

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**  
**Consent**

**AGENDA ITEM: 5 – I**  
**DATE: October 2-3, 2024**

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**SUBJECT**

**HEFF Cash Flow Statement**

**CONTROLLING STATUTE, RULE, OR POLICY**

[SDCL § 13-51-2](#) – Educational Facilities Fund

[SDCL § 13-53-15](#) – Receipt by State Treasurer of Institutional Moneys

[SDCL § 13-53-15.3](#) – Medical School Funds

**BACKGROUND / DISCUSSION**

The primary source of dollars to fund construction, maintenance, and renovation of university academic facilities is the tuition dollars placed into the Higher Education Facilities Fund (HEFF). Starting in FY17, the percentage contributed to HEFF is 11.5% of all tuition dollars, except for the first \$1,521,740 of medical school tuition revenue, which is not subject to HEFF. HEFF is also assessed on all self-support credit hours as of 2009.

Attachment I is a cash flow statement for the Higher Education Facilities Fund as of October 2024. The statement presents actual and planned revenues and expenditures for FY18 through FY35. The statement includes the following data and assumptions:

- FY18 through FY24 are actuals and FY25 through FY35 are projections.
- FY25 tuition revenue estimates and beyond are based upon FY24 actuals with no tuition increase in FY25 and stable enrollments.
- Interest earnings of three percent on the unobligated cash balance for FY25 including \$3.0M to \$4.0M of unspent maintenance and repair funds thereafter.
- A change from principal only payments on the SDSU Performing Arts Center to principal and interest in FY22, results in a \$510,000 increase in HEFF obligations.
- Bonding \$10.5M in capital projects in FY22 and \$12.5M in FY27 at four percent interest for 25 years. This bonding would complete the 2012 Ten-Year Capital Plan.

The 11.5% of tuition revenues generated for FY24 were \$561,912 higher than the projection from October 2023 – a variance of approximately 2.1%

(Continued)

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**INFORMATIONAL ITEM**

The ending cash assumes that the campuses will catch up on their M&R expenditures in FY25 by spending all the obligated funds except \$3,000,000. The drop in ending cash from 2024 to 2025 reflects that assumption. Because annual revenues do not come in until September, the cash balance at fiscal year-end must be sufficient to pay approximately one-half of the annual lease payment which is due in August. Debt capacity and cash flows must both be considered prior to issuing new debt. We would only fund projects when capacity is available to debt service the leases and when sufficient cash is available to meet the annual debt payment.

During the 2024 legislative session, an additional \$16,834,604 was allocated to the Board of Regents for HEFF bonded debt retirement. This allocation was intended to free up an equivalent amount for maintenance and repair projects across the campuses. Consequently, in FY25, lease payments are now \$0, and over \$35.8 million is available for M&R expenditures.

### **IMPACT AND RECOMMENDATIONS**

The remaining projects on the 2012 Ten-Year Plan can be found in Attachment II. Based on current assumptions and revenues, the final \$12.5M will be bonded in FY27. If this timeline holds true, it will have taken us 15 years to complete the projects that we originally thought we had the cash flow to complete in 10 years.

### **ATTACHMENTS**

Attachment I – HEFF Cash Flow Statement (October 2024)

Attachment II – 2012 Ten-Year Plan

**Board of Regents**  
**HEFF Cash Flow Statement**  
**October 2024**

A	B	C	D	E	F	G	H	I	J	K
				= C + D			= F + G	= B + E - H		= I - J
<u>Fiscal Year</u>	<u>Beginning Balance July</u>	<u>Net 11.5% Tuition</u>	<u>Interest Revenue</u>	<u>Total Revenue</u>	<u>FY M&amp;R Expenditures</u>	<u>Lease Payment</u>	<u>Total Expenditures</u>	<u>Ending Cash</u>	<u>Obligated Unexpended</u>	<u>Unobligated Funds</u>
2018	27,584,821	27,015,890	533,255	27,549,144	14,624,633	14,075,654	28,700,287	26,433,678	16,921,710	9,511,968
2019	26,433,678	27,247,281	596,422	27,843,703	17,616,872	14,009,610	31,626,482	22,650,899	15,149,663	7,501,236
2020	22,650,898	26,860,775	564,583	27,425,358	19,616,026	14,013,347	33,629,373	16,446,883	11,226,940	5,219,943
2021	16,446,883	26,527,546	319,204	26,846,750	11,474,559	14,414,703	25,889,262	17,404,371	13,130,991	4,273,380
2022	17,404,371	26,017,517	187,213	26,204,730	8,751,958	15,909,499	24,661,457	18,947,644	13,268,116	5,679,528
2023	18,947,644	25,588,123	493,952	26,082,075	10,071,655	16,228,877	26,300,532	18,729,187	17,270,292	1,458,895
2024	18,729,187	26,026,351	828,628	26,854,979	14,794,495	16,404,759	31,199,254	14,384,911	12,278,814	2,106,097
2025	14,384,911	26,546,878	431,547	26,978,425	35,834,604	0	35,834,604	5,528,733	3,000,000	2,528,733
2026	5,528,733	27,077,816	165,862	27,243,678	11,500,000	16,160,058	27,660,058	5,112,352	3,000,000	2,112,352
2027	5,112,352	27,619,372	153,371	27,772,742	12,000,000	15,774,487	27,774,487	5,110,608	3,000,000	2,110,608
2028	5,110,608	28,171,759	153,318	28,325,078	12,500,000	15,128,004	27,628,004	5,807,681	3,000,000	2,807,681
2029	5,807,681	28,735,195	174,230	28,909,425	13,500,000	15,086,455	28,586,455	6,130,651	3,000,000	3,130,651
2030	6,130,651	29,309,898	183,920	29,493,818	14,500,000	14,055,431	28,555,431	7,069,038	4,000,000	3,069,038
2031	7,069,038	29,896,096	212,071	30,108,168	15,500,000	13,524,645	29,024,645	8,152,560	4,000,000	4,152,560
2032	8,152,560	30,494,018	244,577	30,738,595	17,500,000	13,462,771	30,962,771	7,928,384	4,000,000	3,928,384
2033	7,928,384	31,103,899	237,852	31,341,750	21,500,000	10,539,450	32,039,450	7,230,684	4,000,000	3,230,684
2034	7,230,684	31,725,977	216,921	31,942,897	21,500,000	10,486,539	31,986,539	7,187,042	4,000,000	3,187,042
2035	7,187,042	32,360,496	215,611	32,576,107	22,500,000	9,479,973	31,979,973	7,783,177	4,000,000	3,783,177

Notes:

1. Fiscal years 2018-2024 are actuals.
2. 3.0% interest earnings calculation based on the ending cash balance plus unexpended M&R funds.
3. FY25 and each year thereafter, tuition revenue is increased by 2.0% due to increased enrollments.
4. Additional capital projects of \$12.5M would be bonded in FY27. This would complete the 2012 Ten-Year Capital Plan.
5. All figures for periods after FY24 are estimates.
6. In FY25, \$16,834,604 in one-time General Funds were authorized to make HEFF bonded lease payments, and in turn, use the lease payments to fund additional deferred M&R projects.
7. Reduction of "Reserve" balance to \$3.0M for FY22-FY29. This also includes reductions in HEFF allocations for those years.

**2012 Ten-Year Plan Proposed Funding Schedule**  
10/1/2024

Project		Fund Sources				Bonded				Proposed Bonding
		HEFF Bonds	Other Bonds	Other Funds	Project Total	FY14	FY15	FY17	FY22	FY27
<b>Infrastructure Projects**</b>										
BHSU	Infrastructure Repair and Upgrade	\$4,000,000		\$500,000	\$4,500,000	\$4,000,000				\$0
DSU	Energy Efficiency and ADA Compliance	\$1,275,000		\$0	\$1,275,000	\$1,275,000				\$0
NSU	Street Improvements	\$600,000		\$0	\$600,000	\$600,000				\$0
SDSM&T	Utility Infrastructure	\$2,740,000		\$500,000	\$3,240,000	\$2,740,000				\$0
SDSU	Utility Tunnel, Steam/Condensate Infrastructure Repair & Modernization	\$7,000,000		\$10,434,000	\$17,434,000	\$7,000,000				\$0
SDSU	Utility Repairs & Upgrades - Water, Sanitary Sewer, Storm Sewer	\$5,000,000		\$5,043,000	\$10,043,000	\$0				\$5,000,000
USD	Mechanical Overhaul & Modernization	\$8,000,000		\$2,000,000	\$10,000,000	\$8,000,000				\$0
		\$28,615,000		\$18,477,000	\$47,092,000	\$23,615,000	\$0	\$0	\$0	\$5,000,000
<b>Building Projects</b>										
BHSU	Jonas Science Renovation	\$1,250,000		\$2,900,000	\$4,150,000	\$1,250,000				\$0
BHSU	E. Y. Berry Library Renovation	\$3,000,000		\$1,500,000	\$4,500,000	\$0			\$3,000,000	\$0
DSU	Information Systems Building	\$6,000,000		\$5,400,000	\$11,400,000	\$0	\$6,000,000			\$0
NSU	Johnson Fine Arts Center Renovation and Addition	\$5,000,000		\$9,108,648	\$14,108,648	\$5,000,000				\$0
SDSM&T	Chemistry/Chemical Engineering Renovation **	\$6,040,000		\$519,000	\$6,559,000	\$0	\$6,040,000			\$0
SDSU	New Headhouse & Greenhouses	\$1,000,000		\$3,414,000	\$4,414,000	\$1,000,000				\$0
SDSU	Architecture, Math & Engineering	\$10,000,000		\$5,755,142	\$15,755,142	\$10,000,000				\$0
SDSU	Visual Arts Facility	\$7,500,000		\$4,900,000	\$12,400,000	\$0				\$7,500,000
SDSU	Performing Arts Center	\$13,000,000		\$35,391,807	\$48,391,807	\$0		\$13,000,000		\$0
SDSU	New Cow-Calf Research & Education Unit - Volga	\$900,000	\$2,000,000	\$1,732,500	\$4,632,500	\$900,000				\$0
USD	Science, Health, and Research Lab Building*	\$9,695,000		\$3,904,085	\$13,599,085	\$8,695,000				\$0
USD	Patterson Hall Renovation	\$5,500,000		\$250,000	\$5,750,000	\$6,500,000				\$0
USD	Allied Health Facility	\$7,500,000		\$0	\$7,500,000	\$0			\$7,500,000	\$0
		\$76,385,000	\$2,000,000	\$74,775,182	\$153,160,182	\$33,345,000	\$12,040,000	\$13,000,000	\$10,500,000	\$7,500,000
<b>Total Infrastructure Plus Building Projects</b>		\$105,000,000	\$2,000,000	\$93,252,182	\$200,252,182	\$56,960,000	\$12,040,000	\$13,000,000	\$10,500,000	\$12,500,000

\*\* Other funds will come from campus HEFF M&R allocations.