

Black Hills State University
Budget Reduction Plan for FY21
December 2019

Black Hills State University has a strong and longstanding history of providing exceptional educational opportunities to students from the region, state, and beyond. That tradition continues to this day even in the midst of enrollment declines. Appropriately, there is concern for the continued enrollment decline experienced at BHSU in the past decade.

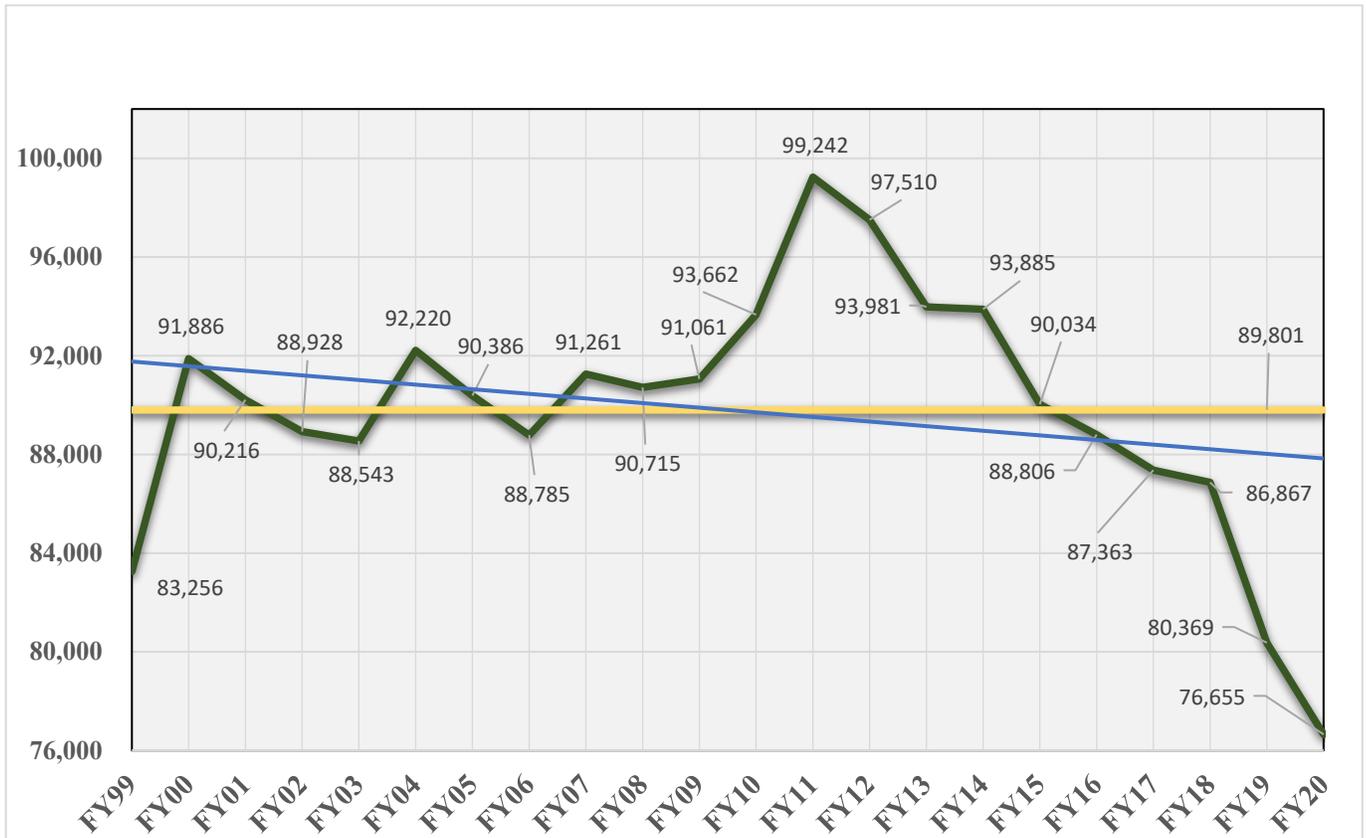
It is a challenging time for higher education across the country and certainly in our own State of South Dakota. All six state public institutions experienced enrollment decline in the Fall 2019 semester as shown below:

Table 1
South Dakota Board of Regents - Fall 2019 Headcount Enrollment

	Fall 2018	Fall 2019	% Change
BHSU	4,035	3,858	-4.4%
DSU	3,382	3,268	-3.4%
NSU	3,493	3,427	-1.9%
SDSM&T	2,654	2,529	-4.7%
SDSU	12,107	11,518	-4.9%
USD	10,066	9,920	-1.5%
Total	35,737	34,520	-3.4%

The BHSU enrollment decline extends beyond the current year, in fact credit hour generation has been in a steady decline since FY11 and is currently at a low point for the 20-year period as shown in Table 2. Credit hours have fluctuated from over 99,000 to the FY20 projected level of 77,000. The peak enrollments in FY11 and FY12 were an anomaly in our history and a reflection of the economic downturn occurring at the time. The average credit hours generated over that time period is approximately 90,000 represented by the straight line below. This is 13,000 more credit hours than the FY20 projected level and a realistic goal for BHSU base enrollment.

Table 2
Black Hills State University Historical Credit Hours
FY99 – FY20*



*FY20 credit hours are projected based on actual Fall 2019 census enrollments

Even with declining enrollment, Black Hills State University remains the third largest university in the Regental system, is the state’s only comprehensive liberal arts university west of the Missouri River, and continues to produce a ten-year average of 604 graduates per year. Table 3 provides the number of undergraduate students who graduated with a degree in FY18. BHSU produced 11% of the total public university graduates in South Dakota.

Table 3
FY18 Undergraduate Degrees Granted in Regental System

	Graduates	% of System Graduates
BHSU	580	11%
DSU	363	7%
NSU	369	7%
SDSM&T	415	8%
SDSU	2,128	41%
USD	1,361	26%
Total	5,216	100%

BHSU FY20 Budget

The following two charts provide an overview of the BHSU budget including where the money comes from (revenues) and where the money is spent (expenditures) to provide context to the budget reduction plan. It is important to note that these charts represent budget or our plan for revenues and expenditures for the current fiscal year. It does not represent actual revenues or expenditures as the year is not complete yet.

Table 4 shows nearly half of the revenue to fund BHSU's \$49 million budget comes from tuition and fees. The State of South Dakota provides 21% of BHSU revenue from general funds and another 9% is funded from federal funds for grants and research. Room & board revenues from students living in our residence halls and buying meal plans constitute 7% of overall revenues. The final 14% comes from other funds which include such items as library fines, childcare fees, parking permits, bookstore revenues, and grants from State agencies.

Table 4
Where the Money Comes From
FY20 Budget of \$48,930,205

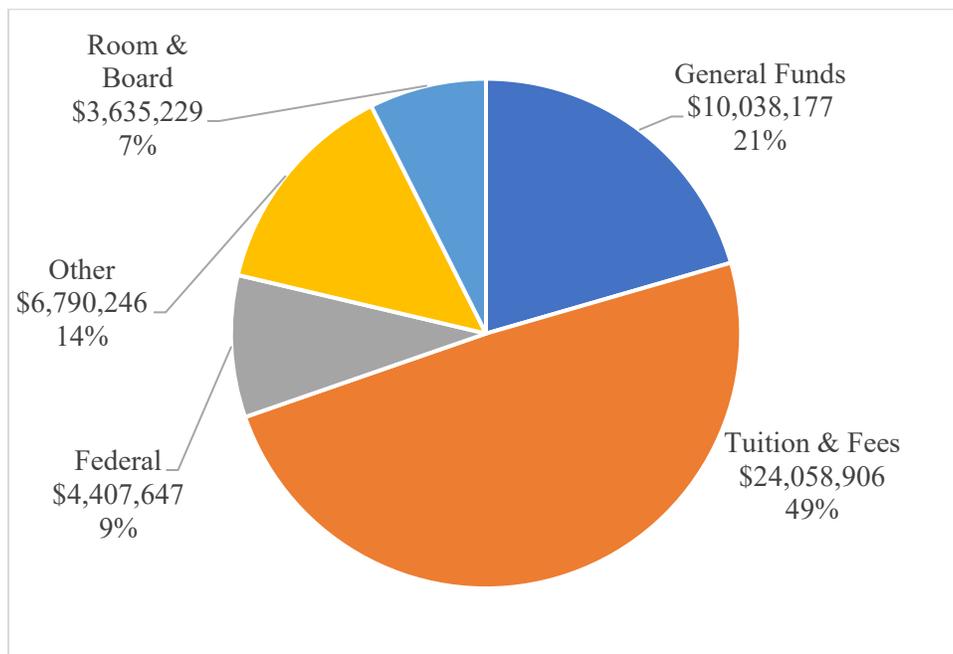
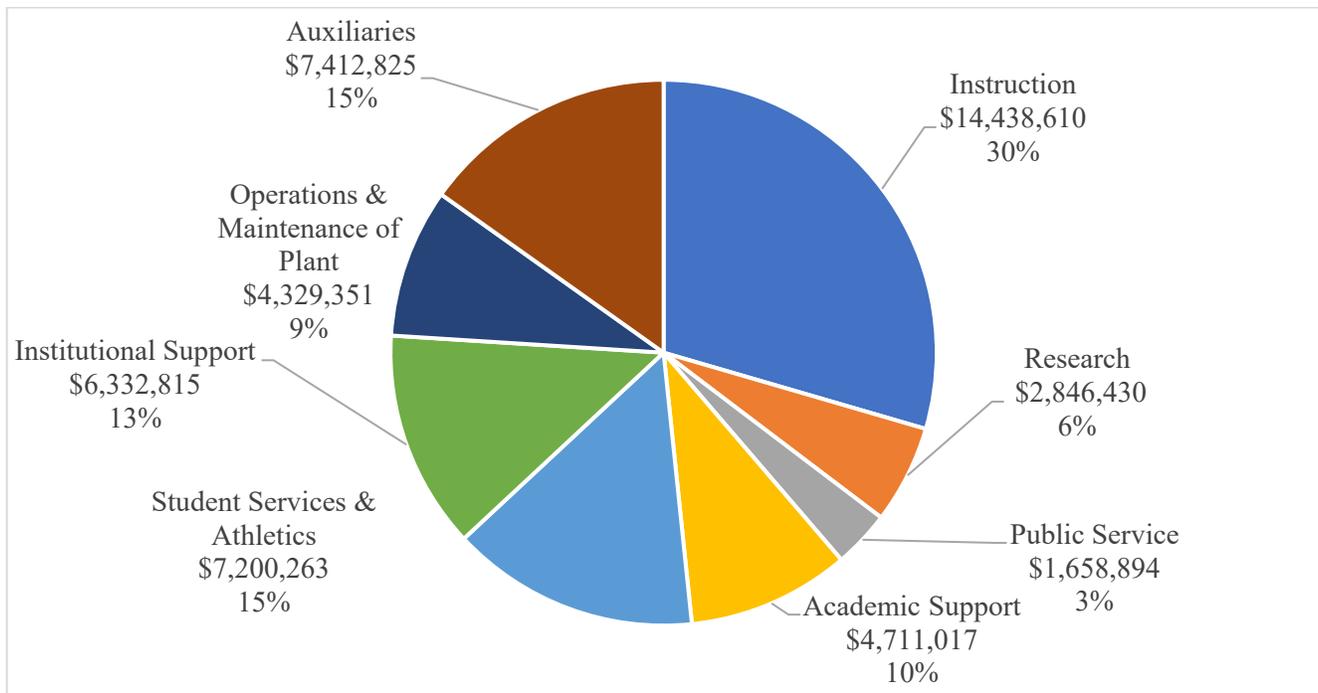


Table 5 identifies where those revenues are spent by NACUBO category. NACUBO is the National Association of College and University Business Officers, an organization that provides the categories for university budgeting. As you would expect, the majority of our budget (30%) is spent on Instruction, which includes all faculty costs for both on and off-campus courses. Academic Support adds another 10% of spending in support of the academic programs including the library, deans, and academic computer support. Student Services (15%) include admissions, registrar, financial aid,

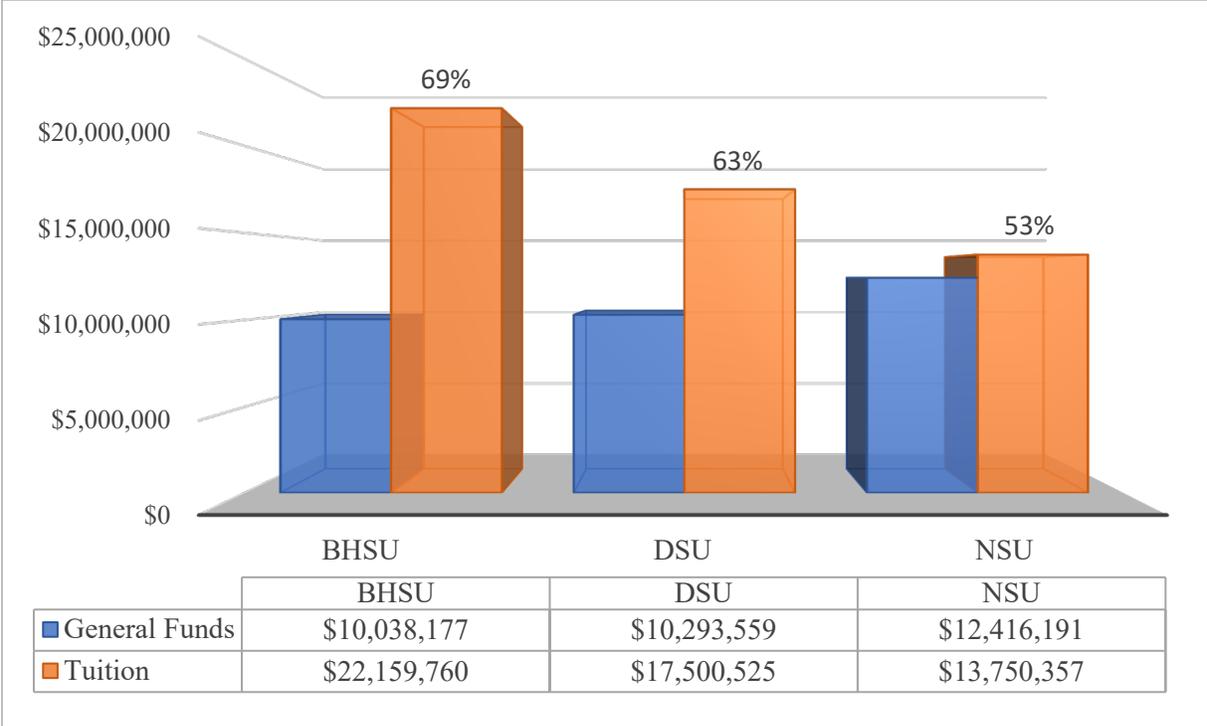
student health, counseling, and athletics. Auxiliaries (15%) represent the residence halls, bookstore, dining services, the student union, parking, and Little Jackets Learning Center. Institutional Support (13%) includes university administration, budget, business office, human resources, university advancement, provost, and grants. Operations & Maintenance of Plant (9%) comprises custodial services, grounds, building maintenance, central receiving, mail services, Buzz card, and utilities. Research (6%) includes all grant activity. Public Service (3%) encompasses the Center for the Advancement of Mathematics and Science Education and the education and outreach at the Sanford Underground Research Facility.

Table 5
Where the Money is Spent
FY20 Budget by NACUBO Category - \$48,930,205



As shown in the overall budget information, BHSU is a very tuition dependent university. In fact, we are more tuition dependent than our Regental peers as shown below. This dependency to fund our operating expenses from student tuition means we must respond with sound fiscal practices when our enrollment declines. We are dependent upon student credit hours to pay our bills, so when enrollment declines, spending must be reduced. Decreased credit hours over the past 10 years have required several budget reductions.

**Table 6
Tuition as a Percent of FY20 Budget**



As reflected in the Table 7, BHSU has a long history of balancing our budget; however, FY18 was the last year our budget was balanced. Each 1,000 credit hour loss equates to approximately \$275,000 of revenue, so the 10,212 credit hour loss since FY18 means we are short \$2.8 million dollars in revenue for FY20. This is the budget reduction that needs to occur prior to the start of FY21 or July 1, 2020 at the latest. It is our goal to realize at least half of those savings in the current fiscal year (FY20).

**Table 7
Budgeted Credit Hours as Compared to Actual Credit Hours**



The Black Hills State University Strategic Plan focuses on four themes as stated below. These themes continue to guide the path of BHSU especially in times of budget reductions. The strategic initiatives provide focus and direction for our actions and prioritize our financial needs and allocations. The strategic plan along with this budget reduction plan provide transparent and accessible documents to communicate BHSU’s strategies for the future to faculty, staff, students, and the public.

**BHSU Strategic Plan Themes
FY15-FY22**

1. Black Hills State University will inspire and support student success from recruitment to graduation.
2. Black Hills State University will provide innovative learning experiences that facilitate academic achievement, research, creative activity and civic engagement.
3. The Black Hills State University community will engage in partnerships, service and enriched student experiences.

4. Black Hills State University will develop and expand internal and external resources to support all we can imagine.

Guiding Principles

Black Hills State University's mission states we are primarily an undergraduate university offering select master's level programs. The University promotes excellence in teaching and learning; supports research, creative and scholarly activities and provides service to the state, region, nation and global community. BHSU provides innovative, high-quality undergraduate (associate and baccalaureate) programs in the arts, humanities, education, behavioral sciences, mathematics, social sciences, natural sciences, business and technology as well as selected disciplines of strength at the graduate level.

Black Hills State University's vision states we will lead as a vibrant, innovative University with exemplary academic programs, services, and student experiences.

The following principles will guide the budget reduction plan and hold us true to our mission and values as we continue to be the only liberal arts public university west of the Missouri River in South Dakota.

Mission Driven

- Black Hills State University will fulfill its mission and place the highest priority on delivering high quality education and student enrichment opportunities to produce enlightened citizens, future leaders and an educated workforce for Western South Dakota.
- Budget reductions should have minimal impact on student success including recruitment/access, retention, persistence, transfer ease and timely completion of degree.

Safety and Infrastructure

- The safety and health of students, faculty, staff and visitors will not be compromised.
- BHSU will strive to maintain the infrastructure of campus and BHSU-RC.
- BHSU will continue to recruit and retain high quality employees.

Efficiency and Revenue Growth

- BHSU will emphasize cost savings through driving efficiencies of staffing and operations.
- As the BHSU budget is balanced, we must stabilize and grow enrollment. Increasing private support and grant funding, maximizing auxiliary producing revenues, and exploring entrepreneurial opportunities to develop diverse revenue streams will also be pursued.

Process

- Throughout the budget reduction process, BHSU will be transparent in sharing challenges and proposed solutions.

- BHSU will operate in a fiscally sound budget environment and consider all funding sources when striving to reach the budget reduction goal.

In order to be fiscally responsible and good stewards of this institution’s resources, budget reductions will reduce spending to match revenues, so we are only spending what we have revenue to cover. Recall from Table 7 on page 6, the projection is a \$2.8 million shortfall in revenues to cover our expenses in FY20 and beyond, requiring a spending reduction of \$2.8 million. Our goal is to have the entire \$2.8 million reduced out of our base no later than the beginning of FY21 or July 1, 2020. Some cuts were made at the beginning of this fiscal year as outlined in Table 8.

**Table 8
FY20 Completed Budget Reductions - \$719,134**

<u>Budget Item</u>	<u>FTE</u>	<u>Budget</u>
Reduce Bookstore Locations	2.6	\$222,944
Elimination of Sioux Falls Admissions Recruiter	1.0	\$46,261
Adjust Phonathon in University Advancement		\$10,000
Reduce Unspent Peer Advisor Program OE		\$12,000
Vacant positions, permanent salary salvage, and lay off		
College of Education/Behavioral Sciences	3.0	\$200,000
College of Liberal Arts	1.0	\$103,771
College of Business/Natural Sciences	<u>1.0</u>	<u>\$124,158</u>
Total	8.6	\$719,134

After these FY20 changes, an additional \$2.1 million of budget reduction is necessary. Presented below and in Table 9 is our proposed budget reduction strategy and detail to realign our budget with projected revenue and position ourselves for a financially responsible and successful future.

FY21 Budget Reduction Strategy – Target \$2,089,166

1. Eliminate 14.5 vacant positions while at the same time fill 16 high priority/essential vacant positions.

Savings: \$891,166 and 14.5 FTE

2. Lay off positions or contract non-renewal in a strategic manner and only as necessary to meet budget reductions.

Savings: \$355,492 and 6.5 FTE

3. Eliminate benefits from part-time positions.

Savings: \$20,142

4. Eliminate permanent salary salvage.

Savings: \$237,324

5. Reduce overtime, student labor, cell phone stipends, and other additional compensation.

Savings: \$113,529

6. Drive efficiencies by reducing operating expenses across units.

Savings: \$471,513

In total when counting both the FY20 completed budget reductions from and the FY21 proposed budget reductions, BHSU will reduce budgets by \$2,808,300 and 29.6 FTE by July 1, 2020, the start of FY21.

Once the budget is brought back into alignment with the current revenue stream, we will work to grow our resources with the following revenue growth initiatives.

Revenue Growth Plan

Enrollment Growth – BHSU has contracted with Ruffalo Noel Levitz to develop a strategic enrollment plan. We will stabilize our new freshman class and transfers and increase our retention to 70% to reestablish the 90,000 credit hour target, which would generate an additional \$3.7 million. BHSU will also work to grow on-line programs and courses, which is currently an area of growth and to regenerate enrollments at BHRC, which is currently an area of decline.

Summer School – An entrepreneurial model is being explored for summer school to promote growth through incentive funding. Summer school credit hours should increase by 20% to 6,900 in the summer of 2020, which could grow revenues by \$300,000.

Grants – BHSU will be more aggressive in grants activity. A team has been assembled to develop a Title III Institution Strengthening grant proposal to be submitted in the summer of 2020. Additional grant opportunities will be explored and pursued with leadership from the Sponsored Programs office. These include Talent Search, Gear Up, and TRIO in addition to grants focused on special education, sustainability, and Native Americans. We will be on track to reach the \$3 million mark for grants in FY21 and \$5 million in FY22.

Residence Life – Strategies are being developed to increase residence hall occupancy from the current 82% to 95% will generate approximately \$400,000 of additional revenue and provide better use of our physical assets.

Tuition Structure – A proposal will be made to eliminate the current pilot program for a single tuition rate and reinstate program fees into our tuition structure, which may generate additional revenue for eligible programs.

BHSU Foundation – The foundation is nearing completion of a highly successful campaign in December 2019 where they raised \$43.8 million, significantly exceeding the \$32 million goal. Planning will begin on a new campaign once a new president is hired.