

# **SOUTH DAKOTA BOARD OF REGENTS**

## **FY24 Informal Budget Hearings**

**REVISED**

**AGENDA ITEM: 4**

**DATE: June 22-23, 2022**

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### **SUBJECT**

**FY24 Institutional Budget Priorities**

### **CONTROLLING STATUTE, RULE, OR POLICY**

[SDCL § 4-7-7](#) – Annual Budget Estimates Submitted by Budget Unit

### **BACKGROUND/DISCUSSION**

Each institution and the system office will individually present their highest budget priorities.

### **IMPACT AND RECOMMENDATIONS**

During the presentations, the Board will discuss priorities and give direction on the development of the proposal for the FY24 budget request that will be approved at a special Board meeting on July 18, 2022.

<b>FY24 Informal Budget Hearings</b>	<b>Thursday, June 23, 2022</b>
SDSU/CES/AES	9:00 – 9:15 am
USD/Law School/SSOM	9:15 – 9:30 am
DSU	9:30 – 9:50 am
NSU	9:50 – 10:05 am
BHSU	10:05 – 10:20 am
System Requests	10:20 – 10:50 am

### **ATTACHMENTS**

Attachment I – SDSU/CES/AES Budget Presentation

Attachment II – USD/Law School/SSOM Budget Presentation

Attachment III – DSU Budget Presentation

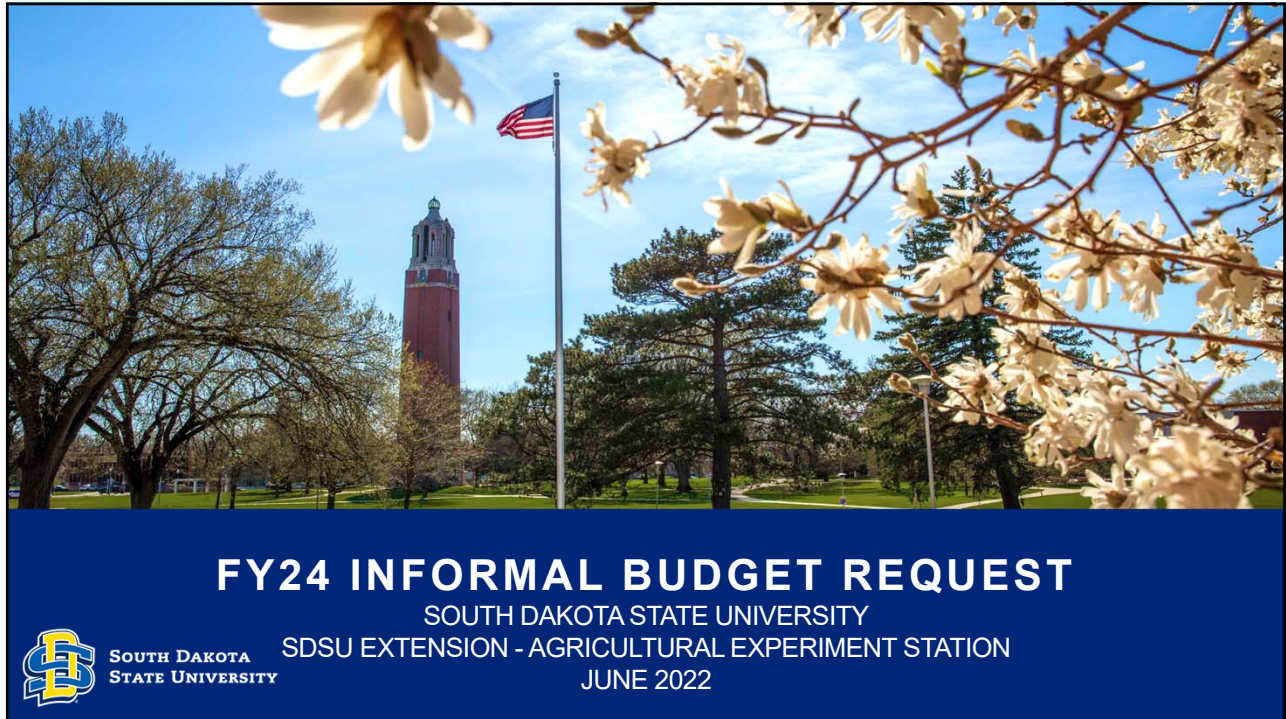
Attachment IV – NSU Budget Presentation

Attachment V – BHSU Budget Presentation

Attachment VI – System Requests Budget Presentation

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**INFORMATIONAL ITEM**



1

## FEED MILL RENOVATION

### AGRICULTURE EXPERIMENT STATION

- 40-year-old facility resulting in:
  - Needs for critical repairs
  - Outdated equipment and undersized capacity
- Renovations needed for:
  - Dedicated feed mill to serve 4,000+ animals
  - Specific rations for successful research
  - No available alternative for research



- **Request:**
  - **Capital funding of \$3,000,000**

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**INVEST IN USD FACILITIES PRESERVATION**

**FACILITIES PRESERVATION: \$41,020,000**

USD requests \$20,510,000 in general funds to be matched by an equivalent amount in institutional maintenance and repair funds, for a combined total of \$41,020,000 to address the critical renovations needed in the Churchill-Haines, South Dakota Union, Dakota Hall and East Hall buildings located on the Vermillion campus.

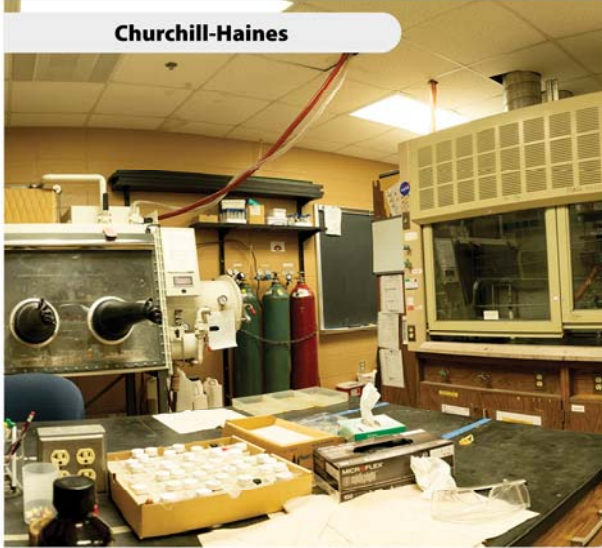
 UNIVERSITY OF  
SOUTH DAKOTA

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## INVEST IN USD FACILITIES PRESERVATION

**Churchill-Haines**



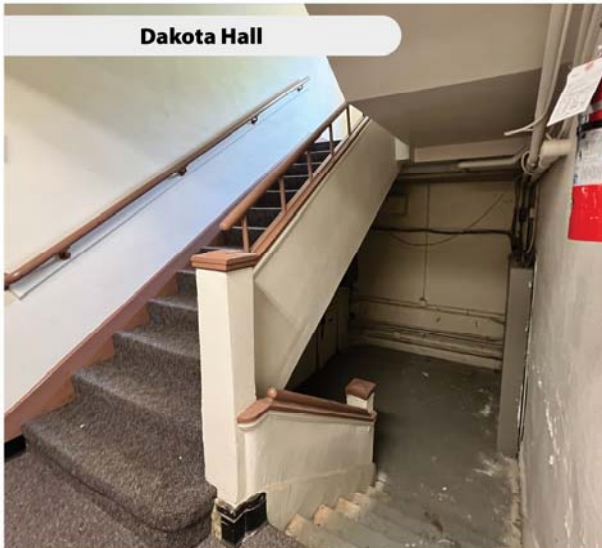
**South Dakota Union**



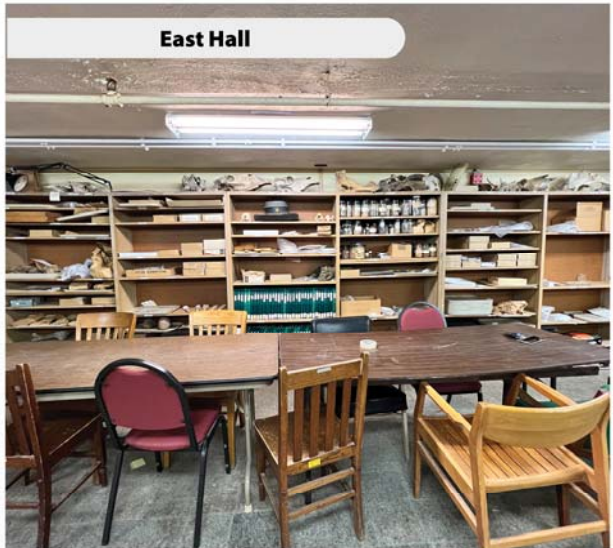
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## INVEST IN USD FACILITIES PRESERVATION

**Dakota Hall**



**East Hall**



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# FY24 Budget Request

Dakota State University

June 22, 2022

## Request #1 Data Center Upgrade and Expansion - \$5-7 million



- Originally established in 1980s to house mainframe computers
- Has been upgraded and expanded numerous times
- Currently houses:
  - DSU production IT systems
  - MadLabs Research Environment and Network (MADREN) systems
  - South Dakota K-12 Data Center
  - Bureau of Information and Telecommunications (BIT) backup systems
  - South Dakota Legislative Research Council (LRC) backup systems
  - DSU's specialized virtual lab environment used to support academic programs



## Request #1 Rationale

- Current data center is nearing capacity in space to house expanded and additional equipment, limited power availability and cooling capacity
- Current data center location and footprint (1,500 square feet) is not expandable
- Furthermore, we anticipate:
  - Growth in enrollment
  - Launch of the Governor's Cyber Academy
  - Growth of research IT systems in MADREN
  - Expansion of systems housed at DSU for other entities
  - Need to expand the data center from 1,500 sq. ft. to around 5,000 sq. ft. within the next five years

**Total one-time request of \$7 million for capital assets**

## DSU FY24 Budget Request – Data Center

*One-Time Funding Request of \$5M to \$7M to renovate and expand DSU's Data Center capacity.*

DSU is requesting \$5 million to \$7 million to provide for expanded and upgraded data center capacity to meet the growing needs of the university

- 4,000 to 6,000 sq. ft. of data center space
- \$4M to \$6M to provide for data center infrastructure, upgrade and expansion of data center systems

In 1984, Governor Janklow and the South Dakota legislature enacted an unprecedented and historic piece of legislation designating a new mission for Dakota State University (DSU). The new mission was to train the workforce needed for the quickly advancing field of information technology in South Dakota. At that time, the specific need was for mainframe programmers to fill the many job openings in South Dakota's rapidly expanding banking industry. Nearly forty-years later, it is easy to see how impactful and transformative the mission change was for Dakota State University and South Dakota.

The mission change brought many changes to Dakota State University. One such change was the creation of a data center to house mainframe computers that DSU students would learn to program. Since its creation in the 1980's, the data center has been expanded and upgraded numerous times to accommodate the growing number of systems housed there. These systems include the DSU production IT systems, MadLabs Research Environment and Network (MADREN) systems, the K-12 Data Center, SD Bureau of Information and Telecommunications (BIT) backup systems, and SD Legislative Research Council backup systems. The data center also houses DSU's specialized virtual lab environment used to teach the latest generation of IT talent in a safe and secure space. This virtual lab environment is estimated to be the largest virtual environment in the state, operating an average of 10,000-12,000 virtual machines throughout a semester.

While the many changes have been very positive for DSU, the changes also bring new challenges, especially for the data center. There are currently two major challenges facing the data center:

- One challenge is that the current location is nearing maximum capacity in physical space to house new equipment, power availability, and cooling capacity. Some of this challenge is being addressed by moving some services and workloads to the cloud; however, many of the systems housed in the DSU data center either cannot function in the cloud or it would be cost prohibitive to move them.
- The second challenge is a lack of capacity to expand the physical footprint of the data center which is needed to increase space and upgrade the power and cooling systems. The current data center footprint is approximately 1,500 square-feet.

Based on projections for expanding the systems needed to accommodate growth in enrollment, launch of the Governor's Cyber Academy, growth of research IT systems in MADREN, and expansion of systems housed at DSU for other entities, DSU anticipates a need for 5,000 +/- square-feet of data center space within the next 5 years.



<u>Description</u>	<u>Salaries</u>	<u>Benefits</u>	<u>Travel</u>	<u>Contractual</u>	<u>Supplies</u>	<u>Capital Assets</u>	<u>Total</u>	<u>FTE</u>
DSU Data Center						\$7,000,000	\$7,000,000	
Total						\$7,000,000	\$7,000,000	
<b>Total One-Time Funding Request</b>						<b>\$7,000,000</b>	<b>\$7,000,000</b>	



**NORTHERN**

## **FY24 Budget Request**

**Dr. Neal Schnoor, President**

**Veronica Paulson, VP for Finance and Administration**

### ***Campus Transformation – Countless visitors consider Northern’s Campus a Gem***

- Northern has taken exceptionally good care of its buildings and grounds
- Campus transformed in the last 6 years by privately funded new/renovated facilities
- HEFF and general fund M&R allocations have enabled the replacement of windows, roofs, mechanical systems and space renovation for programmatic needs.

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**NORTHERN**

## ***Facility Maintenance Building and Equipment***

### ***Challenges to funding equipment***

- Escalating costs
- Fewer dollars to set aside for equipment replacement

### ***Resulting in:***

- Equipment being used beyond useful life
- Costly repairs to maintain
- Lost time waiting for repairs to be completed
- Safety concerns
- Inadequate storage requiring large equipment to remain outside in the elements

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## *Facility Maintenance Building and Equipment*

### ***Request***

\$989,000 total request

\$475,000 to construct a heated metal building to store maintenance equipment

\$514,000 to purchase:

- Telescopic lift (\$130K)
- Loader tractor and utility tractor (\$172K)
- Bobcat (\$64K)
- 2 zero-turn mowers (\$84K)
- 3 Gators (\$50K)
- Sidewalk Broom Attachment (\$9K)
- Snow pusher (\$5K)



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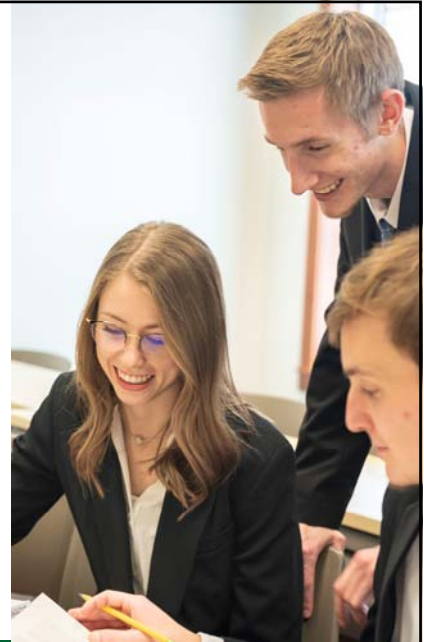


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## THE BUSINESS SCHOOL AS A REGIONAL RESOURCE

- Per the EMSI workforce gap analysis, graduates of business were sorely needed in SD to fill workforce needs in sales, financial services, accounting, insurance and hospitality.
- BHSU offers a comprehensive business degree accredited by AACSB
- This request will allow us to enhance marketing/recruitment throughout western SD and expand enrollment in the School of Business, supplying graduates to western SD.



BLACK HILLS  
STATE UNIVERSITY

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## THE BUSINESS SCHOOL AS A REGIONAL RESOURCE RATIONALE

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- The enhancements will be industry-facing and through renovation of existing space, offer services and support to businesses and entrepreneurs throughout the Black Hills region.
- Student learning will be integrated throughout the curriculum by providing real-life projects from the business community. Examples include cap stone projects, case study research/proposed solutions, financial analysis, and other projects for small business owners and others who could benefit from outside consulting/assistance.
- Ultimately develop stronger industry support for business programs such as contributions to scholarships, endowed faculty chairs, enrichment program support, etc.



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## BUSINESS PROGRAM FACILITY RENOVATION

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- Renovate an existing space on campus (with easy public access) for the Center for Business, Entrepreneurship and Tourism - \$1,100,000
  - Provide highly flexible incubator space for student innovation and local entrepreneurs to use for start-up purposes
  - Develop a learning lab for the entrepreneurship program, specific business start-up courses and “Shark Tank” competition
- Co-locate the existing South Dakota CEO (Women’s Business Center) with the Center for Business, Entrepreneurship and Tourism facilitating collaboration opportunities. SD CEO is currently housed in Woodburn Hall.
- Projected Cost
  - Renovate \$300/square foot x 3,500 square feet = \$1,050,000
  - Market the Center’s services and promote the BHSU business program = \$50,000



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# THANK YOU!

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# FY24 System Budget Priorities

*Board of Regents  
June 23, 2022*



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A photograph of a laptop and a stack of books, with a warm, orange-toned light filter applied to the left side of the slide.

## Tuition Freeze

\$7,178,973



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## Tuition Freeze

Keeping higher education affordable continues to be a priority of the Board.

- The Board of Regents system has over 5,100 employee FTE across the six institutions and two special schools.
  - 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.
- For employees funded through tuition and fees, our institutions must raise rates to accommodate salary policy.
- During the last legislative session, a base increase of \$8.6M was appropriated to freeze tuition and fees and still accommodate a 6% salary increases for BOR employees.

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## Tuition Freeze cont'd

- Assuming an additional salary policy increase of 5% for FY24, an estimated \$7.18M would be needed to provide an increase to all employees without raising tuition.\*

Campus	Additional Need – 5% Salary Policy	Additional Need – 6% Salary Policy	Additional Need – 7% Salary Policy
BHSU	\$689,855	\$827,826	\$965,797
DSU	\$684,764	\$821,716	\$958,668
NSU	\$443,299	\$531,960	\$620,621
SDSMT	\$761,557	\$913,868	\$1,066,179
SDSU	\$2,380,621	\$2,856,745	\$3,332,869
USD	\$1,645,081	\$1,974,098	\$2,303,115
USD – Law	\$107,521	\$129,024	\$150,527
USD – Med	\$466,275	\$559,530	\$652,785
<b>TOTAL</b>	<b>\$7,178,973</b>	<b>\$8,614,767</b>	<b>\$10,050,561</b>

\* These are estimates based upon FY22 data and would need to be adjusted for FY23 as that information becomes available.

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## Support for Rising Construction Costs

\$29,000,000



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## Support for Rising Construction Costs



- Construction costs on all building projects have skyrocketed in the past number of months.
  - Construction costs typically increase 5-6% annually; now 2-3% per month.
  - Roof replacements in summer 2021 were \$12.90/SF, recent bids were \$21/SF, anticipating July 2022 cost of \$26/SF.
  - The plumbing estimate for the MI building at SDSMT increased 180% from October 2021 to February 2022.
- As a result, campuses have had to find new or increased donor requests to accommodate the expanded price tag for many projects.
- Donors do not have the capacity to fund all the expanded charges.
- Some spaces are being bid out as “shells” with the hope that actual expenses will be less than estimated or future funding will become available to assist.

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## Support for Rising Construction Costs cont'd

Campus	Project	Fund Source(s)	Original Price	Recent Estimate	Additional Need	GF Need
BHSU	EY Berry Library Reno	HEFF/Other	\$9.4 M	\$10.4 M	\$1.0 M	\$1.0 M
BHSU	West River Nursing	GF/HEFF/Private	\$15.1 M	\$19.6 M	\$4.5 M	\$4.5 M
DSU	Event Center	Private	\$28.0 M	\$41.0 M	\$13.0 M	
NSU	Lincoln Hall	ARPA	\$29.5 M	\$39.4 M	\$9.9 M	\$9.9 M
SDSMT	MI Building	Private/GF/Local	\$34.0 M	\$38.0 M	\$4.0 M	\$4.0 M
SDSMT	Devereaux Library Reno	M&R/Private	\$7.0 M	\$8.0 M	\$1.0 M	\$1.0 M
SDSU	Bioproducts Facility	GF	\$20.0 M	\$23.0 M	\$3.0 M	\$3.0 M
SDSU	Dairy Unit	GF/Private	\$15.0 M	\$17.0 M	\$2.0 M	\$2.0 M
SDSU	SJAC Wrestling Addition	Private	\$4.9 M	\$5.9 M	\$1.0 M	
SDSU	First Bank & Trust Arena Reno	Private/Local	\$53.2 M	TBD	TBD	
USD	Health Science Building	GF/HEFF/Private	\$22.9 M	\$26.5 M	\$3.6 M	\$3.6 M
USD	Wellness Center	Local/Private	\$25.0 M	\$31.3 M	\$6.3 M	
TOTAL					\$49.3 M	\$29.0 M

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## Cybersecurity Upgrade

\$12,278,820

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## Cybersecurity Upgrade



- Digitalization dramatically increased during the COVID-19 pandemic.
  - Global use of services such as video conferencing has grown tenfold.
  - The World Bank estimates that in 2022 annual total internet traffic increased by 50% from 2020.
- This increased digitalization has exposed all users to heightened critical infrastructure breaches, cyber threats, and attacks.
- Information security risk must be continually managed, monitored, and mitigated, but can never be fully eliminated.
- Increased attention/funding in this area is critical for the security of the data housed within the System.

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## Cybersecurity Upgrade Cont'd



Request includes funding for:

- Firewall Refresh – update at all sites, including RIS office. Assist in inspecting network for malicious content.
- Microsoft Security Upgrades – intrusion detection and response at endpoints.
- Managed Detection Response – 3<sup>rd</sup> party service to provide 24x7 monitoring.
- Privileged Access Management – software that manages high-risk administrative accounts IT professionals use to perform their job duties.
- Penetration Testing – 3<sup>rd</sup> party company provides internal penetration test against our system to identify gaps and conducts incident response activities.
- Backup – data recovery planning tools to speed up the time to recover data.

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## Cybersecurity Upgrade Cont'd



Description	Amount
Firewall Refresh	\$3,501,880
Microsoft Security Upgrades	\$2,490,000
Managed Detection Response	\$1,775,000
Backup – Targets/Elastic Search/Software	\$1,300,000
Immutable Backup Storage	\$1,001,000
Access Layer/Switches	\$939,200
Wireless	\$490,000
Privileged Account Management	\$474,000
Penetration Testing	\$105,000
Servers	\$102,740
Message Authentication/KnowB4	\$100,000
<b>TOTAL</b>	<b>\$12,278,820</b>

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## Deferred Maintenance & Repair

\$7,650,503



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## Additional Maintenance & Repair Funding



The Board of Regents and State of South Dakota have long had a target of funding repairs and maintenance at 2% of the total replacement value of buildings. During the 2022 legislative session, an additional \$1.74M was appropriated to the BOR general M&R fund. This will put the system at 1.60% of FY24 replacement values. An additional \$7.65M would bring the M&R funding to 2% of replacement value that we strive for.

FY24 Projected M&R Need	
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
<b>TOTAL M&amp;R Funding</b>	<b>\$30,741,860</b>
Replacement Value	\$1,919,618,157
% of Replacement Invested in M&R	1.60%
<b>Additional Funding Needed for 2.0%</b>	<b>\$7,650,503</b>