Over the next few years, the National Center for Public Policy and Higher Education will conduct a series of in-depth case studies on higher education in several states. South Dakota is the first state to be examined in this series. Government, business, and higher education leaders in South Dakota have been steadily developing policy-driven change in higher education. Over the last four years, these leaders have defined a number of state goals that they believe tie budget to policy and will drive the activity of the statewide university system. Significant changes have included: moving toward a more collaborative system approach to higher education issues; jettisoning the traditional state higher education funding formula; reinvesting savings to improve efficiency; adopting initiatives to increase academic quality and partnering between four-year institutions and other educational entities. (JM)
SOUTH DAKOTA:

Developing Policy-Driven Change in Higher Education
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Developing Policy-Driven Change in Higher Education

By Mario C. Martinez
New Mexico State University

June 1999

The National Center for Public Policy and Higher Education
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Foreword

Over the next few years, The National Center for Public Policy and Higher Education will conduct a series of in-depth case studies on higher education in several states. The purpose of these reports is to inform and enrich discussions about higher education—and thereby to help state policymakers establish appropriate directions for the future of higher education. South Dakota is the first state to be examined in this series. The value of state-based case studies was underscored by the work of The California Higher Education Policy Center, which published studies on the governance and finance of higher education in California, Florida, Georgia, Illinois, Michigan, Minnesota, New York, and Texas.

The new series of case studies will complement another major project of the National Center: the publication, in the fall of 2000, of the first state-by-state report card of higher education performance. While the report card will offer an overview of state performance, the case studies will provide researchers and analysts with a rich and detailed understanding of how policy relates to state performance. The studies also will allow the National Center to highlight promising policy options, while recognizing the limitations of policy and the important role of state context in shaping policy.

Research for the South Dakota case study was funded, in part, with a grant from the Ford Foundation. The report was written by Mario Martinez, Assistant Professor in the Department of Educational Management and Development at New Mexico State University. In addition to Martinez, researchers included Kathy Reeves Bracco, Senior Policy Analyst at the National Center, and Joni Finney, Vice President of the National Center. Reviewers included Patrick Callan, President of the National Center, Dennis Jones, President of the National Center for Higher Education Management Systems (NCHEMS), and Tad Perry, Executive Director of the South Dakota Board of Regents. Thad Nodine edited the final report.

The National Center invites comments on this report—as well as on all of its publications.

Joni Finney
Vice President
The National Center for Public Policy and Higher Education
Introduction

This case relies on many informational sources, including documentation gathered from South Dakota and national public and higher education agencies. South Dakota state policymakers, university and technical institute administrators, faculty, and University System Board of Regents were interviewed in September and October of 1998 concerning their views of the state's postsecondary education environment.

Some observers have noted that higher education policy is susceptible to ad hoc decisions and short-term responses in the absence of a meaningful state role in creating policy direction for higher education. From a state perspective, however, planning for the future of higher education and developing a consensus around new state higher education priorities are activities that require significant time, energy and effort on the part of policymakers. Competing state interests, constituents who want tax relief, and the demand for immediate results in the political arena make the task of changing the higher education system intricate, complex and perilous.

In the face of these challenges inherent in planning and implementing new higher education priorities, government, business and higher education leaders in South Dakota have been steadily developing policy-driven change in higher education. Over the last four years, these policymakers and leaders have defined a number of state goals that they believe tie budget to policy and, perhaps most importantly, will drive the activity of the statewide university system. Significant changes have included: moving toward a more collaborative “system” approach to higher education issues; jettisoning the traditional state higher education funding formula; reinvesting savings to improve efficiency; adopting initiatives to increase academic quality; and increasing partnering between four-year institutions and other educational entities.

That these changes are in motion can partly be attributed to characteristics of the state’s political landscape. Several South Dakota leaders interviewed for this study commented that bringing administrators and policymakers together in a sparsely populated state may be easier than in a large state. In the words of one leader who believes significant change has occurred over the last several years, “The number of political actors in South Dakota is relatively restricted and well known; if you can align the players, you can get something done.” In addition, state and higher education leadership has been stable over the last four years, enabling the pursuit of a common policy agenda. Yet the purposeful actions of various groups and individuals, and the way they pursued the
changes that are now in motion, also appear to be central to what has transpired in the state's higher education system.

There have been and continue to be policy-driven changes taking place in South Dakota higher education. Though the ultimate effects of many of these transformations will not be known for some time, the process by which a common public agenda has evolved is a story well worth telling.
State Context

South Dakota is a sparsely populated state with 738,000 residents. Ninety percent of the population is Caucasian and 8% is of American Indian descent. Over 50% of the population live in rural towns with less than 2,500 people. Sioux Falls is the largest city, with slightly more than 114,000 residents. The state's population will grow at a slow rate over the next 15 years, but the number of South Dakota high school graduates is projected to decline 3.3% over the same time period (see Figure 1).

South Dakota has experienced a strong economy over the last several years and, according to a state economist, the state was not severely hit by the recession of the early 1990s. State advertisements maintain that South Dakota offers one of the best business climates in the nation, as one of five states with no corporate income tax, as one of seven states with no personal income tax, and as a state with no business inventory tax.\textsuperscript{2} Although many companies have relocated to South Dakota in the last several years, the state's 1996 income per capita of $20,749 remains well below the United States average of $24,436.

The state's three biggest employers by industry are wholesale/retail, services and government. In addition, South Dakota's residents derive more income from farming activity than the national average (6.2% in 1995 compared to 0.5% nationally), though the agricultural industry is relatively small and in many areas is declining. The recent additions of the computer company Gateway 2000 and of banking giant Citibank have contributed to low unemployment rates, but primarily in lower paying occupations such as manufacturing and shipping. In the next decade, employment is expected to be strongest in the financial and manufacturing services areas.\textsuperscript{3} Policymakers and higher education representatives believe that there will be more demand in all sectors of the economy for trained professionals, especially in areas related to technology. Still, there is a sense among the leadership that the state cannot supply enough opportunities to retain all of those who acquire a university education. The state does produce a large number of baccalaureate degrees relative to the number of high school graduates, but the number of adults with a college degree in South Dakota

![Figure 1](http://www.state.sd.us)
South Dakota

is lower than the average of states in the region. An explanation for this discrepancy is that college graduates are leaving the state upon graduation, in search of better jobs.

POLITICAL CLIMATE

The Legislature

Officials elected statewide are overwhelmingly Republican, reflecting voter registration in the state. Both houses in the Legislature maintained a strong Republican majority after the 1998 elections. Of the Senate's 35 members, 22 are Republicans and 13 are Democrats; there are 51 Republicans and 19 Democrats in the House. The Legislature meets part-time and has an average turnover rate of about 25%. All legislators are elected to two-year terms, with a limit of four consecutive terms in either house. In odd-numbered years the legislative session is limited to 40 days; in even-numbered years it is limited to 35 days. (The budget is prepared annually.) Term limits were approved by voters as an amendment to the state constitution in 1992.

The Governor

Republican Governor Bill Janklow was re-elected to his fourth term in the November 1998 mid-term elections. He served two terms as governor from 1979 to 1987 and was elected to a third term in 1994. In the interim, George Mickelson was elected to two terms. (The state constitution prevents anyone from serving more than two consecutive terms as governor.) South Dakota is classified as a strong governor state because of the governor's veto and budgetary powers. Also important to the governor's influence are the characteristics of a part-time Legislature that has no staff, meets 35 to 40 days a year, and must sift through some 700 bills on an annual basis, a fraction of which are related to higher education. Higher education administrators and legislators suggested that any significant change in the state would certainly require the governor's approval if it were to be successful. One interviewee emphasized, "This is a very strong governor state. The Legislature has no staff and no information, so the governor has a lot of information needed to make decisions."

The current governor has enjoyed immense popularity in the state, with successful initiatives that have included "Putting the Taxpayer First," making government more efficient, reducing taxes, and giving special attention to Native American tribal issues. In his most recent term (1994 to 1998), for example, Governor Janklow reduced property taxes on agricultural land and owner-occupied homes by 20%. To limit large property tax increases at the local level,
Janklow’s tax reduction plan restricts local government and school spending to annual increases of only 3% or inflation, whichever is lower.

Indeed, Governor Janklow’s efforts to make the state more efficient read like a textbook example of efforts across the nation to reinvent government. During his tenure, the governor has: promoted joint ventures with city and county governments to prevent local tax increases, consolidated state inspection programs, privatized home health care, and put state prison inmates to work on several building and remodeling projects.

The higher education leaders interviewed for this study believe that the governor is committed to supporting higher education. As one board member said, “There is not a concern with our base budget as long as Governor Janklow is in office.”

STATE FINANCES

South Dakota has no personal income tax and collects relatively little from corporate net income. In terms of collection and allocation, property taxes are a local affair. Governor Janklow has successfully pushed for cuts in property taxes by providing dollar-for-dollar state subsidization to make up for local property tax declines (such as the recent 20% reduction). A state budget respondent said that this is “property tax relief provided by the state” and added, “Property taxes are local taxes used for school systems, counties, and municipalities, not revenues used for state agencies.”

The state relies on various sales taxes and intergovernmental revenue (revenue from other branches of government, such as federal grants) for its general revenue fund. Figure 2 shows the four major revenue categories for the 1996 state general revenue fund for South Dakota and the U.S. average. As the figure shows, taxes comprised 54% of general revenue funds for the average state, compared to just 38% for South Dakota.

Table 1 provides a breakdown of the tax revenues for South Dakota and the U.S. average.
category from Figure 2 for South Dakota and the U.S. average. As the table shows, South Dakota is much more dependent on a single source of taxes (in this case, sales tax) than the average state. South Dakota's lower income per capita, coupled with its dependency on general sales tax, means that consumers have less money to spend on goods and services than those in other states. One regent echoed a concern of many we spoke with, noting that "demographics constrain our state revenue structure because it is so sales dependent, and we don’t see great population growth in the future."

Education is by far the largest general expenditure for the state (see Table 2). The Education category includes K–12 education, vocational technical education, adult and literacy services, and cultural affairs such as art, history, and library services and expenditures. Public welfare and corrections have been the fastest growing general expenditure categories during this same timeframe, though corrections is still the smallest listed expenditure line-item in terms of dollars.

One legislator acknowledged that "higher education probably will become a smaller portion of the state’s budget" over the next several years, but he quickly emphasized that the actual dollar amount will not decrease. Another policymaker added, "K–12 education will probably take away some of the dollars [from higher education] in terms of percent." Table 2 shows the major expenditures, by function, for South Dakota for two selected years. Higher education's actual appropriation has increased in real dollars, though it has become a smaller portion of South Dakota's general expenditures overall.

Table 3 provides a comparison of South Dakota to the national average on various higher education spending measures in terms of students and state higher education appropriations. Higher education in South Dakota has fared better than the national average for two of the three comparative indicators. South Dakota's five-year growth rate in higher education spending for the time

Table 2
South Dakota General Expenditures (in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>% of Total</th>
<th>1996</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$430,517</td>
<td>31.3%</td>
<td>$529,417</td>
<td>30.8%</td>
</tr>
<tr>
<td>Public welfare</td>
<td>$290,455</td>
<td>21.1%</td>
<td>$393,005</td>
<td>22.9%</td>
</tr>
<tr>
<td>Highways</td>
<td>$210,619</td>
<td>15.3%</td>
<td>$264,607</td>
<td>15.4%</td>
</tr>
<tr>
<td>Correction</td>
<td>$29,928</td>
<td>2.2%</td>
<td>$43,968</td>
<td>2.6%</td>
</tr>
<tr>
<td>Natural resources</td>
<td>$66,853</td>
<td>4.9%</td>
<td>$85,781</td>
<td>5.0%</td>
</tr>
<tr>
<td>Governmental admin.</td>
<td>$67,417</td>
<td>4.9%</td>
<td>$80,785</td>
<td>4.7%</td>
</tr>
<tr>
<td>Interest on general debt</td>
<td>$139,731</td>
<td>10.2%</td>
<td>$107,946</td>
<td>6.3%</td>
</tr>
<tr>
<td>Higher education</td>
<td>$89,400</td>
<td>6.5%</td>
<td>$108,800</td>
<td>6.3%</td>
</tr>
<tr>
<td>Other</td>
<td>$51,578</td>
<td>3.7%</td>
<td>$102,297</td>
<td>6.0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,376,498</strong></td>
<td></td>
<td><strong>$1,716,606</strong></td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures for higher education include research, medical and agricultural appropriations. Sources: U.S. Census Bureau, except that the figures for higher education are from K. Halstead, *State Profiles* (Washington, D.C.: Research Associates of Washington: 1997).
period given in the table is well above the cumulative national spending growth figure. South Dakota's spending rate per student also increased faster than most states, though the actual dollar amount for this measure remained below the national average. Finally, the percentage of tax revenue used for higher education has dropped in South Dakota and the nation, even while state appropriations have increased.

**Table 3**

**Higher Education Spending Measures**

<table>
<thead>
<tr>
<th>South Dakota</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total State Appropriations to Higher Education (in millions)</strong>&lt;br&gt;1991–92</td>
<td>$89</td>
</tr>
<tr>
<td><strong>Change</strong></td>
<td>21.7%</td>
</tr>
<tr>
<td><strong>1996–97</strong></td>
<td>$109</td>
</tr>
<tr>
<td><strong>Total State Appropriations to Higher Education per FTE student</strong>&lt;br&gt;1991–92</td>
<td>$3,341</td>
</tr>
<tr>
<td><strong>Change</strong></td>
<td>22.8%</td>
</tr>
<tr>
<td><strong>1996–97</strong></td>
<td>$4,103</td>
</tr>
<tr>
<td><strong>Higher Education Appropriations as a Percent of State Tax Revenues</strong>&lt;br&gt;1991–92</td>
<td>6.7%</td>
</tr>
<tr>
<td><strong>Change</strong></td>
<td>-11.9%</td>
</tr>
<tr>
<td><strong>1996–97</strong></td>
<td>5.9%</td>
</tr>
</tbody>
</table>

Higher Education in South Dakota

South Dakota has 24 postsecondary institutions, ten of which are private. These include four public technical institutions and six public four-year institutions. The state has four tribal postsecondary institutions, three of which are accredited as community colleges. The state enrolled approximately 34,000 students in postsecondary education in 1997.

The South Dakota University System Board of Regents governs the state’s six public universities as a unified system of higher education and also has constitutional responsibility for the School for the Deaf and the School for the Visually Handicapped. The nine members of the board are appointed by the governor and confirmed by the Senate. Regents serve six-year terms, with the exception of a student regent who serves for two years. In addition to governance and systemwide planning responsibilities for public higher education institutions, state-level planning falls within the board’s purview. Public tuition at South Dakota’s universities also is set by the Board of Regents.

The board appoints an executive director to serve as its chief executive officer. In the 1990s, as part of a statewide effort to develop policy-driven change in higher education, the board adopted a governing approach that places greater emphasis on system leadership, largely through the position of the executive director. In 1994, the board wrote, “The Board regards its executive director as its chief executive officer with a significantly greater role in the governance of the system than the institutional executive officers.”

Policymakers and university administrators were very upbeat in discussing the current composition of the board, using words such as “synergistic and eclectic” to describe the members. According to one president, “Governor Janklow has done a good job making his appointments.” When George Mickelson served as governor beginning in 1987, he built upon Janklow’s strong appointments by providing funding to meet current and future higher education needs. Another president said that laying the foundation for the current board started in the late eighties, as “Janklow brought together a base for higher education and gave it stability. In the early 1990s Mickelson then started the public policy process of integrating the universities and making them complementary.”

The other major branch of public postsecondary education in the state is the technical institutes. There are no community colleges in South Dakota, though one legislator cautioned, “It is best not to get stuck on what we call institutions but focus on what they do and how they can meet state needs.” The State Board of Education governs the four technical institutions in the state, but their operations continue to be under the administrative control of the K–12 school district.
boards that first initiated them as area vocational schools in 1965. The state board is composed of citizens (appointed by the governor) and is staffed by the Department of Education and Cultural Affairs. One technical institute director described the state board’s duties as “setting tuition rates, overseeing programs and the teacher credential process, and monitoring budgeting and the need for maintenance and repairs. The local board must approve any new or expanded programs and has the power to hire and fire its local institute director.”

ENROLLMENT

The South Dakota University System (SDUS) is comprised of six public four-year institutions and two specialized schools (the South Dakota School for the Deaf and the South Dakota School for the Visually Handicapped). Three years of enrollment data—including the peak year (1994)—for the six universities are displayed in Table 4.

As shown in Table 4, one of public higher education’s greatest challenges in the state is maintaining enrollment. The enrollment decline for the state’s six public universities began in 1995. Enrollment levels have been influenced by a number of factors: demographics, changes in state enrollment funding, and policy changes regarding nonresident students.

In the 1990s, headcount enrollment peaked in 1994, with 1997 enrollments declining to 1990 levels. Enrollment of traditional college freshmen may be on the decline as well. The number of South Dakota high school graduates is projected to decline 3.3% over the next 15 years (1996–97 through 2011–12). In comparison, the total number of high school graduates nationwide is expected to increase by 16% in this same period. When asked about capacity, one president said several universities are at an all time low in enrollment and, “They are trying to recruit students from everywhere.”

In South Dakota, there are indicators that traditional college freshmen are increasingly choosing private or out-of-state institutions rather than in-state public institutions. In 1996, almost 45% of high school graduates from South Dakota became full-time freshmen. During this same year, 67% of all South Dakota residents who were freshmen attended college in their home state, compared with the national

<table>
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<tr>
<th>Table 4</th>
<th>State Universities: Fall Headcount Enrollments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1990</td>
</tr>
<tr>
<td>Black Hills State University</td>
<td>2,545</td>
</tr>
<tr>
<td>Dakota State University</td>
<td>1,311</td>
</tr>
<tr>
<td>Northern State University</td>
<td>3,113</td>
</tr>
<tr>
<td>SD School of Mines &amp; Technology</td>
<td>2,253</td>
</tr>
<tr>
<td>South Dakota State University</td>
<td>7,642</td>
</tr>
<tr>
<td>University of South Dakota</td>
<td>6,817</td>
</tr>
<tr>
<td>System Total</td>
<td>23,681</td>
</tr>
</tbody>
</table>

Source: South Dakota Board of Regents.
average of 80%. During the public system’s peak enrollment year (1994), the state still lost more students to other states than it gained. Yet 1994 is the year most respondents pointed to as the peak year in out-of-state resident attendance at South Dakota universities. A typical policymaker comment was: “We were increasing enrollments but with out-of-state students, so we were paying to educate nonresidents at a time when a property tax revolt was happening.” After the enrollment peak, a number of policies and programs that encouraged nonresident attendance were eliminated.

According to several higher education respondents, the commencement of the enrollment decline also was linked to the waning commitment to fully fund the enrollment formula after 1993. Policymakers and higher education leaders’ opinions differed as to whether the system should have been able to maintain or improve quality without decreases in enrollment or increases in funding. But the end result is clear. The tightening of admission standards, the lack of full funding for the enrollment formula, and the elimination of previous policies that encouraged nonresident enrollment—all resulted in the enrollment slide that began in 1995.

Private two- and four-year institutions comprise a comparatively small portion of South Dakota’s higher education industry, but here too, enrollment has been stagnant. Headcount enrollment decreased slightly from 1995 to 1996, and if one assumes that the broad trends of high school graduates and student migration rates previously discussed affect both private and public institutions, there is little reason to believe that enrollment will increase in either sector.

By contrast, overall enrollment in the technical institutes has risen over the last several years. South Dakota’s Workforce and Career Office calculates that fall headcount enrollment grew 11% from 1997 to 1998. Southeast Vocational Technical Institute, the state’s largest technical institute, experienced a 22.5% increase in annual enrollment from 1997 to 1998. The institute’s director added, “There is no reason to believe that we won’t maintain double-digit growth in the coming years.” Another director’s speculations were similar. The directors attribute their enrollment growth to their effectiveness at meeting industry needs and strong program offerings. One director concluded that another appeal of the technical institutes is that they “offer South Dakotans a

### Table 5
Headcount Enrollment at Private Institutions and Technical Institutes

<table>
<thead>
<tr>
<th>Private Institutions</th>
<th>1995</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public two-year institutions</td>
<td>233</td>
<td>354</td>
</tr>
<tr>
<td>Private two-year institutions</td>
<td>6,769</td>
<td>6,605</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7,002</td>
<td>6,959</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Area Vocational Technical</td>
<td>1,443</td>
<td>1,326</td>
</tr>
<tr>
<td>Mitchell Vocational Technical</td>
<td>n/a</td>
<td>723</td>
</tr>
<tr>
<td>Southeast Vocational Technical</td>
<td>2,482</td>
<td>2,715</td>
</tr>
<tr>
<td>Western Dakota Vocational Technical</td>
<td>951</td>
<td>1,015</td>
</tr>
<tr>
<td>TOTAL</td>
<td>n/a</td>
<td>4,480</td>
</tr>
</tbody>
</table>

Sources: Data for private institutions are from The Chronicle of Higher Education Almanac, 1997–98 and 1998–99. Data for technical institutes are from individual institutions’ Office of Registrar and Student Services.
chance to stay in the state if they so choose, whereas there may not be as much opportunity in the state for university graduates.\(^7\) Headcount enrollment data for selected years for private institutions and the four technical institutions are listed in Table 5.

Despite enrollment growth in the technical institutions, South Dakota continues to have low participation rates in postsecondary education relative to surrounding states.\(^{15}\) Low participation rates in South Dakota, particularly when compared to states with high participation rates (e.g., California and Arizona), may reflect the lack of a well developed two-year college sector.

**Tuition and Student Aid**

Indicators of higher education affordability in South Dakota are mixed. There are no public community colleges in South Dakota, so the option of a public two-year postsecondary education rests primarily with the vocational institutions. Estimated costs of a 32-hour course load per academic year at a vocational institute are higher than the national average cost of attending a two-year community college. Public and private tuition at four-year institutions in the state is lower than the national average, however. The first three indicators in Table 6 compare tuition of the various higher education sectors in South Dakota to national averages; the last three measures are indicators of state versus student contribution to pay for higher education.

In comparison to the first three measures in Table 6 showing tuition and fee rates, the last three measures indicate that higher education in South Dakota is "less affordable" than the national average. These three measures involve not only tuition but also factors such as state appropriations and the number of full-time equivalent (FTE) students. Tuition as a percent of total revenues (defined as tuition plus state appropriations) was 42.1% in 1996–97 for South Dakota, while the national average was 31.4%. This means that students are

<table>
<thead>
<tr>
<th>Table 6</th>
<th>Affordability Indicators for South Dakota</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tuition and Fees</strong></td>
<td></td>
</tr>
<tr>
<td>Public four-year institutions</td>
<td>$1,943</td>
</tr>
<tr>
<td>Public two-year institutions*</td>
<td>n/a</td>
</tr>
<tr>
<td>Private four-year institutions</td>
<td>$6,919</td>
</tr>
<tr>
<td>Tuition/(Tuition + Appropriations)</td>
<td>38.4%</td>
</tr>
<tr>
<td>Tuition/Number of FTE Students</td>
<td>$2,086</td>
</tr>
<tr>
<td>State Appropriations/Number of FTE Students</td>
<td>$3,341</td>
</tr>
</tbody>
</table>

* Includes only technical institutes.

Sources: Most of the tuition and fees data are from The Chronicle of Higher Education Almanac, 1993 and 1998. Tuition and fees data for two-year institutions in South Dakota were obtained from the South Dakota Department of Educational and Cultural Affairs, and are based on a 32 credit-hour academic year, at $50 per credit plus fees. The lower three measures are from K. Halstead, *State Spending* (1997). These data include only public universities. South Dakota Board of Regent data for State Appropriations/Number of FTE Students yielded $3,490 and $4,224, respectively.
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paying a larger percentage of their educational costs than the national average, not that actual tuition is higher.

South Dakota's tuition per full-time student is above the national average in part because student enrollment in the public universities has been flat or declining since 1995. In addition, a measure of family payment effort shows that tuition is taking up a larger percentage of family income in South Dakota than it did in the past. The family payment effort in South Dakota has risen from 8.5% in 1991-92 to 10.1% in 1996-97, compared to the national average of 5.7% and 6.8% respectively.

The general consensus by those interviewed was that tuition will continue to rise. Most legislators accurately commented that students pick up about 42% of their higher education bill, with one state senator offering, "I think it can incrementally increase and I don’t think it would be a big concern." The senator continued, "I don’t see anything wrong with students paying a little bit more." A state house representative said, "One thing about tuition, we have not heard complaints from students; there may be an acceptance that borrowing is part of the business of getting a college education." Another representative said, "There is a mentality in the state that it is okay to go into debt when you have a potential income increase as a result of your education."

The data on student financial aid certainly reflect the perspective that borrowing is a normal part of receiving a higher education in South Dakota. Figure 3 compares South Dakota's University System (SDUS) to national averages across the various types of student aid. This graph is striking in showing that 70% of SDUS student aid is in the form of loans, compared with a 48% figure nationally. The "Other" category includes work-study, merit aid, employment other than work-study, etc.

South Dakota devotes few resources to state need-based aid, and, in fact, currently provides more merit scholarships to its students. State grant programs account for 1% of total student aid in the state, of which 21% ($179,921) is based on need and 79% on the merit-based Mickelson scholarship. These scholarships, established by Governor Mickelson, pay full tuition at public universities for the top one percent of the state's high school graduates. When Governor Janklow was reelected in 1994, he called for the elimination of these scholarships. With the Mickelson program scheduled to phase out by 1999, total
state-based student aid will decrease even further. One regent said, "We haven't dealt with the issue of higher tuition revenues and that should lead to more aid."

In Figure 3, institutional aid is included in the "grants" category for the South Dakota University System in order to remain consistent with the national data. According to one president, "The universities in South Dakota are not allowed to use tuition dollars as institutional aid," or, put another way, the recycling of tuition dollars is not allowed. Institutional aid comprises 4% of the total grants category in Figure 3 but is separated from federal and state grants in Table 7.

Table 7 breaks down the sources of grant aid to students in 1996–97, nationally and for SDUS. The table emphasizes that South Dakota does relatively little in terms of providing aid to its higher education students. The low percentage of state-provided aid, when compared to the national average, appears to create a disproportionate dependence on federal grants, as institutional aid and other forms of aid that do not have to be paid back (referred to as non-obligation aid in Table 7) also lag behind the national average.

<table>
<thead>
<tr>
<th></th>
<th>National</th>
<th>SDUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>31%</td>
<td>56%</td>
</tr>
<tr>
<td>State</td>
<td>16%</td>
<td>1%</td>
</tr>
<tr>
<td>Institutional &amp; other non-obligation aid</td>
<td>53%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Sources: The Educational Resources Institute, Institute for Higher Education Policy, Student Grant Aid & College Affordability, p. 20–22; and SD Board of Regents, Fact Book: 1998, p. 15.
Two New Processes for Policy-Driven Change

In the context of flat or decreased enrollment projections for four-year institutions, low faculty salaries, and an increased strain on state revenues, policymakers have been involved in creating policy-driven change in South Dakota higher education over the last several years. There have been many calls for change in South Dakota's postsecondary policy climate, some emanating from the state capitol, others driven from within higher education itself. The Legislature and governor have utilized various strategies, or levers, to influence higher education change: targeted appropriations to higher education; direct persuasion to encourage higher education to operate as a system and to collaborate; and, of course, legislation. Recent legislative actions have included moving away from a formula-based budgeting process and passing an articulation agreement to enhance transfer of students between the technical institutes and public universities.

According to one state representative, "We hope there will be movement toward more efficiency. . . . We don't want institutions competing for the same students." These comments reflect the inclination of many state policymakers, who are pushing for more efficiency gains and increased collaboration among universities, technical institutes, and K-12 education. Higher education itself has taken action toward change as the Board of Regents has launched several initiatives. The system also is aiming to show the quality of its programs through standardized testing and revised admissions standards. That many of these changes are now well underway is in no small part attributable to the development of two processes in the state: the "roundtable" discussions, and the unification of the South Dakota University System. These processes have largely redefined how higher education leaders and policymakers implement action and plan for the future.

ROUNDTABLE PROCESS

Some significant changes in South Dakota higher education, although the result of many events, have developed from a process that has helped move ideas toward actual implementation—the "roundtable" discussions. Roundtables are used as a strategy for change in South Dakota, as a means of developing consensus on priorities and on the actions necessary to address those priorities. Initiated in 1995 by the Board of Regents, the roundtables brought leaders from different constituencies together for day-long discussions about state higher education issues. Participants in the South Dakota roundtables included business leaders, K-12 educators, higher education administrators, and policymakers. The initial
roundtables were sponsored by the Institute for Research on Higher Education at the University of Pennsylvania. Later roundtables were sponsored by the Board of Regents and by the Western Interstate Commission for Higher Education (WICHE). A total of 19 statewide roundtables have been held since the first in June 1995. The discussions were moderated by a third party to infuse the sessions with outside objectivity. Some roundtables specifically targeted policymakers or business constituents.

Participation in the roundtables—including the governor and top legislative leaders—could easily be described as successful. Virtually every interviewee mentioned the usefulness of the roundtable discussions, not only as a means of opening communication lines, but as a way of sharing ideas and information. A typical legislative comment was, “We may not have ended up agreeing on all of the issues, but at least we received a better understanding of higher education.” One state senator’s opinion that “the roundtables have helped us to talk about changes in the formula and budgeting processes” indicates that the roundtables not only generated dialogue but played a role in leading to change.

A number of legislators have become actively engaged in higher education issues mainly due to their participation in the board-initiated roundtables. Speaking of the roundtables, a state senator emphasized, “People came to improve education. What surprised [those who represented] education is that everyone was convinced of the need for higher education, but not everyone was sold on the product.” Indeed, in a roundtable attended by nine legislators, policymakers said their educational priorities were: (1) kindergarten through grade 12; (2) technical institutes, partly because the graduates stay in the state; and (3) higher education (universities).

According to roundtable transcripts, part of the reason higher education was cited as the third priority was that legislators are not sure how the Board of Regents operates, and they know and understand less about higher education than about other sectors of education. One legislator said there is so much information flowing out of the Board of Regents that it “is sometimes difficult to understand and sometimes just too much to read.”

It was clear from interviews with legislators, however, that the roundtables were successful in creating a basis for communication and understanding between higher education and state policymakers. Several comments from legislators—such as, “The roundtables have been very important to arriving where we are at today,” and, “The roundtables have created a basis for understanding among several parties,”—make it clear that much goodwill has been generated as a result of the roundtable process. A state senator who served as a co-convener to one roundtable captured what appears to be the most important role the dialogues have played in South Dakota higher education over the last four years:
"Several of us have attended conferences in other states and seen that we all have the same problems. The difference is that we have gotten people in a room talking about the problems—and I think that has helped us to initiate policy-driven change."

In some cases, the roundtables clearly produced agreement among state lawmakers and higher education officials. In other cases, such as with articulation between the state universities and the technical institutes, disagreement persists. In all cases, it seems that the roundtables were successful in putting issues on the table. A state senator summarized the value and influence of the roundtables by saying, "discussion came out, understanding came out, and differences of opinion came out; all of this was aired and put on the table, and this was healthy for higher education and policy in general." According to one observer of the system, the roundtable process has been effective in South Dakota because the executive director of SDUS has come to the roundtables with an agenda and has used the process as a "means of building consensus around that agenda."

TOWARD STRONGER SYSTEM UNIFICATION

According to most of the individuals we spoke with, one of the most significant changes in higher education in the state over the past 10 years—one that has contributed to and resulted from some of the changes discussed below—has been a noticeable change in the way the South Dakota University System operates. Rather than each institution acting on its own behalf, the institutions have acted much more "for the good of the system" in their approaches to the Legislature. Institutions have also begun to collaborate on course offerings, particularly in low enrollment programs. What was a system of "feudal monarchies" in the mid-1980s has developed into a much more unified system, according to one university president. Another president noted that previously, the institutions "operated independently and would get what they could during budgeting time." This sentiment was echoed by many of the individuals we spoke with, including regents and legislators. The roundtable process itself was also more effective once institutions of higher education could approach issues collectively, rather than in competition with one another.

The evolution of the state's six universities acting more as a "system," was a result of many factors. Several events began taking shape in the 1980s that pushed the universities to act more as a system. Current Governor Janklow was then serving his first term, and, by most interviewee accounts, the governor "planted the seeds" for a very effective board through appointing competent regents. Governor Mickelson, who succeeded Janklow, then started the process of asking how the universities could be more integrated. He also fully funded the
enrollment formula at the same time that some external monies were flowing into the state's universities. This helped stimulate research and meet industry needs. In 1993, after Governor Mickelson's death, the formula was no longer fully funded, but ironically, this too may have pushed the institutions and the board to work together in the face of unpredictable funding.

Board influence also began to increase, and the universities were "constantly pushed to work together," according to one president. A regent added that the board changed the internal decision-making process, hiring an executive director who would chair the council of presidents, eliminating what he saw as the "fragmented" decision-making process that had been in place previously. The change in board policy that established the executive director as the chair of the Council of Presidents also emphasized a unified approach to addressing issues. One regent noted, "There was a legislative impetus and we had an internal movement toward a single system, though we don't call it that."

The board reinforced this unified approach to higher education in a 1997 policy statement. In response to policymakers who were concerned with unnecessary duplication within the system, the board called for a unified approach reflected in administrative services and in the use of academic resources. The policy statement established statewide discipline councils in 11 academic disciplines, with the intention of developing greater collaboration regarding curriculum offerings and the development and deployment of resources (including faculty and staff).17

In addition to creating a common policy agenda for public higher education, the idea of working together as a system has encouraged some partnerships between institutions. A significant collaborative effort among three institutions resulted in the creation of what is now known as the Sioux Falls Center for Public Higher Education (CPHE). Through the CPHE, now in its sixth year, each institution offers degree programs and delivers courses. Legislatures and higher education administrators alike point to this collaborative effort as a successful endeavor that is meeting the needs of the state.

Though discussions with business leaders in South Dakota reveal that they feel there needs to be much greater collaboration among institutions in the development and delivery of programs,18 an observer of South Dakota higher education noted that "the universities are clearly acting more as a system—mostly in terms of how they internally manage things." Other developments also indicate that the universities are indeed addressing issues as a unified system. Successfully transitioning to a new state budgeting process for higher education had systemwide support and was skillfully advocated by the board. Although many factors culminated in this change, the unified voice for higher education was certainly a positive contributor.
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Changes Initiated in Higher Education

REINVESTMENT THROUGH EFFICIENCIES

The roundtable and system unification processes have combined with other policy-driven processes to engender change. One major policy-driven change entailed efforts to make the system of higher education more efficient. In South Dakota, as in many states, pressure on state revenues was accompanied by more calls for efficiency. The policymaker crescendo calling for efficiencies began in the early to mid-1990s and continues today. “In 1994 the Board of Regents was requesting an increase in [funding per] FTE,” said one policymaker, “but almost everyone else in state government was decreasing.”

The Legislature in 1995 passed a resolution calling on higher education to be more efficient. At about the same time, the Legislature passed Governor Janklow’s property tax reduction initiative, which required a significant cut in statewide spending. While most areas of state government were seeing reductions in funding (as a result of property tax reductions and a general movement to reduce the size of government), higher education did not see any reductions in its budget.

Though it did not receive initial budget cuts, higher education feared that it would face a 10% budget reduction, according to many we spoke with. The board used the roundtable process to strategically determine how the system might respond if faced with a major budget reduction. Concurrently, the board pushed for a unified approach to managing academic resources. Institutional executives apparently felt this approach was acceptable; as one president commented, “As a system, we looked carefully at the things we were doing and tried to figure out where there was money that could be saved.... We tried to come up with the money in a way that would do the least harm to the system.”

One of the major decisions that was made was to implement a new board policy to eliminate funding for low-enrollment courses. The policy stipulated that the board would not fund graduate courses with less than seven students or undergraduate programs with less than ten students.

The board further called on institutions to find savings in their base budgets equivalent to approximately 10% of the budget for instruction. The board gave each institution a minimum target for money to be saved, and then the institutions themselves decided how they would save the money. Savings came not only from eliminating low-enrollment programs, but also from redesigning enrollment service centers, administrative consolidations, and minor changes in business practices. The system successfully generated the 10% savings (approxi-
At a roundtable held just prior to the 1996 legislative session, the board brought a proposal for strategies to reinvest these savings. The major product from this roundtable was an agreement to allow each institution to reinvest the savings they could produce through their efficiency efforts, while requiring that the reinvestments be made in high priority activities. Governor Janklow extended an "act of good will" by allowing the system to keep the savings. The priority areas include: the establishment of Centers of Excellence at each of the institutions, investments in a technology infrastructure, curriculum redesign, and K-12 linkages. The institutions are required to file plans annually with the board, but essentially it is their decision how to reinvest the money among the priority areas. The only parameter was that approximately 30% of the savings had to be invested in the Centers of Excellence.

Several higher education officials considered the governor's allowing higher education to keep the 10% budget savings to be a vote of confidence in the system. Most higher education administrators also said the development of technology infrastructure, especially as it relates to enhancing efficiency and improving service delivery, is of particular interest to the governor.

Program changes resulting from this initiative have taken the form of encouraging institutions to collaborate when combined system enrollments may indicate a need for continuing certain programs. Inter-institutional programs have been developed in French, German, and physics, for example, and the development of six electronic classrooms is intended to foster the sharing of curriculum.

**FROM FORMULA TO BASE-PLUS BUDGET**

The Reinvestment through Efficiencies Initiative was a first step toward using the higher education budget for high priority areas. More recent developments and changes in the budgeting process provide an even more telling story of the state's attempt to create a policy-driven agenda for the public higher education system. The state budget and the means of allocating dollars to higher education provide the glue that policymakers hope will bind higher education activity to state policy goals.

The idea that policy and budget are one and the same would indicate that there is no way to interpret the landscape of state finance without a concurrent understanding of the policy choices that are implicit in the numbers. Many respondents in South Dakota believe the state's policy goals for higher education have driven recent budgeting changes rather than the other way around.

In reality, however, a series of events converged to produce the new budgeting process in the state. The effectiveness of the roundtables was mentioned by
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virtually every person interviewed in the state. The series of round tables produced discussions that culminated in reports published by the Board of Regents, which in turn led to the development of state policy goals now being used as the basis for the new funding approach. A second factor was that the state’s commitment to fully fund the higher education formula in the early 1990s could not be maintained. One president said that this “gave impetus for the Legislature to push for something of a new funding approach.” In addition, state revenues began showing the impact of property tax reductions, and, at about the same time, the legality of using lottery funds for educational purposes also came into question. A board representative said that as state revenues were being squeezed and enrollment projections looked less than positive, “I could see future problems with an enrollment-based formula.”

A Budgetary Facelift

The instructional formula designed in the 1970s can best be described as input driven since it was largely dependent on enrollment. The formula was based on actual student credit hours, which were used as a basis for determining factors ranging from the number of FTE faculty to requests for operations and maintenance. In order to use actual data, however, the formula required a two-year lag between the fiscal year the student hours were generated and appropriated resources expended.20

The new base-plus method, as it is called, will allocate state higher education appropriations and 80% of tuition revenues into what is called a System Operating Pool (SOP) for the six public universities.21 A significant portion of the SOP will be used for a base that is not dependent on enrollment and will adjust for inflationary increases over time. A university president said this enables some stability and long-term planning. “But there will always be an element of the money following enrollment.” The base for each of the universities was determined by using an average of state-supported enrollment over several recent years.

The nine state policy goals that evolved from the roundtable discussions concern the following areas: access, economic growth programs, academic improvement, human resources, faculty development, collaboration, technology infrastructure, facilities and equipment, and external funds.22 The base is intended to support eight of these policy goals that are believed to directly affect instruction, operations, and other core activity. For example, two policy priorities that directly influence instruction include an emphasis on attracting high quality human resources, and providing professional development for future and
existing professionals.

The Legislature also endorsed the board’s plan to pursue a performance-based funding policy whereby five percent of the SOP will be awarded to public institutions that meet certain policy objectives. The State Policy Incentive Funding, as named by the board, will be divided equally among five policy incentives: access, economic growth programs, academic improvement, collaboration, and increases in non-state funds. These priority areas were determined in consultation with the Legislature. Each institution has established (after negotiation with the Board of Regents) a target for each of the five policy incentive areas. If the institution meets or exceeds the goal, they receive the one percent (or potentially even more, if they exceed the goal significantly); if they do not meet the goal, they do not receive that portion of their funding.

Opinions differ as to how performance-based funding will work: some reserve comment or believe no changes will happen; others believe significant movement toward state policy goals is clearly within sight; and still others believe things will change only on the margin. One House representative echoed an opinion by a colleague in the Senate when he said, “If each university ends up with five percent of the incentive funding, this whole thing may be a fallacy.” A higher education official said that the base provides the stability the system needs and added, “I am trying to get people to understand that we should look at the results of the incentive funding, not whether somebody got back five percent.” Supporters of the incentive approach argue that this is a way to really leverage the base, that institutions will change behavior and work toward these policy areas if a portion of their base funding is on the line.

**RELATIONSHIPS WITH VOCATIONAL/TECHNICAL INSTITUTES**

One issue in the state that may soon come to the forefront is the governance of the technical institutes. Some are asking, “What is the appropriate role for the technical institutes in the broader state postsecondary picture?” Recent events regarding articulation and two-year offerings seem to have created this debate, resulting in a difference of opinions among and between policymakers and postsecondary leaders.

The perception among many representing the university system seems to be that the technical institutes are “wanting to become community colleges,” and it would be best to place them under the Board of Regents. Respondents from the technical institutes flatly stated, “We are not interested in becoming a community college,” with one administrator adding, “Becoming a community college would not make sense; there is no real local property tax base to support such an operation. We are a state institution now, and we are very happy with that.”
Respondents from the technical institutes strongly expressed the belief that they would not be able to meet state needs nor be as effective if they are placed under the Board of Regents. One director stated, “Ninety percent of the jobs in South Dakota do not require a four-year degree, and there would be no reason to change our mission or governance structure because we are doing an excellent job of meeting current business needs.”

The issue of two-year offerings adds fuel to the governance issue because of the ambiguity of who should be offering what. Each university offers limited two-year programs, though the universities have been charged to “pursue market-driven associate degree programs.” Many higher education representatives believe that the technical institutions are already moving toward an academic function in offering two-year degrees while maintaining their niche of serving the business market. One regent said, “The technical institutes already provide community college functionality.” A state senator and technical institute director agreed that the institutes do fulfill some needed functions of the community college. Still, there is disagreement as to whether there is a need to provide more complete community college services, and if so, whether the need is significant enough to warrant a change in governance.

Further complicating the picture is the high regard policymakers have for the technical institutions, and their sound reputation throughout the state. A legislator representing Sioux Falls said, “We have a wonderful VoTech institution, and they are meeting needs.” Regents’ respondents said that if the technical institutions were under their governance structure, then coordination and program planning would more effectively meet the state’s needs. The leadership of the technical institutes is happy with its current governance arrangement. Legislative reaction was mixed, with some offering cautious support to considering such an option, and others believing that “the technical institutions would be eaten alive if they were under the board.”

In terms of articulation, technical institutes previously worked with individual universities to arrange agreements. In 1998, however, the Legislature passed an articulation bill that requires the university system to take up to 64 credit hours from technical institute students who wish to transfer to a university. One institute director said that his previous arrangement with an individual university had been working well, and that the articulation bill had complicated the issue.

From the board’s perspective, articulation should be a system-to-system arrangement, since it represents a state policy issue. A board member said there are other important issues such as instructor qualifications that must be considered. He repeated the general feeling of the university officials interviewed by saying, “The bill means the universities must take the credits; it doesn’t necessar-
The legislation did provide that the Board of Regents and the Board of Education would jointly craft the details of the articulation agreements. The two bodies have met and established the guidelines for the articulation of general education courses.

The director of one technical institute said, "I don't expect that a university will necessarily take all 64 credit hours and automatically transfer them, but there are reasonable and cost-effective reasons why some general education courses should transfer." Another director, amazed at what he believes to be university resistance, said, "All we were trying to do was provide an avenue for those students who want to move on with their education, and the percentage who want to transfer is very small compared to the national average."

At one roundtable session, legislators perceived the data on articulation provided by the regents to be incorrect and were upset at how the issue was being handled. This seemed to be consistent with the legislative input provided in the interviews, as some individuals believed that the university system was putting up too many roadblocks and that there should be no problem transferring courses. One senator emphasized, "I think we at the Legislature decided that it was the regents who were at fault, not the VoTechs."

The policy conversation about the vocational/technical institutes has continued to be focused on articulation and governance issues. There has been very little focus on workforce development issues, or questions about what kinds of two-year education the state needs to be providing its citizens. Through its recent survey of employer needs, the Board of Regents has taken a first step in trying to further the agenda in this direction. The board now has some information about what employers think graduates should know and be able to do in order to be successful employees in the state. While it is too early to tell what the results will be, an initial process has begun.

**ADDITIONAL CHANGES: ENHANCING ACADEMIC QUALITY**

The establishment of Centers of Excellence via the Reinvestment through Efficiencies Initiative was an effort to emphasize quality. The universities are trying to provide evidence of quality and accountability via other means as well, such as through standardized testing and changes in admissions. One regent explained, "The quality of academic programs is probably an issue, and we're addressing that through some testing." South Dakota's university sophomores must take what is called the Regental Proficiency Examination to ensure competence at that level. This "rising junior" examination tests a student's improvement over their pre-college ACT scores (which are required for admission into a
A board member said that there isn’t a big concern about dismal results because recent failure rates were “single digits, so the numbers are encouraging.” Another board member added, “We think this exam will help us prove that we can be accountable. We are also moving toward an exit exam by discipline, and we think this will help prove the quality of our programs to legislators.” It is clear that the Regental Proficiency Examination is internally supported by higher education and will continue. Although an exit examination seems to be of interest to some of those we spoke with, it doesn’t seem to be a pressing issue. Implementation may well depend on whether a particular regent makes exit exams a priority or the Legislature demands additional proof of quality.

Addressing faculty pay has also been a part of what the board considers important to academic quality. The board mounted a substantial effort to increase faculty salaries concerned that the state’s dismal national faculty pay rankings would hurt the system’s ability to attract and retain high-quality faculty. The board introduced a plan to increase public university faculty pay over three years, and—according to one board member—to distribute the increases based on “merit and the market.” The board proposed to pay for this increase by trimming full-time faculty positions and increasing tuition and fees. Two university faculty members, one who belongs to the union and the other who does not, expressed similar concerns that it is counterproductive to increase salaries from dollars that come from “imposed cuts on the faculty.” One faculty member elaborated, “Now you have less FTE faculty, more work, and possibly marginal pay increases.” In the 1998 legislative session, the state approved money to contribute to the salary increase according to the board’s plan. Due to a bargaining impasse with the faculty union, however, the Department of Labor intervened before ultimately allowing the distribution according to the board’s plan.

A faculty union representative explained that, from the union’s perspective, “there was a sentence added to the bill that the monies would be under the sole auspices of the BOR [Board of Regents], but by law the BOR is supposed to bargain in good faith with the union.” In addition, the union was concerned about such issues as salary compression and equity. The union had originally supported an across-the-board increase because, according to the faculty representative, “every other state employee in South Dakota was given a three percent across-the-board cost of living adjustment increase, so I don’t think we were being unreasonable—especially when you consider we are below the market.”
Conclusions

As in many other states throughout the last decade, policymakers in South Dakota are looking for efficiency and savings in all areas of public service, including higher education. The conscious choice by the state's leadership to decrease tax-based revenue over the last five years has certainly contributed to the need for higher education to formulate new and better ways of delivering education. Although every state is unique, "we all seem to face similar problems or challenges in higher education," as one legislator put it.

What is exceptional is how the state has approached its problems. As in any state, many factors prompted policymakers in South Dakota to recognize the need for change. Foremost among these factors were the roundtable meetings (and diligent follow-up after each session), which have enhanced statewide dialogue concerning higher education policy. This, in turn, has helped policymakers and higher education leaders to plan for and implement change. Traditionally, the Legislature has relied on information that the Board of Regents provides or that gubernatorial staff make available. The roundtables have changed that, providing a communication and information forum for legislators, the governor, business constituents, and higher education administrators outside the frenetic 30-day legislative sessions.

Secondly, the process of adopting a more unified higher education system—which occurred simultaneously with the roundtable discussions—helped the state to plan and implement change more effectively. Examples can be found in the state emphasis on reinvestment through efficiencies, and in the shift away from formula-driven budgeting. The essence of the state policy agenda for higher education now resides in nine state policy goals, each of which is tied to the amount of base funding, the performance portion, or both.

Several issues, of course, remain largely unresolved. Though an articulation agreement has been legislatively mandated, issues between higher education and technical education may make implementation less than smooth. Many university and technical administrators say they work together on certain issues, but it is clear that there are still differences. Whether or not the technical institutes should remain separate from the universities also is a question that has polarized stakeholders. Given the state's political trends towards increasing efficiency and eliminating duplication—and a governor who is powerful and in his last term—conditions in the coming years may be ripe to resolve some of these divisive issues between the technical institutes and the universities.

It is too early, of course, to suggest that South Dakota's policy-driven changes in higher education have been—or will be—successful across the board.
The full effects of the new processes for implementing state higher education policy are not yet clear; nor will they be for some time. What is clear, however, is that over the past five years, policymakers, higher education leaders, and business leaders in South Dakota have responded to changing state needs through developing a wide range of proactive, policy-driven processes. As a result, South Dakota is in a better position to assess its needs regarding higher education, engage policymakers in long-term discussions to plan for meeting those needs, and implement changes based on those policy discussions.
Endnotes


6. Correspondence with South Dakota Board of Regents, March 11, 1999.


8. Citation provided in correspondence from Dr. Tad Perry, executive director of the South Dakota University System. “The Executive Director of the South Dakota Board of Regents: Expectations and Priorities,” Pierre, SD, South Dakota Board of Regents, January 27, 1999.


11. NCHEMS, Quality of South Dakota Higher Education, p. 23.


15. NCHEMS, Quality of South Dakota Higher Education, p. 4.


18. NCHEMS, Quality of South Dakota Higher Education, p. 5.


20. South Dakota Board of Regents, Connecting Higher Education Policy to University Funding (Pierre, SD: 1997), p. 20

21. Ibid., p. 31.

22. Ibid., pp. 4–5.

23. Ibid., p. 5.

24. NCHEMS, Quality of South Dakota Higher Education.
ABOUT THE AUTHOR

Mario C. Martinez is an assistant professor in educational management and development at New Mexico State University. He has published in the areas of higher education finance and legislative perceptions of higher education governance. His current research is in the area of state governance structures.
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Reports and Analyses Published by the National Center

98-1 Concept Paper: A National Center to Address Higher Education Policy, by Patrick M. Callan (March 1998). Describes the purposes of The National Center for Public Policy and Higher Education.


98-3 Organizing for Learning: The View from the Governor’s Office, by James B. Hunt Jr., Governor of North Carolina and Chair of the National Center for Public Policy and Higher Education (June 1998). An address to the American Association for Higher Education concerning opportunity in higher education.

98-4 Tidal Wave II Revisited: A Review of Earlier Enrollment Projections for California Higher Education, by Gerald C. Hayward, David W. Breneman and Leobardo F. Estrada (September 1998). Finds that earlier forecasts of a surge in higher education enrollments were accurate.
98-5  The Challenges Facing California Higher Education: A Memorandum to the Next Governor of California, by David W. Breneman (September 1998). Concludes that the next governor should give serious consideration to exploring a new Master Plan for Higher Education.


98-7  Higher Education Governance: Balancing Institutional and Market Influences, by Richard C. Richardson, Jr., Kathy Reeves Bracco, Patrick M. Callan, and Joni E. Finney (November 1998). Describes the structural relationships that affect institutional efficacy in higher education, and argues that effective state policy achieves a balance between institutional and market forces.

98-8  The Challenges and Opportunities Facing Higher Education: An Agenda for Policy Research, by Dennis Jones, Peter Ewell, and Aims McGuinness (December 1998). Argues that due to substantial changes in the landscape of postsecondary education, new state-level policy frameworks must be developed and implemented.

99-1  Taking Responsibility: Leaders’ Expectation of Higher Education, by John Immerwahr (January 1999). Reports the views of those most involved with decision-making about higher education, based on a survey and focus groups conducted by Public Agenda.

99-2  South Dakota: Developing Policy-Driven Change in Higher Education, by Mario C. Martinez (June 1999). Describes the processes for change in higher education that government, business and higher education leaders are creating and implementing in South Dakota.
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