

**Department 215 - North Dakota University System Office
House Bill No. 1003**

Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	114.99	\$165,213,670	\$2,011,216	\$167,224,886
2013-15 Legislative Appropriations ^{1,2}	112.91	162,045,136	2,299,912	164,345,048
Increase (Decrease)	2.08	\$3,168,534	(\$288,696)	\$2,879,838

¹The 2013-15 appropriation amounts have not been reduced for any general fund allocations to institutions from the following one-time funding pools and one-time program funding appropriated to the North Dakota University System office:

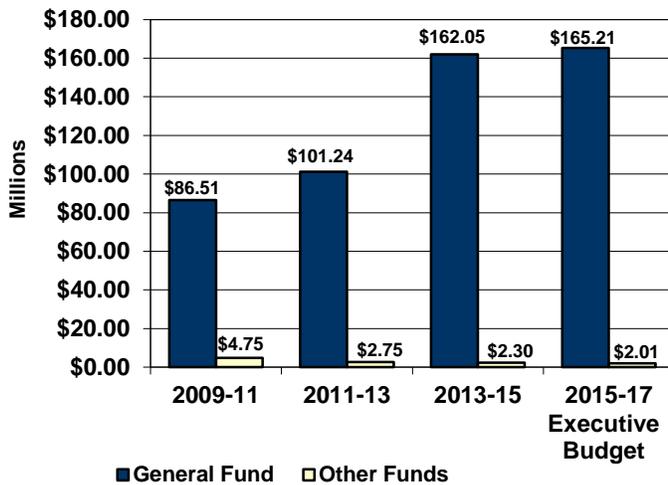
- \$5 million deferred maintenance funding pool.
- \$5.5 million capital projects contingency funding pool.
- \$5 million performance funding pool.
- \$29 million higher education challenge grant program.

²The number of FTE positions for the 2013-15 biennium does not reflect an adjustment of .08 positions from 112.91 to 112.99, pursuant to Section 36 of 2013 Senate Bill No. 2003 which authorizes the State Board of Higher Education to adjust FTE positions as needed subject to the availability of funds for institutions and entities under its control.

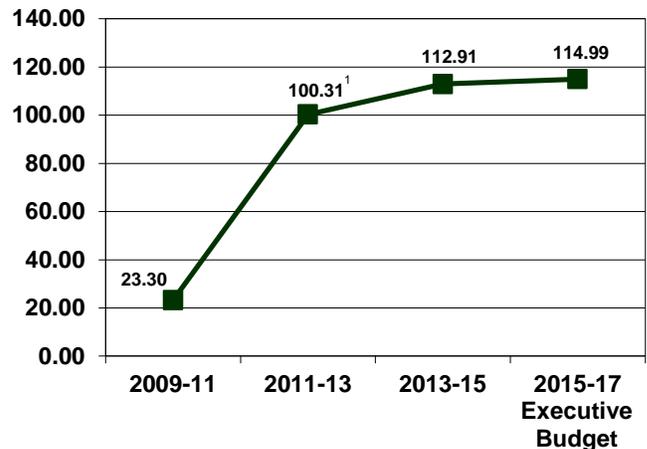
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 Executive Budget	\$128,172,170	\$37,041,500	\$165,213,670
2013-15 Legislative Appropriations	111,561,723	50,483,413	162,045,136
Increase (Decrease)	\$16,610,447	(\$13,441,913)	\$3,168,534

Agency Funding



FTE Positions



¹Reflects the transfer of 78.27 FTE System Information Technology Services positions from University System institutions to the University System office.

Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	\$165,213,670	\$2,011,216	\$167,224,886
2015-17 Base Level	111,561,723	2,299,912	113,861,635
Increase (Decrease)	\$53,651,947	(\$288,696)	\$53,363,251

Attached as an appendix is a detailed comparison of the executive budget to the University System office's base level appropriations and a detailed comparison of the executive budget to the base level appropriations of the University System institutions.

Executive Budget Highlights

	General Fund	Other Funds	Total
System governance			
1. Provides funding for state employee salary and benefit increases for University System office employees, excluding Core Technology Services, of which \$74,151 relates to costs to continue fiscal year 2015 salary and benefit increases, \$534,426 is for 2015-17 biennium annual salary increases of 4 percent per year, \$142,127 is for health insurance increases, and \$58,024 is for retirement contribution increases	\$808,728	\$0	\$808,728
2. Adds 3 FTE internal audit positions and relating operating expenses	\$820,419	\$0	\$820,419
3. Adds funding to the University System office budget to eliminate campus assessments of \$431,627 for systemwide internal auditing	\$929,942	\$0	\$929,942
4. Transfer 1 FTE position and related funding to the Department of Veterans' Affairs for the State Approving Agency	\$0	(\$288,696)	(\$288,696)
5. Increases funding for competitive research matching funds to provide total funding from the general fund of \$8 million	\$950,000	\$0	\$950,000
6. Increases funding for student mental health services	\$33,480	\$0	\$33,480
7. Adds ongoing funding for campus master planning and space utilization studies	\$750,000	\$0	\$750,000
8. Increases funding for tribal college assistance grants to provide total funding of \$1.5 million	\$500,000	\$0	\$500,000
9. Adjusts funding for capital bond payments to provide for total 2015-17 bond payments of \$8,368,836	(\$2,067,209)	\$0	(\$2,067,209)
10. Adds one-time funding for an open educational resources initiative	\$220,000	\$0	\$220,000
11. Adds one-time funding to continue the higher education challenge fund matching grant program	\$29,000,000	\$0	\$29,000,000
12. Adds one-time funding for a deferred maintenance funding pool to be distributed to institutions	\$5,000,000	\$0	\$5,000,000
Core Technology Services			
13. Provides funding for state employee salary and benefit increases for Core Technology Services employees, of which \$273,490 relates to costs to continue fiscal year 2015 salary and benefit increases, \$1,205,989 is for 2015-17 biennium salary increases of 4 percent per year, \$416,173 is for health insurance increases, and \$117,135 is for retirement contribution increases	\$2,012,787	\$0	\$2,012,787
14. Adds ongoing funding for information technology security	\$152,900	\$0	\$152,900
15. Adds ongoing funding for centralized document imaging (the executive budget reduces funding at institutions for document imaging by \$366,825)	\$915,400	\$0	\$915,400
16. Adds ongoing funding for predictive analytics reporting	\$1,910,000	\$0	\$1,910,000
17. Adds one-time funding for information technology security projects	\$1,350,000	\$0	\$1,350,000
18. Adds one-time funding for centralized document imaging	\$270,000	\$0	\$270,000
19. Adds one-time funding for an identity management system	\$1,020,000	\$0	\$1,020,000
20. Adds one-time funding for predictive analytics reporting	\$181,500	\$0	\$181,500
Student financial assistance programs			
21. Increases funding for the student financial assistance grant program (needs-based financial aid) to increase the maximum grant award to \$1,716 during the 2015-16 academic year and to \$1,784 during the 2016-17 academic year	\$1,723,000	\$0	\$1,723,000

22. Increases funding for the academic and career and technical education scholarship program for costs to continue the program (\$3,294,000) and to increase the scholarship award amount from \$1,500 to \$2,500 per year for new recipients (\$3,877,000) \$7,171,000 \$0 \$7,171,000

Other Sections in Bill

Higher education funding formula - Sections 3 and 4 make adjustments to the higher education funding formula established in North Dakota Century Code Chapter 15-18.2, including increases in the base credit-hour funding rates.

Student financial assistance grant amounts - Section 5 amends Section 15-62.2-02 to increase the maximum needs-based student financial assistance grant amount from \$1,650 per year to \$1,716 during the 2015-16 academic year and to \$1,784 during the 2016-17 academic year.

Academic and career and technical education scholarship amounts - Section 6 amends Section 15.1-21-02.6 to increase the academic and career and technical education scholarship award amounts from \$1,500 to \$2,500 per year for new recipients that graduate from high school during or after the 2014-15 school year.

Carryover authority - Section 7 continues the authorization through July 31, 2017, for institutions under the control of the State Board of Higher Education to carry over unexpended appropriations at the end of a biennium.

Systemwide funding pool transfers - Section 8 provides that the State Board of Higher Education may transfer funds from the deferred maintenance funding pool and from the education incentive programs funding pool to institutions under its control.

Project management oversight - Section 9 requires capital projects authorized by the State Board of Higher Education to have adequate project oversight by an institution official or representative of an external entity.

Minard Hall project - Section 10 authorizes North Dakota State University to continue 2007-09 and 2009-11 biennium appropriations for the Minard Hall project into the 2015-17 biennium. The section also requires North Dakota State University to provide reports on the status of the project to Budget Section.

Minot State University football stadium project - Section 11 authorizes Minot State University to use up to \$4 million of funds from the City of Minot and \$1 million of local institution funds for the football stadium press box project.

Student loan trust fund - Section 12 provides that \$1,004,744 of the special funds appropriated in the bill are from the student loan trust fund to be used for the professional student exchange program (\$465,307) and for ConnectND project positions (\$539,437).

University of North Dakota School of Medicine and Health Sciences funding - Section 13 provides that a portion of the operations funding appropriated to the University of North Dakota be transferred to the School of Medicine and Health Sciences consistent with the proposed higher education student credit-hour funding method.

Transfer authority - Section 15 provides that the State Board of Higher Education may transfer funds from an institution's operations line item to the institution's capital assets line item if the board determines that additional funds are needed for capital projects or extraordinary repairs.

Performance funding pool carryover authority - Section 16 provides that the \$5 million general fund appropriation for a performance funding pool during the 2013-15 biennium may be continued into the 2015-17 biennium and distributed to institutions based on criteria determined by the State Board of Higher Education.

FTE positions - Section 17 authorizes the State Board of Higher Education to adjust FTE positions as needed, subject to the availability of funds, for institutions and entities under its control.

Bond issue authorization - Section 18 authorizes the State Board of Higher Education to arrange for \$10 million of revenue bonds for an aquatic center project at North Dakota State University.

Continuing Appropriations

Special revenue funds - Section 14 appropriates federal, private, and other local funds received by entities under the control of the State Board of Higher Education, including tuition revenue, during the 2015-17 biennium.

Deficiency Appropriations

University System deficiency appropriations - Senate Bill No. 2023 includes \$5,502,579 from the general fund for the following deficiency appropriations for University System institutions:

Institution	Project	Deficiency Appropriation
Williston State College	Boiler building roof repair	\$50,000
Minot State University	Expenses relating to flooding in 2010 and 2011	2,000,579
Valley City State University	Flood protection project	3,300,000
Valley City State University	Demolish existing building	152,000
Total - General fund		\$5,502,579

Significant Audit Findings

The State Auditor's office identified the following significant systemwide audit findings for the University System during the 2013-14 interim:

- Internal auditing - University System internal auditors did not maintain adequate continuing education and a peer review of the internal audit function should be conducted every five years.
- Internal control and fraud risk - The University System has not established adequate internal control policies or required a comprehensive fraud and control risk assessment at each institution.
- Institution foundation financial statements - The Dickinson State University Foundation, the Dakota College at Bottineau Foundation, and the University of North Dakota Center for Innovation Foundation received qualified financial statement audit reports. The foundations are considered component units of the University System and qualified audits of the foundations may affect the University System financial statements.

Major Related Legislation

House Bill No. 1013 - Higher Education Energy Impact Grants - Provides \$4 million from the oil and gas impact grant fund to be distributed by the Energy Infrastructure and Impact Office to higher education institutions affected by oil and gas development.

House Bill No. 1043 - Tuition Freeze at Two-Year Institutions - Prohibits tuition increases at University System two-year institutions during the 2015-17 biennium and provides a general fund appropriation of \$2.5 million to offset the fiscal impact of the tuition freeze.

House Bill No. 1044 - Student Financial Assistance Program - Increases the maximum student financial assistance grant award to \$2,000 and provides a general fund appropriation of \$30,690,000 which is estimated to be sufficient to provide grants to 8,000 full-time and part-time students. The bill also increases the amount of the academic and career and technical education scholarships for new recipients to \$1,000 per semester with a lifetime maximum of \$8,000 and provides a general fund appropriation of \$17,426,748 to fund existing and new program recipients.

House Bill No. 1045 - Private Postsecondary Institution Reporting Requirements - Requires private postsecondary institutions to notify the State Board of Higher Education or State Board of Career and Technical Education of any changes to the institution's accreditation status. The bill also requires private postsecondary institutions to notify current or potential students if a program or course complies with the certification requirements of the appropriate professional board in the state.

House Bill No. 1049 - Behavioral health professional loans and grants - Creates a new grant program to be administered by the State Board of Higher Education to assist with the repayments of student loans incurred by behavioral health professionals.

House Bill No. 1051 - Higher Education Information Technology - Systemwide Email - Email Retention - Records Retention - Requires all institutions under the control of the State Board of Higher Education to use systemwide email and to retain all emails for five years. The bill also clarifies that the State Board of Higher Education and the institutions under the control of the State Board of Higher Education are included in the state's records retention policies.

House Bill No. 1052 - Higher Education Information Technology Reports - Requires the Chief Information Officer of the University System rather than the Commissioner of Higher Education (Chancellor) to coordinate with the Information Technology Department and to report to the Information Technology Committee.

House Bill No. 1127 - Residency for Tuition Purposes - Clarifies tuition residency requirements for veterans.

House Bill No. 1139 - Revenue Bonding Authority for Dickinson State University Woods Hall - Authorizes the State Board of Higher Education to issue \$6.1 million of revenue bonds for the Dickinson State University Woods Hall project.

House Bill No. 1151 - Higher Education Challenge Grants - Continues the higher education challenge grant program into the 2015-17 biennium. House Bill No. 1003 includes \$29 million for the grant program for the 2015-17 biennium which represents the same level of funding provided for the program in the 2013-15 biennium.

House Bill No. 1233 - Tuition Increase Prohibited - Prohibits tuition rate increases at all University System institutions during the 2015-17 biennium and provides a \$29.7 million general fund appropriation to the State Board of Higher Education to offset the financial impact of not allowing tuition rate increases.

Senate Bill Nos. 2074 and 2075 - Academic and Career and Technical Education Scholarships - Provides for various adjustments to the eligibility criteria to receive an academic or career and technical education scholarship.

Senate Bill No. 2133 - Open Records Exemption for Student Information - Exempts home and mailing addresses of students enrolled at University System institutions from open records requirements.

Senate Bill No. 2134 - Open Records Exemption for Performance Evaluations - Exempts records used to prepare performance evaluations of institution presidents and the Commissioner of Higher Education (Chancellor) from open records requirements.

Senate Bill No. 2150 - Student Rights at Disciplinary Proceedings - Allows students to be represented by an attorney or other advocate at certain disciplinary hearings.

North Dakota University System Office - Budget No. 215
House Bill No. 1003
Base Level Funding Changes

	Executive Budget Recommendation			Total
	FTE Positions	General Fund	Other Funds	
2015-17 Biennium Base Level	112.91	\$111,561,723	\$2,299,912	\$113,861,635
2015-17 Ongoing Funding Changes				
Provides employee salary and benefit increases		\$2,821,515		\$2,821,515
Expands internal audit department and eliminates campus assessments	3.00	1,750,361		1,750,361
Expands IT security		152,900		152,900
Creates centralized document imaging system		915,400		915,400
Increases needs-based financial aid		1,723,000		1,723,000
Increases merit-based financial aid		7,171,000		7,171,000
Transfers State Approving Agency	(1.00)		(\$288,696)	(288,696)
Increases tribal college grants		500,000		500,000
Increases competitive research funding		950,000		950,000
Adds ongoing funding for space utilization study		750,000		750,000
Adjusts capital bond payments		(2,067,209)		(2,067,209)
Increases funding for student mental health services		33,480		33,480
Adds funding for predictive analytics		1,910,000		1,910,000
FTE adjustment	0.08			0
Total ongoing funding changes	2.08	\$16,610,447	(\$288,696)	\$16,321,751
One-time funding items				
Deferred maintenance funding pool		\$5,000,000		\$5,000,000
Higher education challenge fund		29,000,000		29,000,000
Expanded IT security		1,350,000		1,350,000
Centralized document imaging system		270,000		270,000
Identity management system		1,020,000		1,020,000
Predictive analytics training		181,500		181,500
Open educational resources		220,000		220,000
Total one-time funding changes	0.00	\$37,041,500	\$0	\$37,041,500
Total Changes to Base Level Funding	2.08	\$53,651,947	(\$288,696)	\$53,363,251
2015-17 Total Funding - NDUS Office	114.99	\$165,213,670	\$2,011,216	\$167,224,886

Other Sections in House Bill No. 1003

Executive Budget Recommendation

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University System Institutions - Budget No. 215
House Bill No. 1003
Base Level Funding Changes

	Executive Budget Recommendation			Total
	FTE Positions	General Fund	Other Funds	
2015-17 Biennium Base Level	2,162.82	\$563,008,935	\$0	\$563,008,935
2015-17 Ongoing Funding Changes				
Funding model adjustment for credit-hour production		\$35,960,058		\$35,960,058
Funding model equity adjustments		13,862,404		13,862,404
Funding model inflationary adjustment		53,100,847		53,100,847
Tuition freeze at two-year institutions		2,766,722		2,766,722
Campus security	15.50	2,411,750		2,411,750
UND School of Medicine program increase	21.00	996,843		996,843
Transfer document imaging to NDUS office		(366,825)		(366,825)
Transfer PAR/Starfish funding to NDUS office		(224,500)		(224,500)
Remove internal audit campus assessments		(431,627)		(431,627)
Base increase in extraordinary repairs		6,402,711		6,402,711
Adjusts FTE positions	113.17			0
Total ongoing funding changes	149.67	\$114,478,383	\$0	\$114,478,383
One-time funding items				
Major capital projects (see attached detail)		\$135,759,212	\$44,848,194	\$180,607,406
Special assessment payoff		4,250,689		4,250,689
Campus security projects		6,016,291		6,016,291
UND School of Medicine and Health Sciences - Health care work force initiative		13,814,806		13,814,806
State College of Science Fargo expansion		5,000,000		5,000,000
Total one-time funding changes	0.00	\$164,840,998	\$44,848,194	\$209,689,192
Total Changes to Base Level Funding	149.67	\$279,319,381	\$44,848,194	\$324,167,575
2015-17 Total Funding - Institutions	2,312.49	\$842,328,316	\$44,848,194	\$887,176,510

North Dakota University System Major Capital Projects Detail

Project	Executive Budget		
	General Fund	Other Funds	Total
Bismarck State College - Campus infrastructure	\$1,575,000		\$1,575,000
Bismarck State College - Student Union lower level renovation		\$600,000	600,000
Lake Region State College - Switchgear, electrical services, window replacement	1,648,423		1,648,423
University of North Dakota - School of Medicine and Health Sciences facility - Phase II	62,000,000		62,000,000
University of North Dakota - Student engagement projects		6,000,000	6,000,000
University of North Dakota - Airport project	16,000,000		16,000,000
North Dakota State University - Aquatic center (\$10 million of revenue bonds)		11,000,000	11,000,000
North Dakota State University - Minard Hall		600,000	600,000
State College of Science - Infrastructure repairs	13,298,000		13,298,000
Valley City State University - Fine arts building	25,850,000		25,850,000
Valley City State University - Heating plant	14,289,000		14,289,000
Valley City State University - Health and wellness facility		16,000,000	16,000,000
Dakota College at Bottineau - Allied Health and Wellness Center		6,864,118	6,864,118
Dakota College at Bottineau - Dormitory upgrades		3,784,076	3,784,076
Dakota College at Bottineau - Nelson Science Center renovaton	1,098,789		1,098,789
Total	\$135,759,212	\$44,848,194	\$180,607,406