

2011 HOUSE APPROPRIATIONS

HB 1033

# 2011 HOUSE STANDING COMMITTEE MINUTES

## House Appropriations Committee Roughrider Room, State Capitol

HB 1033  
1/27/11  
13519

Conference Committee

Committee Clerk Signature

*Meredith Trachoff*

### Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to budget requests and block grant appropriations for the North Dakota university system.

### Minutes:

You may make reference to "attached testimony."

**Chairman Delzer** called the committee back to order to start the hearing for HB 1033, the bill title was read, and invited testimony.

**Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System:** handed out testimony in support of bills 1033, 1034, and 1035, and went over the information for 1033. See attachment 1.

**Representative Skarphol:** For historical perspective, the practice prior to the round table, could you go over the procedure?

**Glatt:** It's been awhile since I've looked at a state agency appropriation bill, but I believe in many ways the past practice was similar to what you do for some current state agency appropriations, where it was by line item. The challenge that created is, as institutions needed to move money between those line items, there was another approval process that they had to go through. That can become problematic. It becomes a challenge to have the dollars in the right line item for the right expenditure when the need arises. By you consolidating everything into an operations line item, they have the ability to shift as they need to in order to respond.

**Representative Skarphol:** In that environment, were institutions required to prepare a budget further in advance than today, timewise?

**Glatt:** No, if anything we begin the development process earlier now than ever. That's mainly driven by trying to start the budget development process at the ground level, within departments at the institutional level, rather than starting at the board and working down.

**Representative Skarphol:** It is my understanding that in today's environment, the campuses do not prepare a budget until after we give you a number.

**Glatt:** I'm sorry I misinterpreted your question, I was thinking of biennial budgets, but you are talking about annual budgets. There is a difference. The budget before you today is a biennial budget. What Representative Skarphol is familiar with is once you appropriate the general fund dollars for two years, our board requires each campus and our office to prepare an annual budget, looking at all fund sources.

**Representative Skarphol:** In the previous environment, when you talked about line items, did that include all fund sources when they prepared that budget to present to us?

**Glatt:** The biennial budget you deal with prior to the round table used to include general fund and tuition only, everything else was off-budget.

**Representative Bellew:** When the board of education submits their budget requests, how do they come up with a general fund figure?

**Glatt:** The process we used this time started in October 2009. We asked every president to go back to their institution, identify their needs, and prioritize their laundry list. We got over 60 requests totaling over \$45 million, not including salary increases, health insurance, utilities, or capital. We knew we couldn't bring that to you. We sorted them into categories. Some were institution specific, benefiting one campus; some were themes across campuses, such as mental health services; the third category was capital assets. For the first two categories, we gave them back to the presidents and asked them to rank prioritize these requests, not just their own, but everybody's. We got that information back, the chancellor looked at that, and used it to make his recommendation to the board. Then, each president had an opportunity to appear before the board to present their institutional needs and to tell the board if they agreed or disagreed with the chancellor's recommendation, in case there was something critical missing from his list. The board then made a system-wide priority list, based on this input. That's the budget moving forward.

**Chairman Delzer:** How do you define your base funding?

**Glatt:** In the appropriation process for higher ed, there are two categories of funding, base and one-time funding. There is a part of HB 1003 that lists what is one-time. Everything outside of that would be base funding. The assumption is that is the money we need on a continuing basis to support the programs and services that we offer today.

**Chairman Delzer:** That is everything you want, not what was there last time, correct?

**Glatt:** What's before you in HB 1003 is what was recommended by the governor. We made a request for base funding, and they only funded part of that.

**Chairman Delzer:** Many legislators look at base funding as where we are at currently, not where the agencies would like to go.

**Representative Dosch:** When you prepare the budgets internally for NDSU and UND, do you distinguish between the research and academic arms on the annual budget?

**Glatt:** For the annual budget, which is a one year snapshot of all fund sources, not only do campuses prepare that by line item, they also prepare it by department. At the research universities there would be a department called, e.g., Vice President for Research, and you could specifically see the expenditures and the funding sources used to support that department.

**Representative Dosch:** Is it common for professors to be part time on the academic side and part time on the research side?

**Glatt:** It's hard to answer the typical, but we certainly have faculty that cross both worlds. We have some that are 100% research, and they might have a faculty appointment, but they may do research only and no teaching.

**Chairman Delzer:** How many of those that are 100% research have general funding in them?

**Glatt:** I couldn't say off the top of my head, I would think very few, if any. We just did a report for the Education and Environment division about FTE faculty positions, and to keep the faculty to student ratio fair we didn't include positions that were faculty appointments having no contact with students. The number we removed was a fairly immaterial number.

**Chairman Delzer:** Do you have the breakdown of academic and research general funds?

**Glatt:** We don't, and that's where things get complicated for us very quickly. On the accounting side in higher ed in our general ledger expenditures, we have different fund groups, one of which is called appropriated funds. When you think of appropriated funds, you think of general fund. For us, we combine general fund and tuition income together. When we're paying people, buying equipment, etc, we don't differentiate between general fund, tuition income, and other sources; in our records it's appropriated dollars. Other than just using some ratios, we have a really hard time separating general fund and tuition income.

**Representative Skarphol:** Going back to the division between faculty and research, is it not true that they have duties other than research that reduce their exposure to students? My understanding is if you have administrative responsibilities, there is a commensurate reduction in contact time with students.

**Glatt:** When we think of the functions the institutions of higher ed typically perform, there are three categories: instruction, research, and public service. Many faculty have responsibilities in more than one of those areas, and that is taken into account when determining their teaching load.

**Representative Skarphol:** The fees we often hear about are not used to pay the cost of instruction, but the dorms, services, technology, etc. There is a fairly large concern about the increase in fees versus the increase in tuition.

**Glatt:** The appropriated fund group including general fund and tuition dollars does exclude all fees. Use of the fees varies on the purpose of the assessment. Fees include program

fees, course fees, and those go back to instruction. Beyond that, you're correct. Students pay fees for parking, room & board, etc., and those fees go back to the unit and the purpose for which they were originally assessed.

**Representative Skarphol:** Whenever we discuss the higher ed budget, the board tells us they're required by the constitution to provide us with a needs-based budget. From my perspective as a legislator, I'm not sure providing us a budget of their general fund request is a needs-based presentation. Was the presentation previously more needs-based than today?

**Glatt:** We have never presented a total fund budget to the legislature. There are two differences between today and the past. At one time the legislature appropriated the general fund and tuition, now you only do general fund. Also, there is the difference between multiple line items and the two line items now. Those are really the only two changes; as long as I've been here, the legislative overview has never gotten into the total funds perspective. One good change is not appropriating tuition income. The old way, the more tuition income you collected, the less general fund you got. They offset one another, and it creates a disincentive for how you generate income.

**Representative Skarphol:** That would be an incentive the students would love.

**Glatt:** Our revenues fluctuate with enrollments, not just rates.

**Chairman Delzer:** It seems to me when we switched from appropriating tuition, we also switched from setting tuition. In the past we used to actually set the tuition rate.

**Glatt:** There used to be a statutory provision that we had to come to the budget section once a year to have rates approved, but that was non-resident rates only. By default, one could argue once you set the tuition collection amount, although you didn't specify what the rate was, you did put a cap on the revenue amount.

**Chairman Delzer:** I'd like to have Legislative Council research that.

**Brady Larson, LC:** We can do that.

**Representative Williams:** You mentioned that a faculty member serving on the board of higher ed had a reduced teaching load. Are you talking about the faculty council advisory position?

**Glatt:** We have two different faculty representatives. One sits on the board as a non-voting member. We also have a state-wide organization called the Council of College Faculty and each campus has a representative on this state-wide council. Those individuals may also get some release time, but that is a campus decision. That faculty member negotiates that in their annual contract with the institution.

**Representative Williams:** In both positions, they are advisory, not voting?

**Glatt:** Correct.

**Representative Williams:** When they attend the board meetings, how are their expenses paid?

**Glatt:** Travel expenses are paid by our office. But they do not get per diem pay.

**Representative Skarphol:** Think about the potential for change, and creating a hybrid between the past environment and today's. It's not to do away with the flexibility. These three bills may cause some angst, and the system office and board need to be thinking about potential change to the presentation to us.

**Glatt:** The commission you're referring to on higher education funding has the right players there, and we welcome the opportunity to sit down with legislators during the interim and better define what your information needs are.

**Representative Hawken:** With the research person, how often is that cost covered because that person has applied for and received a research grant?

**Glatt:** If a faculty member has applied for and gotten a grant and contract, and they are performing the service contracted for, then their salary, in full or in part, is paid from the grant funding as they perform that service.

**Representative Hawken:** Then that person becomes a FTE, which is a concern to us. They probably were funded by the general fund before they got the grant, or could have been, making it difficult to give exact numbers of how many FTEs the state covers, because it fluctuates. Also, from my recollection of the old system, what type of funding you got depended on the charisma of your president. I think we've gotten away from that, and that's a good thing.

**Chairman Delzer:** Anything further? Any other testimony on 1033, in support or opposition? Seeing none, we'll close the hearing on HB 1033.

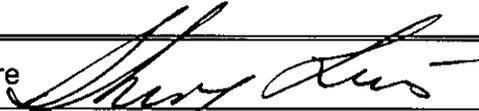
# 2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee  
Roughrider Room, State Capitol

HB1033  
February 18, 2011  
Recorder Job# 14747

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

A Bill for an Act to amend and reenact sections 54-44.1-04 and 54-44.1-06 of the North Dakota Century Code, relating to budget requests and block grant appropriations for the North Dakota university system.

## Minutes:

**Chairman Delzer:** Opened the discussion on HB1033.

**Representative Skarphol:** Introduced HB1033. HB1034 and HB1035 were briefly introduced as well.

**Chairman Delzer:** That's in HB1035 or is that in both of them?

**Representative Skarphol:** HB1035.

**Chairman Delzer:** We're dealing with 1033 at this time, this is basically the round table that was passed in 2001?

**Representative Skarphol:** It is the one that gives them the block grant capabilities, flexibility to move the dollars within the institutions to some extent. With the two lines, one for operating, one for capital assets, there is only an implied obligation as to how that money's going to get utilized within this system. They do the budgets, they commit morally to each institution; but this does give them the flexibility to do something other than what we see in the numbers

**Chairman Delzer:** You also have HB1369 and HB1411, do they affect these substantially?

**Representative Skarphol:** My initial response would be no. HB1369 puts some more additional requirements on what the higher education system will report to us. HB1411 requires that the higher education system develop a three tiered funding system for higher education and reduces the authority of the chancellor.

**Representative Skarphol:** Made a motion for a "Do Pass".

**Representative Hawken:** Seconded the motion.

**Chairman Delzer:** Discussion.

**Representative Glassheim:** Although this authorizes just the two lines, do we get reports of where the money goes and what has been spent?

**Representative Skarphol:** Yes, when they present their budget, their budget does come to us with multiple lines. They give us more explicit explanation than just the two lines, but we do not see anything with regard to the tuition fees unless it is requested. The board budget typically is only about the increases; unless we specifically get into how much is currently in the various categories. It is much more ambiguous than the state agency budgets we see.

**Representative Pollert:** All the sections take a look at spend down reports. Do you have deep access to that?

**Representative Skarphol:** If we requested them, we would have them, but it would be incredibly voluminous if we asked for them for all institutions.

**Chairman Delzer:** Is it the same system as we used for most of the other agencies or is it an entirely different accounting system?

**Representative Skarphol:** It's entirely different.

**Chairman Delzer:** Why is that? Has there ever been an effort to try to streamline those the same way?

**Representative Hawken:** One of the reasons that was explained to us, during the hearings, was the number of separate accounts they have, with scholarships, grants, etc. NDSU said they have over 800 individual accounts to address each of those different issues; and they have to be kept separate.

**Vice Chairman Kempenich:** I've never been a supporter of this even back in 2001. It's showing that higher education has no willingness to even try to control costs. It's always an increase.

**Representative Monson:** I'm very frustrated with this system. Before this went into play, we used to count paper clips and everything else at every campus. It became a task that was insurmountable; and I guess that's why we went with this. It's not without it's problems and there are frustrations; but we get the information if we ask for it.

**Representative Skarphol:** For the committee's benefit, I'd like to walk you through a bit of what we get. List of things from their budget sheet.

**Chairman Delzer:** Further discussion?

**Representative Pollert:** During your discussions, and when you bring the higher education budget forward; with what you bring forward, are you satisfied accounting wise and you feel fairly confident with the information that's coming into you, that you can have a Do Pass recommendation and feel comfortable about it?

**Representative Skarphol:** If you want to get into detail, maybe we should hold a special session every year and one of them should be dedicated to higher education. The trick is to try and figure out what the terminology is in higher education, so that when you ask a question, you formulate it in a fashion that elicits the answer to the question you have. It is an extremely complex entity to try to evaluate or analyze it. I think the secret lies in getting in place sufficient definitions of our expectations and what we believe they need to be accomplishing in a concise enough manner that we can get a relatively brief explanation of whether they're succeeding or failing.

**Chairman Delzer:** We've had this in place 8-10 years. Before that, we were dealing with the other side. Do you feel we're better off with it this way, or the other?

**Representative Skarphol:** I'm extremely frustrated with how much higher education costs and everybody is. I have yet to find anybody that can tell me how to find a way to save money. The expectation is that we're going to provide higher education services state wide to our population and access. Access means they have to be able to get to it in a relatively convenient fashion. If that's what we expect higher education to provide, we have to give them the tools to do it. If we don't want to provide that access, we go about changing the constitution and closing some institutions. We tried that a few years ago and it didn't work. What do you suggest?

**Chairman Delzer:** There are a number of us that have made or supported suggestions in the past, but they've never made it past the floor. I think a lot of it is how many out of state students that we face and support. This is the round table we're talking about. I think we should vote on this.

**Representative Hawken:** There is no doubt we would like to do something different, but right this second we don't know what it is. Until we go to something new and have it in place, there are a lot of other reasons why this is important. The changes as far as additional income into the system, under the round table, until we have something else there, this is working. Maybe not exactly the way we want it to, but we don't have a new system yet, so it is important to keep these in place the next two years and work diligently to have some answers.

**Representative Kaldor:** The question I've come down to, listening to this, is what would it take to go back? This is the alternative we selected a while back. If we choose not to continue this, what are the consequences? How will it be handled in the next biennium?

**Representative Skarphol:** That would be something we'd have to take a serious look at. If we're going to get rid of these 3 entities, we need to have an amendment to the higher education budget or we need to use HB1411; or whatever vehicle we choose to give sufficient direction that something has to be done differently.

**Representative Monson:** There are 18,000 state employees, about 12,000 FTEs, in higher education alone. When we work with higher education's budgets, we're talking more people in that budget alone than all the rest of the budgets combined. We can't get into it in the depth that we would have to do it if we went back to the old way without major changes. We'll all be frustrated; but this is huge.

**Chairman Delzer:** How did we do it before? Are we getting better, more focused information now?

**Representative Monson:** More focused, probably not. Before, we went through it in subcommittees. Our EE subsection would split us up into one or two people.

**Chairman Delzer:** We were doing it before, and now we're not. How can we say we can't go back?

**Representative Monson:** I'm not saying we can't go back; what I'm saying is, I don't think we did a real thorough job before. We had different methods of doing it. The way we're doing it now is a little more thorough and a little better education on our part. We're making better educated cuts than we used to make. Realistically, are we doing a great job? Absolutely not.

**Representative Skarphol:** Higher education is an entity that if we gave them 5% more than what they had last time, they would go out and spend it all, then come back and say, we spent it all, we spent it all wisely, and we need more because the costs have gone up. There is no incentive to try to control costs. I don't know what the answer is. When you do things in this fashion, it is an escalating spiral.

**Vice Chairman Kempenich:** The biggest problem I have, is on the green sheets on the individual colleges. What bothers me is, all you only see the general fund money, you don't see any estimates of revenue from tuition, last bienniums tuition, federal funds. There's no information that's readily available, unless you really wanted to sit down and dig for it. They should have at least the 3 revenue sources and expenditure sources that they have.

**Chairman Delzer:** We had a bill on the floor that would have made them do that, but it got defeated.

**Representative Pollert:** If you wanted to propose change through the round table, could you do that? It would take interim studies, but, could you do that or would it take a different scope?

**Representative Skarphol:** Yesterday we talked about HB1458, and that was thought to be complex. That is simple, compared to this. Change is achievable, I believe, but it's going to take a massive amount of effort.

**Representative Klein:** I call the question.

A roll call vote was made for a "Do Pass". 13 Yea's 7 Nay's 1 Absent.

House Appropriations Committee

HB1033

February 18, 2011

Page 5

**Chairman Delzer:** Closed the discussion.

Date: 2/18  
 Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1033

House Appropriations Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Skarphol Seconded By Rep. Hawken

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Representative Nelson	X	
Vice Chairman Kempenich		X	Representative Wieland	X	
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson		X	Representative Glassheim	X	
Representative Bellew		X	Representative Kaldor	X	
Representative Brandenburg		X	Representative Kroeber	X	
Representative Dahl	X		Representative Metcalf	X	
Representative Dosch		X	Representative Williams		
Representative Hawken	X				
Representative Klein	X				
Representative Kreidt	X				
Representative Martinson		X			
Representative Monson	X				

Total (Yes) 13 No 7

Absent 1

Floor Assignment Rep. Skarphol

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1033: Appropriations Committee (Rep. Delzer, Chairman) recommends DO PASS**  
(13 YEAS, 7 NAYS, 1 ABSENT AND NOT VOTING). HB 1033 was placed on the  
Eleventh order on the calendar.

2011 SENATE APPROPRIATIONS

HB 1033

# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee Harvest Room, State Capitol

HB 1033  
March 8, 2011  
Job # 15070

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A bill relating to budget requests and block grant appropriation for the North Dakota university system.

### Minutes:

See attached testimony - #1.

**Chairman Holmberg** called the committee hearing to order on HB 1033.  
**Brady Larson** - Legislative Council; **Tammy R. Dolan** - OMB.

### **Brady Larson, Legislative Council** Presented Neutral Testimony

He served as a committee staff person for the interim higher education committee from which these bills originated. For a brief overview, these three bills (HB 1033, HB 1034, HB 1035) are commonly referred to as the higher education roundtable bills. They were first enacted by the 2001 Legislative Assembly based on the recommendations of the 1999-2000 Higher Education Roundtable. The original bills in 2001 granted certain authorizations to the University System for a period of two years. Each Legislative Assembly since then has extended these authorizations for an additional two years. The bills being reviewed today will extend the authorizations for another two years until 2013.

HB 1033 - relates to block grant appropriations for the University System. Most state agency appropriation bills have special or separate line items to fund salaries, operating expenses, capital assets, grants and other specific items. This bill requires the budget request of the University System and the draft appropriations bill for the University System be in a block grant format that includes three separate items, and that is a base funding request; a funding request for specific strategies or initiatives; and a request for capital asset funding. For most institutions, there will be two line items – one for operations which is their base funding request and one for capital assets which is for either the renewal or replacement of any buildings or other capital items.

Looking at this bill, there are two sections. Section 1 provides that the budget request for the University System must be in the block grant format and Section 2 provides that the draft appropriations bill submitted by the Governor to the Legislative Assembly be in the block grant format.

**Senator Christmann** commented that most of the bills start with salaries and wages, but in HB1003, he doesn't see that. He wondered if that is what is being talked about here with the block granting, that everything is rolled into somewhere else?

**Chairman Holmberg** said it's all rolled in. When the Higher Education Roundtable started in 1999 and until 2001, one of the questions that remained was should those changes regarding flexibility be permanent law or should the legislature visit them every biennium. The three bills seen today (HB1033, HB1034, and HB1035) was the re-visit of those basic structure changes made in 2001 because the legislature has always had the position that we should have to take another look at these issues each session. That was also the position of the interim Higher Education Committee – that the Legislature should have to visit these issues every two years rather than making them permanent and that's why we have these three bills. They are the same three bills we had in 2003, 2005, 2009 and 2011. That's why in the Higher Education budget we just have the two line items; operations and capital assets.

**Laura Glatt, NDUS System**

Written testimony in support of HB 1033 – Testimony attached - #1.

**Chairman Holmberg** closed the hearing on HB 1033.

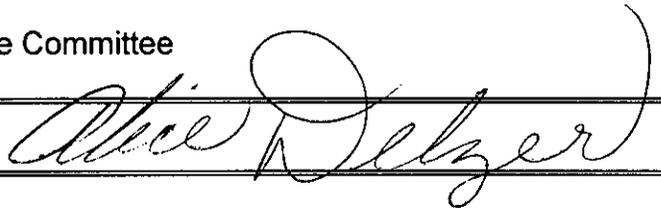
# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee  
Harvest Room, State Capitol

HB 1033  
04-05-2011  
Job # 16342

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

A ROLL CALL VOTE ON NDUS – BUDGET REQUESTS & BLOCK GRANTS  
APPROPRIATIONS.

## Minutes:

You may make reference to "attached testimony."

**Chairman Holmberg** called the committee to order on HB 1033. Tad H. Torgerson, OMB and Brady Larson, Legislative Council were also present.

**Chairman Holmberg:** Keep in mind two other things. The interim might make changes to this whole process and the budget section also can make changes regarding how the budget is presented but before we take a motion on that I passed out an amendment. It's amendment to 1033, # .02001. SB 2300, of which I was the prime sponsor failed in the House and it is gone. We do not have a vehicle for legislative management to determine whether they want to study Higher Education during the interim. So the language here comes from last biennium which set up the study. It doesn't talk about who's on the committee, or that it's part of a regular study and it is a optional study for the council and I would ask that someone would move that we add this study resolution, otherwise there would not be a vehicle. Legislative management can study issues but it's better if legislature puts it in.

**Senator Robinson moved the amendment .02001. Seconded by Senator Wardner.**

**Senator Robinson:** I don't know if it is embedded in this amendment or not because it's certainly relevant to what we are talking about. I would encourage those of us on the legislative management committee during the interim to get back to what we used to do for a number of years in the area of legislative tour groups. I think it is important on a fairly regular basis we visit our institutions to get a feel for the progress they are making in terms of maintenance of the physical plant, capitol projects, etc, we haven't done so for about 4 years now and I think we are missing out on an opportunity just to stay on top of the system of Higher Education in ND. I just make that comment because we'll soon be having our legislative management elections and I think we need to speak up and try to get these tour groups back as part of our schedule. Just a comment.

**Chairman Holmberg:** Would you call the roll on the amendment? Is it 4 years or 6 years since we did budget tours? One committee went around but we never went beyond the student union.

**A roll call vote was taken on amendment # .02001. Yea: 13. Motion carred.**

**V. Chair Grindberg moved a DO PASS AS AMENDED. Seconded by Senator Robinson.**

**A ROLL CALL VOTE WAS TAKEN ON A DO PASS AS AMENDED ON HB 1033. YEA: 13; NAY: 0; ABSENT: 0. Senator Robinson will carry the bill.**

The hearing was closed on HB 1033.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1033

Page 1, line 3, after "system" insert "; and to provide for a legislative management study"

Page 7, after line 16, insert:

**"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - HIGHER EDUCATION.**

1. During the 2011-12 interim, the legislative management chairman may appoint an interim higher education committee to study issues affecting higher education.
2. The interim committee may hold educational summit meetings to discuss topics that include:
  - a. Alternative uses of institutions and changes to institutional missions;
  - b. Issues affecting two-year campuses;
  - c. Tuition affordability, including a review of tuition reciprocity agreements;
  - d. Accessibility of higher education;
  - e. Workforce needs;
  - f. Contributions to economic development;
  - g. Utilization and capacity of higher education institution facilities;
  - h. Quality of education being delivered; and
  - i. Revenue-neutral policies that would aid in the reduction of student loan debt.
3. The chairman of the interim higher education committee may invite summit topic experts, representatives of the North Dakota university system, the private sector, and students to participate in the summit meetings to provide information to the committee as determined necessary to assist the committee in conducting its study.
4. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly."

Renumber accordingly



Date: 4-5-11

Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1033

Senate APPROPRIATIONS Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Grindberg Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Robinson

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1033: Appropriations Committee (Sen. Holmberg, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1033 was placed on the Sixth order on the calendar.

Page 1, line 3, after "system" insert "; and to provide for a legislative management study"

Page 7, after line 16, insert:

**"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - HIGHER EDUCATION.**

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  - d. Accessibility of higher education;
  - e. Workforce needs;
  - f. Contributions to economic development;
  - g. Utilization and capacity of higher education institution facilities;
  - h. Quality of education being delivered; and
  - i. Revenue-neutral policies that would aid in the reduction of student loan debt.
3. The chairman of the interim higher education committee may invite summit topic experts, representatives of the North Dakota university system, the private sector, and students to participate in the summit meetings to provide information to the committee as determined necessary to assist the committee in conducting its study.
4. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly."

Renumber accordingly

**2011 HOUSE APPROPRIATIONS**

**CONFERENCE COMMITTEE**

**HB 1033**

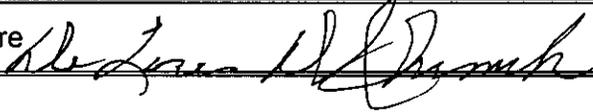
# 2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division  
Sakakawea Room, State Capitol

HB 1033  
4/13/11  
16579

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact sections 54-44.1-04 and 54-44.1-06 of the North Dakota Century Code, relating to budget requests and block grant appropriations for the North Dakota university system; and to provide for a legislative management study.

## Minutes:

**Rep. Dosch:** Called the Conference Committee to order on HB 1033. The roll was called with all members present. This bill contains no money. The Senate amended the House bill when we sent it over there so we have that to discuss and also there is one other amendment that we would like the Senate to consider.

**Rep. Monson:** I would move that we put on .02002 as an amendment to this bill.  
I will withdraw motion.

**Rep. Dosch:** Asks Senate to explain the changes to HB 1033.

**Senator Holmberg:** Explaining the changes made in the Senate, language of study was included in the bill. That is what our amendment was; a study from two years ago, that language was put into this bill and passed. The only change that was made was and some of us were on the intern committee and this came from the higher ed committee.

**Rep. Dosch:** Reviewing it, there is support for a study of higher ed. Is it necessary to have the detail, is the committee restricted too much. Could we just have section 3, item 1 requesting that the Legislative Management appoint an intern higher ed committee to study the issues affecting higher ed. Have legislative management decide what aspects will be studied in the interim.

**Senator Holmberg:** We have made a number of changes in study resolutions. If you say nothing here, the committees have no direction. If management says nothing and then what happens is the committee wander all over the woodwork. A more narrow focus is better. The chair can add additional duties or focuses. This even is not perfect because one of the items that I think many in the legislature would like a focus of results in the study would be a change that we use of peer institutions. Four years ago we had the study commission by MGT which was a waste of money at the end of the day because all they came up with was

we don't like the system, but we don't have enough data to make a change because the board office can't give us the data. The board office said we do have the data and they took their \$270,000 and left. It is a system that has problems. I would hope that a focused look on the funding mechanisms that we use would be part of whatever the intern committee does. You can give some direction and clearly you could focus this better than what is actually written in 1033 or the Chair of Legislative Management can focus it too.

**Rep. Monson:** Addressing Senator Holmberg is it necessary that we spell out the exact same list of things you studied during the last intern, do we need to address them all over again. Focus on something that has not been studied before. Legislative Management could add that to it or they could put their own list together.

**Rep. Dosch:** Addressing Brady Larson you said you took this language from a previous accepted study?

**Brady Larson, Legislative Council Representative:** It was taken from the completed study of a 2009 Senate bill 2038 and in that bill it was actually a required study so the intern higher education committee did complete the study using this language and you will notice in Section 3 in the current bill it is not a required study but it does use permissive language.

**Senator Grindberg:** the study has to be a bit more focused direction. I did have a brief conversation with Rep. Carlson and I think the bill has to be more focused. I am particularly interested in funding. We need a minimum of one or two areas of what we want to do.

**Senator Holmberg:** What do these amendments do? How does this mesh together?

**Rep. Dosch:** Budgets of higher ed are all looked at the same, separating out the research institutions, the universities, and the two years with regard to base funding, initiative funding; the needs are different; the asset funding. We are trying to get the higher ed or university system when they put these budgets together that they take each of the three institutions types we have into account when we have the three categories of base findings where we are looking at our two research universities and then base funding for our other four year institutions and then for our two year. I feel the needs of the research are different than our two year colleges or our non research universities. Then the asset funding. What are the needs of the three different types of categories? I think it will give us more focused approach, if you will, on the individual budgets and perhaps be able to better address the needs of each of the three different types of universities that we do have in the state.

**Senator Holmberg:** Was this part of the bill that was not successful in the legislature?

**Larson:** Similar to HB 1411, that included the duties of the Chancellor and that was defeated in the Senate.

**Rep. Dosch:** Both were defeated. The attempt here is to put that back in the section that was less controversial and certainly seems reasonable for trying to get a more focused look at our three different types of institutions.

**Senator Grindberg:** Over striking the dates?

**Rep. Dosch:** This would then be effect for the next legislative session, is that correct?

**Larson:** It would become effective after July 31, 2011.

**Senator Holmberg:** What would be in impact of the other language that is in here? Would that then become ineffective after those dates?

**Larson:** There are two differences between the effective through July 31 and effective after. Basically those changes would expire anyways unless this bill was approved in its original form.

**Senator Grindberg:** This would become effective Aug 1, 2011.

**Larson:** Yes, the original bill extended the current authorizations another two years. What this bill does is it states that those authorizations would expire at the end of the biennium and then the new authorizations containing the amendment would then take effect.

**Senator Holmberg:** So after August 1 this becomes the law.

**Senator Grindberg:** HB 1003 would be the funding source. It has no block grants. I am confused.

**Rep. Dosch:** This would be the next session budget estimates that they put together for the next session.

**Larson:** This would affect the 2013-2015 biennium budget requests that the university system as well as the draft appropriations act for this.

**Senator Krebsberg:** This amendment would eliminate any carryover that has been a procedure for many years within higher ed. Am I not correct?

**Larson:** HB 1034 was regarding the cancellation of unexpended general funds appropriations for the university system so that would not be affected by this bill.

**Rep. Dosch:** There would be three different categories with the three different types of institutions. A separate focus on the research institutions. A separate focus on four year and then the two years. Now it is all one system if you will.

**Senator Holmberg:** I would suggest that we be allowed to leave and mull this over and visit with our policy people on the education committee because appropriations did not handle this bill that was defeated. If we go in this direction, consider a focus on a funding mechanism that are used because I don't see that the two sections that would become effective for the next budget; we need some prioritization and I think we do need to look at the funding and spell it out.

**Rep. Dosch:** Good idea. Maybe everyone can give it some thought as far as the study itself and if there are maybe some areas that we would like to focus on.

**Rep. Williams:** Legislative management will look at Section 3; don't have to adhere to anything with the "mays". Leave the field open because it won't make any difference.

**Senator Grindberg:** With the public we need to be transparent. I think we need to be specific at least in one or two areas so it is clear. That is what 2300 was about.

**Rep. Williams:** If that is true it is going to have to be broad like funding mechanism or curriculum.

**Senator Holmberg:** Dealing with ideas that the House killed in 23200 and the Senate killed.

**Rep. Williams:** We have to work together.

**Rep. Dosch:** Give it thought.

Meeting closed to be reopened at the call of the Chair.

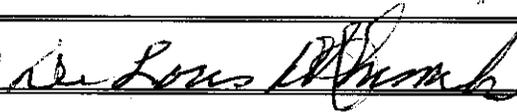
# 2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division  
Sakakawea Room, State Capitol

HB 1033  
4/14/11  
16620

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact sections 54-44.1-04 and 54-44.1-06 of the North Dakota Century Code, relating to budget requests and block grant appropriations for the North Dakota university system; and to provide for a legislative management study

## Minutes:

**Rep. Dosch:** Reconvening the Conference Committee on HB 1033 to order and noting that all are present. Discussing Section 3 of version in regards to the legislative management higher ed study. It is version 3000. Our last discussion was that we thought there is no need for section 2 and addressing additional items. Any additional thoughts on that?

**Senator Holmberg:** I don't have a problem if we take off Section 2 as long as in that first sentence we say something that they may appoint an intern higher education to study issues affecting higher education including financing and affordability.

**Rep. Dosch:** Financing for funding?

**Rep. Monson:** Senator Holmberg said something about studying peer institutions, elaborate on that a little?

**Senator Holmberg:** It is the bedrock and would have to study that. The study might find that we like what we have now so then CONVINCING us they don't like it. What are the better mechanisms to do this?

**Rep. Monson:** Senator Grindberg used the term funding mechanism maybe that is something that we can work on.

**Senator Grindberg:** Funding or performance something all inclusive, tuition, grants income. As long as we are not doing just one area. There has been some misunderstanding of the legislative body with acceptance of specific projects.

**Brady Larson, Legislative Council Representative:** Previous language used would be to review the current higher education funding model and recommend any changes to that model.

**Senator Holmberg:** Does model include the tuition aspect because that is going to be part of how they are funded.

**Rep. Dosch:** Budget sustainability, out of state student population, resources allocated to that.

**Rep. Williams:** Reading from Section 3; line 19-22. Just a suggestion right after study insert the word critical issues affecting higher ed and then a comma, including alternative funding formulas, budget sustainability, and whatever you said over there. Let's just put it in one, not exclusive that way.

**Senator Holmberg:** Could we ask the Chancellor if there is anything we are missing that is a critical element of the funding model etc.

**Rep. Dosch:** Any comments you would want to make?

**Bill Goetz, Chancellor North Dakota University System:** With regard to the finance plan, it would encompass the use of funds as well as the source of funds. Sustainability certainly we can address that as well. It is important to incorporate the performance funding language there someplace that is a component that is critically important moving forward. We need to look at a model that is going to incorporate high cost analysis, enrollment and graduation rate. Those are all things in my mind that come to the fore front.

**Rep. Dosch:** Are we able to sustain the level of funding that we have. Part of my concern is there has been a substantial increase in funding in higher ed over the last several biennium's so as we put a budget together, is it sustainable looking down the road. The costs to continue is \$45 million.

**Senator Holmberg:** Sustainability affects property tax relief and services. I was impressed by one of the things the Chancellor said when talking about the performance. Last session we talked about performance funding and the Governor put \$5M which the House removed and the Senate agreed. We should give consideration to performance types of mechanisms that the committee should look at because we talked about it first.

**Rep. Dosch:** Asking Larson to word smith and come up with something. We will meet one more time just to finalize and make sure everyone is OK with that.

**Senator Holmberg:** Wordsmith and circulate it to the committee members so that we can review it prior to the meeting and have our meeting somewhat abbreviated.

**Rep. Dosch:** Let go ahead and move on to the proposed amendment .2002. Comments from the Senators on that?

**Senator Holmberg:** Similar to 1411. 1411 met a death in the Senate. The one section was 13 to 34 votes against that particular section. The other section was closer. In the

senate we would ask that them but there is not a great love for resurrecting the bills that didn't make it. Just like if we would ask you to put 2300 in this bill. You might have somewhat the same reaction.

**Rep. Dosch:** There were other issues in that bill and that led to some of the demise on that. What is contained in here? I think it would be helpful being able to separates out the base funding for each type of institution. Research of the 4 yr versus the 2 yr. Are there concerns?

**Rep. Williams:** This did not go through our committee.

**Rep. Dosch:** The House did pass out HB 1411, defeated in the Senate side and contained elements with how we handle the Chancellor and also this aspect as well.

**Rep. Williams:** The reason for a study is to get rid of some of the road blocks. I am looking for alternative sources of funding for the baccalaureate, 2 year and research institutions. I would rather have the study before we do this. I am not an advocate of this before sending it across. If it has been killed by the Senate already I don't think we should put it in here to send it across at this point in time.

**Senator Holmberg:** Rep. Clark said if it did come through policy committee; we never saw it. If we are going to float it out there again I would rather it went through the policy committee.

**Rep. Dosch:** What are your thoughts on comments made by Rep. Williams?

**Senator Grindberg:** Where will this whole package of higher ed end up and the amount of time spent, nothing tangible came out of the interim. What can we do to make a difference? We all know a study is a study. It is implementation and execution of that study and who is going to be at the table?

**Rep. Williams:** In my mind the present system of financing according to the priors whether they are North Carolina or Tim Buck Two isn't working in the minds of the university and the minds of the people. The findings of comparison of peers is not working. The three tier deal for funding. We have to start with the funding formula.

**Senator Grindberg:** Roundtable moved us forward. In the Governor's budget 10% is for higher education. So we have three tiers and if a higher amount goes to the research institutions and less for tier two; how do you balance how do we get to a point where we can embrace a funding model and vote for something that will make a difference.

**Rep. Monson:** The sustainability was discussed quite a bit, federal funds are shrinking and oil has brought in quite a bit. How will we keep going? Especially if fracking goes away if the EPA says that is it. That is a big concern.

**Senator Holmberg:** People are circulating petitions to eliminate the property taxes and have the state take over the major portion of the funding of local government. One can argue property taxes are unfair, but also where does that leave the legislature in determining whether or not the garbage is picked up. That is what they deal with at the

local level. What is the federal government going to do or not do? We are also dependent on the federal government, and on oil.

**Rep. Dosch:** I strongly recommend the higher ed to start coming up with a contingency plan of a few different scenarios of what is going to happen out there. The impacts, a lot of it is out of our control. We will draw an amendment, get them circulated and try to give it one more shot.

**Meeting Closed to be reopened at the call of the Chair.**

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division  
Sakakawea Room, State Capitol

HB 1033  
4/18/11  
16704

Conference Committee

Committee Clerk Signature

*Shirley Branning*

## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact sections 54-44.1-04 and 54-44.1-06 of the North Dakota Century Code, relating to budget requests and block grant appropriations for the North Dakota university system; and to provide for a legislative management study

## Minutes:

**Rep. Dosch:** Called the Conference Committee to order and roll was called with all members present.

Proposed amendments .02003 was distributed and discussed, delineating the changes made in Section # 3. This is a study, there are no specific requirements. Comments were called for.

**Senator Krebsbach:** It appears to cover what the Senate is looking for and will be adequate for discussion during the interim.

**Senator Holmberg:** Move that the Senate recede from its amendments according to the statement of the bill and that it be amended as follows: To be stated as in the Amendment .02003.

**Senator Grindberg:** Second.

**Rep. Dosch:** Hearing no further discussion a roll call vote will be taken.

**Roll Call Vote:** 6-0-0 Motion Carried

**House Carrier:** Rep. Dosch, **Senate Carrier:** Senator Grindberg

VR  
4/15/11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1033

That the Senate recede from its amendments as printed on pages 1420 and 1421 of the House Journal and pages 1188 and 1189 of the Senate Journal and that House Bill No. 1033 be amended as follows:

Page 1, line 3, after "system" insert "; and to provide for a legislative management study"

Page 7, after line 16, insert:

**"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - HIGHER EDUCATION.**

During the 2011-12 interim, the legislative management chairman may appoint an interim higher education committee to study issues affecting higher education. The study may include a review of:

1. Higher education funding mechanisms, including:
  - a. Performance-based funding methods.
  - b. Funding based on student enrollment calculations.
  - c. Funding from grants.
  - d. Funding based on program cost analysis.
2. Higher education budget methods, including:
  - a. Block grant funding for operations based on institution type.
  - b. Block grant funding for specific initiatives based on institution type.
  - c. Funding for capital asset maintenance, including deferred maintenance.

The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly."

Renumber accordingly

## 2011 HOUSE CONFERENCE COMMITTEE ROLL CALL VOTES

Committee: Appropriations – Education and Environment

Bill/Resolution No. HB 1033 as (re) engrossed

Date: 4/18/11

Roll Call Vote #: 1

- Action Taken**
- HOUSE accede to Senate amendments
  - HOUSE accede to Senate amendments and further amend
  - SENATE recede from Senate amendments
  - SENATE recede from Senate amendments and amend as follows

House/Senate Amendments on HJ/SJ page(s) HJ 1420 - 1421

- Unable to agree, recommends that the committee be discharged and a new committee be appointed

((Re) Engrossed) HB 1033 was placed on the Seventh order of business on the calendar

Motion Made by: Senator Grindberg Seconded by: Senator Grindberg

Representatives				Yes	No		Senators			Yes	No	
Rep. Dosch, Chairman	✓	✓	✓	✓			Senator Holmberg	✓	✓	✓	✓	
Rep. Monson	✓	✓	✓	✓			Senator Krebsbach	✓	✓	✓	✓	
Rep. Williams	✓	✓	✓	✓			Senator Grindberg	✓	✓	✓	✓	

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Rep. Dosch Senate Carrier Senator Holmberg

LC Number \_\_\_\_\_ of amendment

LC Number \_\_\_\_\_ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

**REPORT OF CONFERENCE COMMITTEE**

**HB 1033:** Your conference committee (Sens. Holmberg, Krebsbach, Grindberg and Reps. Dosch, Monson, Williams) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1420-1421, adopt amendments as follows, and place HB 1033 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1420 and 1421 of the House Journal and pages 1188 and 1189 of the Senate Journal and that House Bill No. 1033 be amended as follows:

Page 1, line 3, after "system" insert "; and to provide for a legislative management study"

Page 7, after line 16, insert:

**"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - HIGHER EDUCATION.** During the 2011-12 interim, the legislative management chairman may appoint an interim higher education committee to study issues affecting higher education. The study may include a review of:

1. Higher education funding mechanisms, including:
  - a. Performance-based funding methods.
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  - a. Block grant funding for operations based on institution type.
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  - c. Funding for capital asset maintenance, including deferred maintenance.

The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly."

Renumber accordingly

HB 1033 was placed on the Seventh order of business on the calendar.

**2011 TESTIMONY**

**HB 1033**

HB 1033  
January 27, 2011  
Attachment 1

**North Dakota University System**  
**HB1033, 1034 and 1035 – House Appropriations**  
**Laura Glatt, January 27, 2011**

On behalf of the State Board of Higher Education, I appear today in support of HB1033, 1034 and 1035. These bills continue legislation which has been consistently adopted by the Legislative Assembly since the 2001 session. The bills extend the provisions for another two-year period through June 30, 2013. We appreciate the tireless work of the 2009 interim Higher Education Committee and their endorsement of these bills.

**What These Bills Do?**

**HB1033:** Provides for “block grants for base funding” and for an initiative funding appropriation for “specific strategies or initiatives” and an appropriation for capital assets renewal and replacement.

This allows for the continuation of the current appropriation bill format for the campuses of two line items-Operations and Capital Assets. This provides needed flexibility for campuses to respond to rapidly changing demands for courses, programs and training.

**HB1034:** Permits the carryover of unexpended funds from one biennium to the next. The bill requires the NDUS to report carryover amounts from one biennium to the next to the appropriations committee. Each campus reports this information as part of their budget presentation to the appropriation committees.

**HB1035:** Tuition revenues at NDUS campuses would be appropriated in the same way all other institutional funds such as grants and contracts, auxiliary revenues and private funds are appropriated.

All income, including tuition revenues, would continue to be deposited with the Bank of North Dakota. All income would also continue to be disclosed as part of the biennial budget process as required beginning on page 1, line 24 as follows:

*“Biennial estimates of revenue and expenditures of the other funds by source of funds must be presented at the same time biennial budget requests for appropriations from the special revenue fund and state general fund are prepared and submitted to the office of the budget.”*

All NDUS income would also continue to be subject to an annual financial audit performed by the State Auditor’s Office and would be disclosed, in detail, in the NDUS’s and state’s annual comprehensive financial statement (CAFR).

Taken together, the increased flexibility provided by these bills, allows campuses to be more entrepreneurial and more flexible and responsive to meeting the students and state needs. We are truly appreciative.

Thank you. I will be happy to answer any questions.

**TO: Representative Jeff Delzer, Chair  
North Dakota House Appropriations Committee**

**FROM: Laura Glatt, Vice Chancellor for Administrative Affairs  
North Dakota University System**

**DATE: January 31, 2011**

**RE: House Bills 1033, 1034 and 1035**



**Memo #E-11-03**

Recently, at the hearings on HB1033, 1034, and 1035 you asked some questions for which I did not have ready answers. Please let me attempt to answer those questions below.

In talking about faculty assignments, I indicated the NDUS campuses do have employees that have faculty appointments; however, they do not teach as they have other full-time duties, such as research. A recent query of FTE faculty positions as of 12/31/10, from all fund sources, indicates that there are 13 full-time at NDSU and 28 full-time and 18 part-time "faculty" at UND that have full-time research and/or clinical appointments. These positions represent less than three percent of the total FTE faculty positions. SBHE policy requires tenured and probationary faculty duties and goals to be outlined in their annual employment contracts as follows:

*Tenured and probationary faculty contracts shall identify the faculty member's tenure plan and describe the faculty member's duties and goals. The contracts shall specify the weight to be given the criteria for evaluating performance. The contract provisions shall be reviewed and, when appropriate, revised as a part of the faculty member's periodic evaluations.*

With regard to carryover funds you asked about the amount of carryover funds. I have attached the schedules that were presented to the House Appropriations Education and Environment Division during the recent campus hearings outlining their carryover from 07-09 to 09-11 biennium. Campuses draw down their general fund appropriation through the State Treasurer's Office twice per month, based on updated figures of anticipated expenditures, and account for those funds in an "appropriated" fund group on the ConnectND general ledger. As mentioned during the hearing, the "appropriated" fund group on the general ledger includes both state general funds and tuition income, the two primary sources of revenue used to support the instructional mission of the campus. This would be similar to a hotel owner who collects lodging revenues from both state residents and non-state residents who deposits all receipts into one checking account that is used to cover the cost of operating the business, instead of maintaining separate accounts with receipts from residents and non-residents and debating each time a hotel expense is paid, which account the expense should be paid from.

Memo to Representative Jeff Delzer

Page 2

January 31, 2011

The "appropriated" carryover funds are maintained in a separate fund(s) for tracking purposes, although it is presumed that any remaining "appropriated" carryover balance (excluding capital assets) is tuition collections, as 100% of the general funds are drawn down from the State Treasurer by the end of the biennium.

With regard to the NDUS Office budget, the carryover authority is a bit different, but equally important, especially as it relates to the administration of the several financial aid programs administered by the office. The carryover authority allows for better planning and utilization of resources between fiscal years and biennia. In the financial aid programs, it allows for a more stable number of awards per year, leveling out the peaks and valleys in anyone year or biennium. In the financial aid programs, carryover estimates are specifically built into the budget assumptions and disclosed to the appropriations committee. By way of example, let's assume the current appropriation for the needs-based program is \$10.0 million, and we anticipate spending \$9,000,000 during the biennium, and due to student program attrition, etc., the program would have \$1,000,000 in unspent funding. If we estimate the cost of maintaining the program in 11-13 is \$11 million, we would not ask for a funding increase of \$1.0 million (\$11 million less \$10 million), because we have historically been allowed to carryover unspent funds, and the remaining \$1,000,000 at the end of 09-11 would be used to offset program expenses in 11-13. As indicated in my testimony, this authority certainly reduces the "use it or lose it" risk, and permits agencies to better plan and time their expenditures for the best use of state resources. After the conclusion of the legislative session, OMB adjusts the appropriation for the amount of the carryover, where statutorily permitted, for purposes of tracking the funds. Per OMB instructions, this adjusted appropriation is used as the starting point for the next biennial budget process, unless OMB directs changes as part of the budget preparation process.

I hope this adequately answers your questions and please feel free to contact me if you have any additional questions at 328-4116.

BSC - no reported carryover  
LRSC - no reported carryover

Williston State College  
Use of 2007-09 Carryover  
09-11 BIENNIUM

2007-09 Carryover:

General Fund	\$	8,495
Other Funds (Permanent Oil Trust)		69,349
Total Carryover	\$	<u>77,844</u>

The \$8,495 general fund carryover was used to improve the air handling system in Stevens Hall. The \$69,349 was used for operating expenses for the WSC's Oil Rig Program, and was part of the one-time funding received from the Permanent Oil Trust Fund for the 2007-09 biennium.

# UND THE UNIVERSITY OF NORTH DAKOTA

Required Reporting to 2011 Appropriation Committees

## 07-09 Final Carryover

<b>23051 Capital Assets-Carryover - Line 51</b>	<b>1,565,182.00</b>	
Expenses as of 06/30/10	(1,558,637.57)	Project Completed
Expenses as of 11/30/10	(5,387.11)	
<b>Unspent Appropriation</b>	<b>1,157.32</b>	
<hr/>		
<b>23053 Capital-Off System-Carryover - Line 53</b>	<b>104,717,112.00</b>	
Detail of Active 2007 Legislatively Approved Major Capital Projects		
<b>O'Kelly Hall-Ireland Laboratory Renovation</b>	220,000.00	
Expenses as of 06/30/10	(181,150.69)	Project Completed
Expenses as of 11/30/10	(19,481.43)	
Projected Expenditures thru 06/30/11	(17,315.36)	
<b>Unspent Authorization</b>	<b>2,052.52</b>	
<b>Energy Projects - Mechanical</b>	1,421,028.60	
Expenses as of 06/30/10	(102,575.18)	
Expenses as of 11/30/10	(869.32)	
Projected Expenditures thru 06/30/11	(646,555.10)	
<b>Unspent Authorization</b>	<b>671,029.00</b>	
<b>College of Nursing Research Facility</b>	10,323.48	
Expenses as of 06/30/10	(6,786.60)	
Expenses as of 11/30/10	0.00	
Projected Expenditures thru 06/30/11	0.00	
<b>Unspent Authorization</b>	<b>3,536.88</b>	
<b>Energy Projects - Lighting</b>	185,882.43	
Expenses as of 06/30/10	(90,865.31)	
Expenses as of 11/30/10	(1,218.33)	
Projected Expenditures thru 06/30/11	(7,916.79)	
<b>Available Balance</b>	<b>85,882.00</b>	
<b>Detail of Inactive Major Capital Projects (other funds)</b>	<b>102,879,877.50</b>	
Inactive - Wilkerson Dining Center	(4,000,000.00)	
Inactive - Squires Dining Center Renovation	(117,715.40)	
Inactive - SOM PET Scanner/Related Renovation Costs	(1,156,523.93)	
Inactive - SOM Center for Excellence in Neuroscience	(824,900.46)	
Inactive - Neuroscience Research Phase II	(17,000,000.00)	
Inactive - Athletic Complex/Wellness Center	(1,368,070.22)	
Inactive - Carnegie Library Renovation	(2,968,124.90)	
Inactive - University Housing Replacement	(102,514.09)	
Inactive - Parking Ramp Structure	(1,642,028.50)	
Inactive - SOMHS Lab & Adm	(9,800,000.00)	
Inactive - Memorial Union	(4,500,000.00)	
Inactive - Indoor Track Facility	(15,000,000.00)	
Inactive - American Indian Center	(10,000,000.00)	
Inactive - Earth Systems Sciences	(5,000,000.00)	
Inactive - SMHS-Bismarck FPC	(4,000,000.00)	
Inactive - EERC Commercialization	(5,000,000.00)	
Inactive - Allied Health Facility	(20,400,000.00)	
	<b>0.00</b>	

NOSCS - no reported carryover

NDSU

## 2009-11 CAPITAL PROJECTS OVERVIEW

### 2009-11 MAJOR CAPITAL PROJECTS

	2009-11 AUTHORIZATION			TOTAL EXPENDITURES AS OF 12/31/10	REMAINING AUTHORITY
	GF	OF	R.BONDS S. BONDS		
Minard Hall	\$13,000,000			\$2,839,615	\$10,160,385
<ul style="list-style-type: none"> <li>• Expected completion late 2012 – forensic study completed, expert witness opinions expected February 2011</li> <li>• December 2010, SBHE approval to proceed with plans to expand the original scope and timeline of the project to include:               <ul style="list-style-type: none"> <li>• the collapsed portion of the building</li> <li>• redesign of the original north addition; eliminate the basement and move the mechanical room to a new fifth floor location</li> <li>• authorize NDSU to use general funding available from the original project to fund expenses related to the collapse</li> <li>• combine phases 1, 2 and 3 and expenses incidentally related to the collapse for reporting and auditing purposes</li> <li>• authorize NDSU to seek legislative authorization and funding, subject to consultation with the president of the state board and the chancellor</li> </ul> </li> <li>• Total project authorization is \$18 million, consisting of \$17,156,856 general funds and \$843,144 other funds.</li> </ul>					
Niskanen Apartment Complex			20,000,000	13,693,033	6,306,967
<ul style="list-style-type: none"> <li>• Building occupied fall 2010, punch list items remain, parking lot being evaluated</li> </ul>					
West Dining/Auxiliary Services Renovation	1,000,000		6,000,000	4,699,864	2,300,136
<ul style="list-style-type: none"> <li>• Expected completion December 2011</li> </ul>					
Student Health Expansion	1,100,000			865,558	234,442
<ul style="list-style-type: none"> <li>• Expected completion January 2011</li> </ul>					
Sanford Health Athletic Complex (Bison Sports Arena)		25,500,000		2,571,079	22,928,921
<ul style="list-style-type: none"> <li>• Architect design phase, strength and condition equipment purchased, fundraising ongoing</li> </ul>					
Ellig Softball Field		4,500,000			4,500,000
<ul style="list-style-type: none"> <li>• No progress at this time</li> </ul>					
<b>Total 2009-11 Authorization</b>	<b>\$13,000,000</b>	<b>\$32,100,000</b>	<b>\$26,000,000</b>	<b>\$24,669,149</b>	<b>\$46,430,851</b>

### CAPITAL ASSETS CARRYOVER 2007-09

	TOTAL CARRYOVER	EXPENDITURES AS OF 12/31/10	REMAINING AUTHORITY
Minard Hall	\$3,540,559.00	\$2,186,718.00	\$1,353,841.00
<ul style="list-style-type: none"> <li>• See above for status</li> </ul>			
Base Extraordinary Repairs Funding	228,732.00	227,732.00	1,000.00
<ul style="list-style-type: none"> <li>• Projects completed include mechanical and electrical upgrades, card access upgrades, Family Life Center foundation work</li> <li>• Remaining carryover will be spent by 6/30/2011</li> </ul>			
One-time Deferred Maintenance Funding	119,924.21	118,324.21	1,600.00
<ul style="list-style-type: none"> <li>• Projects completed include Bentson Bunker Fieldhouse bleachers, misc. classroom modifications</li> <li>• Remaining carryover will be spent by 6/30/2011</li> </ul>			
<b>Total Authorization</b>	<b>\$3,889,215.21</b>	<b>\$2,532,774.21</b>	<b>\$1,356,441.00</b>

DSU

Projects funded with 2007-2009 Carryover funds

As of 1-3-2011

Total Carryover	\$269,103*
Delong Hall to Murphy Hall Sidewalk	\$36,600
Strom Center Re-Roof	\$68,982
Tuck pointing Murphy Hall	\$12,779
Chimney Tuck Pointing and Repair	\$29,394
Tuck Pointing Klinefelter Hall	\$32,277
Agriculture Building Re-Roof	<u>\$47,786</u>
Total	<u>\$227,818</u>

- *All of the 2007-2009 carryover had been expended, however on 11-29-2010, \$41,285 of general fund carryover that had been used to fund the Badlands Activity Center Fencing was returned to the state general fund. Philanthropic funds raised by the DSU Foundation were used to fund the project in lieu of state general funds.*



**Legislative Reporting Requirements  
One-Time Funding 2009-2011 Biennium**

<b>Deferred Maintenance - General Fund (Adj. Appr.*)</b>	<b><u>1,730,120</u></b>
Misc small projects <\$50K	559,349
Building exterior	200,607
Mechanical/ electrical upgrades	320,262
Interior finishes	228,255
Structural repairs	738
Utilities/Infrastructure	250,672
Balance to be allocated as needed	170,237
*180,000 transferred to Science – Library building renovation project	

**Science-Library Building Renovation & Addition - General Fund (Adj. Appr.)**      **5,138,328**

Project is in progress and on track to be completed July 2011

<b>Carry-over 2007-09 - General Fund</b>	<b><u>486,876</u></b>
Performance Contract – Coal Boiler Plant	311,026
Misc small projects <\$50K	175,850

**Agassiz Hall Housing Renovation – Revenue Bonds**      **3,668,500**

Project is in progress and on track to be completed March 2011

MISU Carryover Report

Project	Swain	Card Key Access	Landscaping	Dome Floor
07-'09 Carryover	\$ 4,637,855	\$ 116,568	\$ 159,044	\$ 10,000
Expenditures Through 12-31-10	4,637,855	116,568	159,044	10,000
Unexpended Balance	\$ 0	\$ -	\$ -	\$ -
Expected Completion Date	Project complete but waiting for the final bills	completed	completed	completed

# Budget Overview

Trudy Collins  
Vice President for Business Affairs



## 2007-09 Unexpended Appropriations

• Oil Trust funds for Steamline project	\$ 94,329
- Spent \$87,872	
- Balance to remain unspent \$6,456	
• Extraordinary Repairs - Osmon Fieldhouse	276,569
• Extraordinary Repairs - Tuckpointing	48,670
• Extraordinary Repairs - Sidewalks/ADA	<u>24,640</u>
• Unexpended appropriations Total	<u>\$444,208</u>



**DAKOTA COLLEGE AT BOTTINEAU**  
**2009-2011 Appropriation Status Report**

Line Item	Original Appropriation	Adjusted Appropriation	Expenditures Through 11/30/2010	Balance	Percent Remaining
Operations	5,862,372	5,923,784	3,898,902	2,024,882	34%
Capital Assets	3,189,725	1,189,725	949,902	239,823	20%
Capital Assets - Carryover	0	668	0	668	100%
Capital Assets - Off System	0	700,000	0	700,000	100%
Deferred Maintenance	97,021	97,021	66,730	30,291	31%
<b>Total</b>	<b>9,149,118</b>	<b>7,911,198</b>	<b>4,915,534</b>	<b>2,995,664</b>	<b>38%</b>

*not yet spent* (668)

**Funding Source**

General Funds	7,148,118	7,211,198	4,915,534	2,295,664	32%
Federal Funds	0	0	0	0	0%
Special Funds	2,000,000	700,000	0	700,000	100%
<b>Total</b>	<b>9,148,118</b>	<b>7,911,198</b>	<b>4,915,534</b>	<b>2,995,664</b>	<b>38%</b>

North Dakota University System Office  
Status of 2007-09 Carryover

	Total General Fund Carryover	Total Other Fund Carryover	Total Carryover	Required Allocation per SB2003-Sec 25 1/	Expended through 01/20/11 2/	Current Unexpended Carryover 3/
System Governance Carryover:	276,862	107,344	\$ 384,206	(200,000)	(138,422)	\$ 45,784
Other Carryover:						
Student Financial Assst Grants	553,546	-	553,546	-	(553,546)	-
Scholars Program	343,242	-	343,242	-	(343,242)	-
Native American Scholarships	1,175	-	1,175	-	(1,175)	-
Education Incentive	89,650	-	89,650	-	(89,650)	-
Professional Student Exchange	244,398	-	244,398	-	(244,398)	-
SITS	55,332	9,231	64,563	-	(9,231)	55,332
Other Carryover	1,287,343	9,231	1,296,574	-	(1,241,242)	55,332
<b>Total 2007-09 Carryover Status</b>	<b>\$ 1,564,205</b>	<b>\$ 116,575</b>	<b>\$ 1,680,780</b>	<b>\$ (200,000)</b>	<b>\$ (1,379,664)</b>	<b>\$ 101,116</b>

Estimated Balance for FY11

1/ Section 25 (SB2003) required the SBHE to use \$200,000 of NDUS unspent 2007-09 general fund appropriation for marketing and student retention at Valley City State University for the biennium beginning July 1, 2009 and ending June 30, 2011.

2/ System Governance expenditures included expenses for Peer Review, Adult Council, Mission Review, ITD Enhancements, Computer Equipment, Office Training, Joint Boards Speaker. Expenditures for other line items are for specific grants, i.e., Student Financial Assist Grant, Scholars Program, etc.

3/ Unexpended funds estimated to be expensed for the following projects: Employee Retirement SL and AL payout, Risk Assessment Services, Intern, Training.

/

# North Dakota University System

## HB1033, 1034 and 1035 – Senate Appropriations

### Laura Glatt, March 8, 2011

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On behalf of the State Board of Higher Education, I appear today in support of HB1033, 1034 and 1035. These bills continue legislation which has been consistently adopted by the Legislative Assembly since the 2001 session. The bills extend the provisions for another two-year period through June 30, 2013. We appreciate the tireless work of the 2009 interim Higher Education Committee and their endorsement of these bills.

#### **What These Bills Do?**

**HB1033:** Provides for “block grants for base funding” and for an initiative funding appropriation for “specific strategies or initiatives” and an appropriation for capital assets renewal and replacement.

This allows for the continuation of the current appropriation bill format for the campuses of two line items-Operations and Capital Assets. This provides needed flexibility for campuses to respond to rapidly changing demands for courses, programs and training.

**HB1034:** Permits the carryover of unexpended funds from one biennium to the next. The bill requires the NDUS to report carryover amounts from one biennium to the next to the appropriations committee. Each campus reports this information as part of their budget presentation to the appropriation committees.

**HB1035:** Tuition revenues at NDUS campuses would be appropriated in the same way all other institutional funds such as grants and contracts, auxiliary revenues and private funds are appropriated.

All income, including tuition revenues, would continue to be deposited with the Bank of North Dakota. All income would also continue to be disclosed as part of the biennial budget process as required beginning on page 1, line 24 as follows:

*“Biennial estimates of revenue and expenditures of the other funds by source of funds must be presented at the same time biennial budget requests for appropriations from the special revenue fund and state general fund are prepared and submitted to the office of the budget.”*

All NDUS income would also continue to be subject to an annual financial audit performed by the State Auditor’s Office and would be disclosed, in detail, in the NDUS’s and state’s annual comprehensive financial statement (CAFR).

Taken together, the increased flexibility provided by these bills, allows campuses to be more entrepreneurial and more flexible and responsive to meeting the students and state needs. We are truly appreciative.

Thank you. I will be happy to answer any questions.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1033

That the Senate recede from its amendments as printed on pages 1420 and 1421 of the House Journal and pages 1188 and 1189 of the Senate Journal and that House Bill No. 1033 be amended as follows:

Page 1, line 3, after "system" insert "; and to provide for a legislative management study"

Page 1, line 7, remove the overstrike over "~~2011~~"

Page 1, line 7, remove "2013"

Page 2, line 5, remove the overstrike over "~~2011~~"

Page 2, line 5, remove "2013"

Page 2, line 11, after the period insert "The budget estimates for the North Dakota university system must include:

1. Block grants for a base funding component at each institution and the university system office. The block grants for institutions must be based on a separate funding calculation for research institutions, baccalaureate institutions, and two-year institutions.
2. An initiative funding component for specific strategies or initiatives. Initiative funding for institutions must include separate requests for research, baccalaureate, and two-year institutions.
3. A budget estimate for an asset funding component for the renewal and replacement of physical plant assets at the institutions of higher education."

Page 2, line 24, remove the overstrike over "~~2011~~"

Page 2, line 24, remove "2013"

Page 5, line 7, remove the overstrike over "~~2011~~"

Page 5, line 7, remove "2013"

Page 7, line 8, after the period insert "The draft of the proposed appropriations act for the North Dakota university system must include:

- a. Block grants for a base funding component at each institution and the university system office. The base funding block grants for institutions must be based on a separate funding calculation for research institutions, baccalaureate institutions, and two-year institutions.
- b. An initiative funding component for specific strategies or initiatives. Initiative funding for institutions must include separate requests for research, baccalaureate, and two-year institutions.

- c. A budget estimate for an asset funding component for the renewal and replacement of physical plant assets at the institutions of higher education."

Page 7, after line 16, insert:

**"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - HIGHER EDUCATION.**

During the 2011-12 interim, the legislative management chairman may appoint an interim higher education committee to study issues affecting higher education. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly."

Renumber accordingly