.



SYSTEM

CRITICAL DEFERRED MAINTENANCE
LEASE PAYMENT ADJUSTMENT
(\$2,538) BASE GENERAL FUNDS

The 2007 Legislature (HB1101) authorized the South Dakota Building Authority (SDBA) to provide \$8.6M in revenue bonds for critical maintenance and repair of certain academic buildings. The legislature appropriated general funds to the Board of Regents to pay the annual lease payment, which is repaid by the M&R fee revenue dollars. Securing a general fund appropriation provided the Board of Regents the full faith and credit of the state, thus securing a very favorable bond rating.

According to the current lease payment schedule, the FY24 critical deferred maintenance lease payment is \$628,427, a decrease of \$2,538. The table below provides the payment adjustments for the life of the bonds and the necessary adjustments in funding.

CRITICAL DEFERRED MAINTENANCE

FY	GENERAL FUNDS	DIFFERENTIAL
FY23	\$630,965	
FY24	\$628,427	(\$2,538)
FY25	\$624,975	(\$3,452)
FY26	\$620,609	(\$4,366)
FY27	\$615,330	(\$5,279)



SOUTH DAKOTA
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FY24 ONE-TIME FUNDING REQUESTS





SYSTEM

SUPPORT FOR RISING CONSTRUCTION COSTS
\$29,000,000 ONE-TIME GENERAL FUNDS

A period of robust construction, supply-chain disruptions, a war in Ukraine, and other pandemic-related factors have caused raw material prices to rise significantly over the last year.

- Construction costs typically increase 5-6% annually but are now 2-3% per month (25-40% annually)
- Roof replacements in summer 2021 were \$12.90/SF; recent bids were \$21/SF with anticipated increases in July 2022 to \$26/SF
- A plumbing estimate on one BOR project increased 180% from October 2021 to February 2022

As a result, the Regental institutions have had to find new or increased donor funds to accommodate the expanded price tag for many projects. For projects that have been legislatively authorized with General or Other Funds, finding donor support is difficult, if not impossible. Campuses have looked for other ways to adjust plans to reduce costs such as relocating building sites and building space out as “shells” with the hope that actual expenses will be less than estimated or future funding will become available to assist, but campuses have reached the point in most situations that to make any further modifications would not be consistent with the projects the Legislature approved.

One-time support with \$29.0 million of General Funds will allow campuses to complete projects that have already been legislatively authorized to the level of completion envisioned when the projects were approved.



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SYSTEM

SUPPORT FOR RISING CONSTRUCTION COSTS *(continued)*
\$29,000,000 ONE-TIME GENERAL FUNDS

Below is a list of legislatively authorized building projects currently under construction which have experienced a surge in construction costs, resulting in increased project cost estimates.

CAMPUS	PROJECT	ORIGINAL \$	REVISED \$	ADDITIONAL \$	GF REQUEST
BHSU	EY Berry Library	\$9.4M	\$10.4M	\$1.0M	\$1.0M
BHSU	West River Nursing	\$15.1M	\$19.6M	\$4.5M	\$4.5M
DSU	Event Center	\$28.0M	\$41.0M	\$13.0M	
NSU	Lincoln Hall	\$29.5M	\$39.4M	\$9.9M	\$9.9M
SDSMT	MI Building	\$34.0M	\$38.0M	\$4.0M	\$4.0M
SDSMT	Devereaux Library	\$7.0M	\$8.0M	\$1.0M	\$1.0M
SDSU	Bioproducts Facility	\$20.0M	\$23.0M	\$3.0M	\$3.0M
SDSU	Dairy Unit	\$15.0M	\$17.0M	\$2.0M	\$2.0M
SDSU	SJAC Wrestling Addition	\$4.9M	\$5.9M	\$1.0M	
SDSU	First Bank & Trust Arena	\$53.2M	TBD	TBD	
USD	Health Sciences Building	\$22.9M	\$26.5M	\$3.6M	\$3.6M
USD	Wellness Center	\$25.0M	\$31.3M	\$6.3M	
			TOTAL	\$49.3M	\$29.0M



SYSTEM

CYBERSECURITY UPGRADE

\$8,125,820 ONE-TIME GENERAL FUNDS

Network security has always been a priority for the BOR. Even in the best of times, information security risk must be continually managed, monitored, and mitigated but can never be fully eliminated. With the onset of the Pandemic (CV19) the need for the highest level of security possible was exacerbated.

In its 2022 cybersecurity benchmarking study, *Cybersecurity Solutions for a Riskier World*, ThoughtLab surveyed 1,200 organizations who reported that material cyber breaches rose 24.5% last year and increased cybersecurity spending had increased by 51%. The same group indicated the expectation that attacks will continue to increase in coming years. Attacks are expected to target weak spots primarily caused by software misconfigurations, human error, poor maintenance, and unknown assets.

To best address system security, the following items are being requested:

- Firewall Refresh – this would update firewalls at all sites, including a pair of firewalls for the RIS office in Sioux Falls. With increasingly sophisticated cyber-attacks, updated firewalls assist in inspecting traffic on networks for potential malicious content.
- Microsoft Security Upgrades – provides intrusion detection and response capabilities at the endpoint level, as well as other security and compliance features.
- Immutable Backup Storage and Licensing – provides secure archive of important information in order to restore data quickly and seamlessly in the event of a security breach.
- Backup targets for encrypted backups.
- Applied Research Lab (ARL) Project—access layer/switches, Uninterruptible Power Supply, in-rack power distribution, servers, storage array, and firewall refresh.
- Security Assessment – the BOR would hire a third-party company to provide an internal penetration test against the BOR system. This test would assume that a breach occurred on one of the campuses, and the testers would attempt to gain access to the RIS environment/Banner system. This test would be used to identify gaps in system security as well as to conduct incident response activities with security staff.
- Privileged Account Management – an information security mechanism that safeguards identities with special access or capabilities beyond regular users.
- Storage



SYSTEM

CYBERSECURITY UPGRADE (*continued*)
\$8,125,820 ONE-TIME GENERAL FUNDS

FY24 ONE-TIME FUNDING REQUEST

DESCRIPTION	AMOUNT
Firewall Refresh	\$3,816,000
Microsoft Security Upgrades	\$1,812,000
Backup – Targets/Elastic Search/Software	\$800,000
Immutable Backup Storage and Licensing	\$800,000
ARL Project (access layer/switches, UPS, servers, storage, firewall refresh)	\$362,820
Security Assessment	\$250,000
Privileged Account Management	\$240,000
Storage	\$45,000
TOTAL PROJECT COST	\$8,125,820



SYSTEM

DEFERRED MAINTENANCE & REPAIR/ BUILDING RENOVATIONS
\$32,599,000 ONE-TIME GENERAL FUNDS

Deferred maintenance and building renovations have been a top priority for the Board of Regents and campus leadership for decades. As Regental institutions face aging buildings and growing maintenance backlogs, tackling deferred maintenance and making major building updates have increasingly become a primary concern for the Board, campus presidents, academic leaders, and students.

The growing attention on deferred maintenance is unsurprising given that maintenance issues affect all areas of campus and unaddressed capital needs have a direct impact on the ability to recruit students and faculty, which in turn affects enrollment and funding availability. Due to decreased revenues, every campus has had to make difficult decisions regarding funding priorities; most have prioritized the quantity and quality of direct student instruction, which has resulted in certain maintenance projects being postponed and added to deferred maintenance lists. In addition to the typical maintenance and repair needs, significant renovations are necessary to bring buildings up to modern standards as higher education evolves, with an emphasis being placed on student services and collaboration spaces versus more traditional classroom spaces.

Regental institutions compile prioritization schedules to ensure maintenance needs don't fall through the cracks, and to avoid increasing health and safety risks to faculty, staff, and students, but these lists only continue to grow. While some level of maintenance backlog is acceptable and unavoidable, an excessive level of deferred maintenance should be avoided.

Key risks associated with deferred maintenance include:

- Increased cost of repairs – deferred costs can lead to increased costs. Deciding to repair an asset later, likely results in a higher cost due to inflation. The lowest cost available to repair/maintain is right now.
- Entire system failure – perpetual delays in repairing an asset may result in complete failure and the need to replace instead.
- Health and safety risks – safety hazards may increase as a result of deferred maintenance.



SYSTEM

DEFERRED MAINTENANCE & REPAIR/ BUILDING RENOVATIONS

(continued)

\$32,599,000 ONE-TIME GENERAL FUNDS

Prior to 2009, maintenance and repair on the Regental campuses was funded almost solely by students through the Higher Education Facilities Fund (HEFF), which is essentially a tax on tuition at a current rate of 11.5% of every tuition dollar. Beginning in 2009, the State of South Dakota began partnering with the Board and the campuses in an attempt to fund annual maintenance and repairs at 2% of replacement value of facilities. Between HEFF and state investment, there has only been one year where the 2% level was achieved.

The Board of Regents requests \$32,599,000 in one-time general funds to address critical renovations needed in facilities across the campuses. These buildings are in dire need of upgraded plumbing, HVAC, and electrical systems and to update worn finishes like flooring, ceilings, LED lighting, paint, etc. in classrooms, labs, offices, student areas, and circulation spaces. Funding would also be utilized to update programmatic use of space in some facilities and provide additional investments to address accessibility issues as well as fire protection system needs.

This one-time investment will allow for the coordinated and comprehensive renovation of buildings, which will not only be more efficient, but will also result in significant savings as construction costs continue to rise. Projects that continue to be delayed, could result in a change of the status of the buildings from salvageable to potentially beyond repair.

With a general fund investment of \$32.6 million, the campuses are prepared to match an equivalent amount, over five years, with institutional M&R funds to tackle facility needs. Not only would this allow for an efficient and cost-effective way to address these demands, but future M&R would be freed up, allowing the institutions to move from deferred maintenance to funded maintenance – therefore, helping prevent costly emergency failures of structures and systems – and provide for significant programmatic renovations, allowing existing facilities to be utilized to their fullest potential, thus reducing need for more new structures.



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**FY24 OTHER, TUITION, AND
FEDERAL FUNDS AUTHORITY REQUESTS**





SYSTEM

OTHER FUND AUTHORITY ADJUSTMENTS
(\$1,400,000) FUNDING REQUEST
(1.0) FTE

NSU is requesting a decrease of \$1,400,000 and 1.0 FTE in other fund expenditure authority to realign expenditures with anticipated revenues. These reductions are a result of operations changes in the bookstore and a decrease in anticipated revenues from outside sources.

FY24 FUNDING REQUEST – BASE FUNDING

UNIVERSITY	AMOUNT	FTE
Northern State University	(\$1,400,000)	(1.0)
TOTAL OTHER FUND AUTHORITY REQUEST	(\$1,400,000)	(1.0)

SYSTEM

INFORMATIONAL TUITION
AUTHORITY ADJUSTMENTS
(\$1,600,000) FUNDING REQUEST
(4.0) FTE



NSU is requesting a base reduction of 4 FTE and \$1,600,000 in informational tuition authority. The reduction in FTE is related to the elimination of departmental support staff whose duties were reallocated to remaining staff and the reduction in authority will right size and align the budget with anticipated revenues and expenditures.

FY24 FUNDING REQUEST – BASE FUNDING

UNIVERSITY	AMOUNT	FTE
Northern State University	(\$1,600,000)	(4.0)
TOTAL INFORMATIONAL TUITION AUTHORITY REQUEST	(\$1,600,000)	(4.0)

SYSTEM

INFORMATIONAL FEDERAL
AUTHORITY ADJUSTMENTS
\$500,000 FUNDING REQUEST
0.0 FTE



SDSMT is requesting a base increase of \$500,000 in informational federal fund authority due to an increase in federal grant awards. SDSMT received new grant awards of \$20.1M in FY22 and anticipated additional grant awards in FY23 and FY24. Expenditures are expected to increase \$2M-\$3M in the next two years and this additional authority is needed to accommodate the increased grant awards and expenditures.

FY24 FUNDING REQUEST – BASE FUNDING

UNIVERSITY	AMOUNT	FTE
South Dakota School of Mines & Technology	\$500,000	0.00
TOTAL INFORMATIONAL FEDERAL AUTHORITY REQUEST	\$500,000	0.00



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NOTES:

