

2011 SENATE EDUCATION

SB 2300

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee  
Missouri River Room, State Capitol

SB 2300  
February 9, 2011  
14254

Conference Committee

Committee Clerk Signature



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

Relating to the creation of the North Dakota commission on higher education funding; and to declare an emergency.

## Minutes:

Attachments: #1, #2, #3, #4, #5, #6, #7, #8, #9, #10, #11

**Chairman Freborg:** Called the Senate Education Committee to order and open the hearing on SB 2300.

**Senator Holmberg:** District 17. Introduce SB 2300 everyone being an equal partner...great importance is directions of finance in higher education. This bill would create commission on higher education funding to zero when on specifically on the funding issues of higher education. The state of ND hired MGT three sessions ago, a consulting firm, who came in. We were looking at everything, but the final results were even though there was dissatisfaction with the funding mechanism with pure institution, the consultants said they didn't have enough data. We will have to continue going with that same system. Since then, we have had two interim studies on higher education which have never have focused in on funding issues. SB 2300 sets up a commission and there are many people going to talk about this bill including the governor. They are going through a number of the indecencies of the bill. I will cover the members of the commission that would include the governor, commissioner of higher education, two members of the higher education selected by the board of higher education, Vice President for finance of NDSU, Vice President for finance from UND, a finance director from a two year institution under control of the board appointed by the governor, a finance director from a four year school appointed by governor, the chairman of the Senate education committee, chairman of the House committee, chairman for the Senate and the House appropriation committee, Senate Minority Leader, a business owner from the state appointed by the management of Director of Legislative management committee from a list of persons presented by the Chamber of Commerce. Fourteen members on the commission. There would be two non-voting members, a faculty member appointed by legislative management and student who would be from a list provided by ND Student Association. There is no additional fiscal impact to the state general fund ....this bill should not be re-referred to appropriations. Any costs associated would be taken by the budget in the higher education. This is a concept based upon the elementary and secondary governor's commission ....we have gone through that cycle and they have come up with changes which the legislature accepted with more coming this session. The difference between is gov. commission on elementary and secondary education was an executive order in the initial phase, which means it was not accepted by the legislature. This bill is asking the legislature to set up the commission, similar to the other commission.

**Senator Grindberg:** District 41: (Minutes for HB 1003 from 1999) (Attachment #1 & #2) Here to offer a few perspectives and support SB 2300. I have minutes from the 1999 Legislative Session regarding higher education ...House bill #1003 and minutes from the conference committee on House Bill #1003. I offer those specifically equity ....many references when we started in Senate appropriation my first session after leaving your committee on Senate Education of trying to resolve the issues regarding the equitable distribution of funding for higher education. There are many references throughout the session and conference about this issue and what led was the establishment ....they study of the higher education round table. It was equity that drove the formation of the higher education round table....comments from the chairman of state board of higher education, members of legislature on process....involving the whole equity discussion. Recall, today, we have a funding model based on peer funding who reflects each of the campuses. Added to that there has been an ongoing debate over the equity issue for the last 10 years.....it doesn't go away. Where we are today, is that the peer model hasn't resolved equity and a number of reasons why subjective, you couldn't argue or objective. Many states are representing the peer group by ND institutions over the past few years. In the future, will not have the resources to dedicate to higher education by altering percentages on what's acceptable peer funding match. I believe the peer model is obsolete which further warrants the study .....what is going to be the new model of the future? Demographics as challenging the higher education system.....we learned 10 years ago at the round table, many offered their vision. At that time 25% of the students in our system were projected would be taking online courses.....analyzing last summer....many experts outside the state predicted 50% to be online students. That means the funding today, does not match where the trends. Last session I introduced a bill to create the 12 Institution in ND and was a university concept that every student taking a course had to be recorded and in a university model and not part of the campus head count. Point was to keep track and an accountable method of reporting of what the cost are of online education vs. traditional seat time. Many things outside the equity debate which I feel is central to resolving this issue. Changing demographics, state changing student, opinions, and attitudes toward higher education and recognizing the online. As we go about our process and executive branch makes their recommendation through review through agencies and state university system, we know how it works. We need to have a clean slate to evaluate where the needs are and have that funded in a manner that addresses the needs. This opportunity changes that dynamic to address the needs of higher education however they may be in the future. (Two (2) Attachment 1999 Senate Standing Committee Minutes)

**Representative RaeAnn Kelsch:** District 34: I stand before you today in support of SB 2300. Discuss two issues. One is using an outcome base model.....many times we talk about outcomes and find it is difficult time in measuring out comes in higher education. Using an outcome based model of the funding formula, are clear and provide several distinct advantages to other funding methodologies. An outcome base model is productivity based while including outcomes that can be determined by the exact proposed commission that is contained within this bill. This model tends to provide more stability by spreading the incentives across more variables. Additionally an outcome funding model allows the state to be clear in its expectations while not being prescriptive to institutions as to how to achieve higher levels of productivity. The peer institutions have become clear that there are inefficiencies in the peer institutions funding model. Peer institutions are chosen because they have a similar mix of programs....comparable in size and missions are similar to each other. With the changes being made at the campuses across the US, we are seeing such large reductions in higher education funding for state budget, we are seeing the peers that are currently being used for comparisons are no longer valid. This is becoming an issue and I know that BSC ..... that budget isn't exactly lining up with peer institutions. We have issues with other campuses. I would like you to take a look at SB 2300 ....it is a good piece of legislation and time for us to take this on.

**Representative John Wall:** District 25: Supporting SB 2300. My hope is that SB 2300 will enhance the transparency in the key areas in reporting which currently exist in the university system

of higher education. I hope this transparency would include funding and funding equities. I hope tuition waivers; tuition comes into play, remedial needs, and a clear articulation of incoming freshman, the expectations, what university system expects that they do know. There are many areas of concerns with the transparency issues. The successes of K-12 commission in bringing about positive change partially is due to the fact that agenda, deliberations, were all very transparent and I would expect the same as the outcome of the SB 2300 if it becomes law. Again, I am here to support SB 2300...it is very positive legislation.

**Representative Glassheim:** District 18: In support SB 2300. My function is call attention to Section 4 and speak about the concept of rewarding outcomes. It is very important, is a key to legislation although, the commission needs to be careful because what you measure is what you get. You will have to do a lot of deliberation of what kinds of things are appropriate to measure. In section 4, some outcomes are suggested but not required; increases in the number of degrees awarded....awarded to low income students, students retained beyond their first year. A fourth one is increases in number of on time graduations and here we have to be careful because a certain number of students are not in the traditional mode of young college student who are attempting to get a four year college degree. These are people who are working full time and are getting additional training...if you are measuring who gets four year degrees; you are missing that some people cannot possibly finish in four years....not the fault of the institution but the nature of the kind of student. Under Item B, I hope they will incorporate some measures the traditional purposes of colleges which include ability to think, articulate, reason, and improve the capacity of citizenship.

**Senator Flakoll:** District 44: (Attachment #3, #4, #5, #6, #7) In support of SB 2300

**Senator Heckaman;** Can you tell me why the emergency clause is on there....is that for a time line of some reason?

**Senator Flakoll;** We decided that would allow the work to begin in May or it is put in a holding pattern. ....event to the point where you're not sure which people would be appointed to that committee. It is a difficult committee to be on, hard work, important work...that is why we need the emergency clause to have the extra time. One thing that led to the K-12 success commission, no one represented their own school or district, and they were there to do what was best for the kids. That was the selling point and is what we need to do with this commission.....what is best for the children in ND and tax payer to make sure that we get what we want out of our education investment.

**Gov. Dalrymple:** Very rare before a legislative committee and even more rare for on to appear twice in front of the committee. It is because these two concepts that I have spoken on education reform in K -12 and education reform in financing of higher education are both very major initiatives and important concepts that have a big implication for education in ND. First, this bill is the direct result of a considerable amount of dissatisfaction with the way ND funds its system of higher education. That dissatisfaction has been growing over the years and it has reached the point where many different groups and constituencies agree that there are major improvements that need to be made. I am here to say as governor, I accept the responsibility of being a member of this commission and accept the responsibility of providing leadership to this group if you so choose. The concept of commissions has been debated much over the years, we have found in ND a commission can be a very useful tool in bringing about policy change/policy reform by the legislature in case of K-12 commission ....we found that the legislature has been able to make great progress in policy reform with the help of this tool.....I consider the tool of the legislative branch to be able to work on difficult concepts in detail with greater analysis between sessions and provide expertise needed to come up with good solutions. To the credit of the legislature, they have responded to this and enacted some major changes that have dramatically improved our system of funding K -12 education. The work of the K-12 commission is now largely complete. We

have been through the issue of equity, question of adequacy in school funding. In this session, we are wrapping up the last of the adequacy concepts, cleaned up the loose ends that were not able to achieve in the first two sessions. We have reached the end of that chapter for K-12 education.....the end result is a system that has received national recognition.

People have asked if a commission could be useful in looking in looking at higher education funding. We know we have dissatisfaction there .....one major problem is the current system has been continued over several decades bases on concepts that are now completely obscure to everyone. Originally there was a loose notion of what the cost is providing a four year classroom in humanities concept. Some general notion of what the operating costs were in each institution and other programs layered on top of that, infrastructure costs on top of that, and finally arrived appropriate members look at a budget bill for higher education. What they see is a number for each campus that is built on what the number was the previous biennium. The proposal is to add 7% or some percentage added to the baseline and that becomes the budget proposal. No one is able to trace back and understand why that amount of money is the proper amount of money for that campus and the programs engaged in. That is a serious flaw in the system when legislators, members of the board of education, and senior staff members can not readily explain how they arrived at these funding levels.

Then because of the difficulty there, in dealing with certain issues that come up.....we have tried to create remedies for that .....several years back we have tried to create the concept of equity. I attended the meeting as the chairman of the house appropriations committee, when the peer group concept was proposed and everyone agreed to try to make that work. The concept was that you should be judged not by you past history of funding, but you should be funded in a level that is competitive with peer campuses in the upper mid-west region. Over time, if you were competitive with out of state, you would be ok in the long run because your tuition was at least matching with what other people were spending. That concept, over time, has proven to be very ineffective. We find ourselves where one of our major campuses is only funded at 45% of equity or at the level they should be funded at.

What is the meaning? If that were really true, that badly underfunded, it would expect that campus would be in serious trouble and having many problems. However, just the opposite is true. Campus is doing very well, enrollment is increasing, campuses praised for the good job they are doing. The board office began working on a concept called parity....parity has something to do with historic relationships between campuses.

All of these things have been shown to be very lacking in effectiveness and dissatisfaction in solving the problem. People are asking what we can do about it. The problem is of one getting from where we are today to a new place is very difficult....the status quo becomes a huge piece of inertia getting beyond it is very difficult with our situation of government in ND which the legislature is responsible for only funding. Then a constitutional board of high education who is responsible for doing everything else. Making it more difficult.

What this bill does is create a commission .....I believe this commission is well done. Commissions can be a great tool....or a bad thing if not well structured. The K-12 commission has shown it can be a positive thing....the key is having the right people on the commission and making sure they have the right leadership you need to get the results that you want. The make-up of this is correct. The key to this commission as in the case of K-12 is you need numbers people on this commission, business managers, vice presidents of finance who understand the numbers behind providing higher education services. How much does it cost to run a particular program, different types of programs with different types of levels? If you are not dealing with those detailed numbers, you are not going to accomplish much in funding reform ....it is very complex and only people who work with it on a regular bases understand it. These are the people who are on the commission and providing

the core of the analysis ....this bill has two different concepts in it and not really even that closely related. Section 4 paragraph 1 is a different concept from paragraph 2. Paragraph one that we would like to begin a very modest start in looking at moving dollars into higher education based on outcomes that people believe are desirable in education. Where we are today in our current system in education, the policy statement that all education is equally good. A person going to a class regardless of age is considered positive/desirable for society and for the state of ND. That is a good starting point....all education in some sense is a positive a thing and needs to be encouraged. We have reached a point in our state history where we need to begin to look at certain types of outcomes that have greater value to the state to the people of ND, than other educational outcomes. Are students completing degrees? Are students in disciplines that can lead to career success? Are residents and non residents treated equitably? These are things that need to begin to address .....to a large extent have been set aside over the history of our state. This is a modest beginning....it says some money can begin to go to things that people consider to be valued that comes from higher education.

It is a simple concept, but the first step is very difficult. The second paragraph is an entirely different initiative...it says that commission may (key word) has latitude to decide how far to go with this. To begin to examine a funding methodology that is based on the actual cost of delivering education. We have considered a student in a chair is the bases that determine the amount of money and as time goes on in the modern world. We have reached a point where the various types of education that are taking place on our campuses are very tremendously in cost. We now have online students counted as the same as 4 year students in a classroom who is counted the same as the student who requires lab courses....all of that has become very blurred. Over time, if fairness is the goal, we do need to begin to look what are the relative costs of providing all these different of education? The costs are highly variable. One of those variables, on line 28 is the size of the institution is a cost factor. Delivering the same education is higher because of the lack of efficiency of having a larger student body, the infrastructure needed in order to provide education to the first student. On line 30, initially as we look at this, the historic spending levels will be considered the actual cost. If a small campus has a history of spending more per student, we will accept that is the higher cost of delivering in that location. Would not be question, but would reflect that in findings.

How far the commission goes on this notion at looking at relative costs of education will depend upon how much support there is from the legislature to pursue this. It is initially an academic exercise, but what is recommended will have a lot to do with what the legislative members of the commission have to say. I believe the time has come to take this a step forward in the funding of higher education and the SB 2300 is set up well to take us through the first step.

**Senator Lee:** Mentioned the University System Office, Board of Higher Ed, and the Chancellor. Why couldn't that group convene the same people to have the same accountability or responsibility this information together that you are asking of this commission?

**Governor Dalrymple:** Good question.....it gets to some of the fundamental concepts of the policy making branch of government vs. an administrative board like the Board of Higher Education. They are trying to deliver something that they believe is expected to be delivered but do not have that fundamental responsibility of establishing a policy regarding what is expected from the system by the people of the state. That is where it can break down...not that the board is insensitive to the people's wishes, but in many ways, they become a part of the system itself. Working with the university presidents and they have different perspective than policy makers have.

**Senator Heckaman:** Looking at parts 1 & 2 of section 4, they are quantifying looking at numbers... our graduates from higher education system are sought the nation for their quality education. Could you address how see quality remaining if you're looking at quantifying some of

these things. I don't see a lot of quality in here, but would like to see how you see that working in the picture.

**Governor Dalrymple:** If you look around the word quality has been added in a couple of places....quality education is clearly what we are after, but you have uncovered one of the challenges that the commission would face....the potential for a pure formula to try to drag down the average result. Go through the motions to get cost reimbursement, eventually, without the concern about the quality of the product. Definitely something the commission would have to address. I would suggest you can have that problem today in the system we have....there is always an incentive to do only what is necessary to garner funding and not something extra. Not sure if that worsens in any way, the bill does state quality education is the product that is sought.

**Bill Goetz:** Chancellor of NDSU (Attachment #10) Support of SB 2300

**Senator Lee:** It seems like your office would have the details and information and the pieces in terms of being able a group like this together and bring about some recommendation to achieve the results that are outlined in the bill. Accountability your office should have....what is your response to that?

**Bill Goetz;** I am gratified that the governor has taken a deep interest in education in the state of ND and we are keenly aware of the success that has come about K-12 funding and the financial changes and being able to drive this across the state. Also receive the support public input and support that taken place. It has dramatically changed the way we look at K-12 in the state of ND. Likewise, the interest is very prevalent in higher education as a continuation a sense of continuity in moving from K-12 to higher education in this setting. There has been work that has gone on year after year, in addressing the financial changes of the university system. We have had many changes....the legislature has been a part of that in the area of legislating and budget support. What I like about this, we have the opportunity to meet the challenge that we have before us as university system recognizing the tremendous changes that are taking place in terms of how we address higher education in this state. Many times, we have good personnel aware of the finance of the system....we have relied upon on consultants, we have a tendency to look at what other states are doing. This is an opportunity to look at our system in a unique way in terms of what the ND system is about....to look at the issues that are identified in this bill and beyond and ask ourselves as to what can we as a state do best for ourselves in terms of addressing and applying the financial resources behind the system and make it more dynamic. We are highly recognized across the country when it comes to productivity and quality of education that we are offering. It is reflected on the student interest we have in our 11 campuses. With this support with the governor, the executive branch, the legislative branch, incorporating that with the expertise and understanding the university system means that we are going to make a difference in making our financial support system that is a cutting edge and bring about greater accountability, cost efficiency, as an end objective with quality education and student success.

**William Woodworth:** Legislative Lobbyist for ND Student Association (Attachment #8)  
Support SB 2300

**Robert Vaille:** Executive Commissioner for Governmental Relations in Inter-Collegiate Affairs with NDSU Student Government (Attachment #9)

**Senator Freborg:** Opposition to SB 2300?

**Dustin Gawrylow:** Executive Director of ND Tax Payers Association (Attachment #11)

Read an excerpt from the book (page 496) that all students in ND University System are required to read, "The History of ND". By Elwyn Robinson, considered to be the authority on the history of ND up until 1966 when it was written.

**Senator Flakoll;** Is this book required to be read by everyone in higher education? Where is the citation for that?

**Dustin Gawrylow:** I don't know if it is actually required, but most classes state and local government, is a required course, the book is reference material for the class.

**Senator Flakoll;** No class requires this book to be read? Scheels Store opened in early 1900 in Fargo....a parallel....comparison of stores in competition and comparison of competition of colleges.

**Dustin Gawrylow:** That analogy is not cogent it is a private sector issue while this is a public tax payer dollars, student dollars, through tuition both state and federal dollars. To equate what we are doing with public dollars to what a private entrepreneur is doing doesn't jibe

**Senator Flakoll;** The private sector people, their efficiency models determine that it is workable that in place. What happens to place bound people like in nursing programs which would have a shortage .....should we limit it to one campus when we have a number of people who are placed bound including those attend travel colleges which are land grant institutions .... We have the working families as referred earlier, working adults, trying to finish their degrees.....are we to say they are not to have that opportunity even if that classroom has a viable number of students in it?

**Dustin Gawrylow:** That becomes an issue of trying to be all things to all people. We are a small state.....we cannot provided everything little thing that everyone wants, when they want it, where want it.....the roll of the legislature is determined how best to appropriate the public funds. If people want to go to our universities for a specific program, they can choose to do that.....if they don't like the arrangement that has been set up....they can run for the legislature and try to change it.

**Senator Freborg;** Any other opposition to SB 2300? Close hearing on SB 2300.

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee  
Missouri River Room, State Capitol

Committee Work on SB 2300  
February 15, 2011  
14561

Conference Committee

Committee Clerk Signature 

## Minutes:

No "attached testimony."

Discussion on amendments for the bill; **Senator Flakoll** is waiting for some from Legislative Council. Hopefully ready by Monday.

*(tape went off for about 5 min. so information from Senator Heckaman, Senator Gary Lee & first part of Senator Flakoll is from SD card)*

**Chairman Freborg:** Does anyone else want to discuss SB 2300 prior to Senator Flakoll's amendments?

**Senator Heckaman:** Some thoughts on all of the higher education process; as the bill sits now, don't like some things about it. Probably a need for it after listening to testimony this morning. Haven't been very critical of the university system, but don't see a lot of progress being made in some areas. Would like to hear the amendment proposals first.

**Senator Gary Lee:** Any indication of what the amendments might be? Have a problem with the bill because someone is not doing their job. We can say a lot about the K-12 commission doing a great job, but basically the higher ed board is not doing their job. Not convinced a higher ed commission would be any more effective than the board, round table, interim committees, etc.

**Chairman Freborg:** Prediction that the solution will be money.

**Senator Flakoll:** Want to first comment on the round table; don't think it really exists anymore. Seems to have existed for two terms and made some progress on flexibility and responsive systems so a campus can move into or out of a program quickly. Did provide some accountability measures although it is argued is 30 too many. Equity was one of their original charges, but with the magnitude of issues to deal with, there wasn't time. One thing we would want to see is a "sunset clause" so that if nothing is fixed in four years, then other remedies are necessary. Believe Board of Higher Education "should" have fixed this; problem is that no one understands the funding formula (isn't really one!)—one person decides how much each campus should get; that is brought to the Chancellor, then the board, and the legislature. Very different than K-12; Jerry Coleman can give a printout of what that means to each school district. Very subjective in higher ed.

Is it better to have more legislative involvement? Yes, need to have buy-in because the higher ed board makes a recommendation to the governor, who makes a recommendation to the legislature who has the ultimate say in what gets sent out. Looking at the constitutional side of it, we decide how much money to send out; they can ask or recommend, but if the legislature isn't comfortable with it that doesn't go very far. Needs to be—across the entities—agreement, understanding, and buy-in that are needed to do it. **(back to the tape)** One person in the system office decides the numeric score of a project should be. That one person brings that recommendation to the board with very little time to review, but the board doesn't physically score those projects that are in the top 20, top 10, top 50—at all. They decide which do we want on and which do we not. Need more subjective criteria up and down the line. Another reason why to open up how we finance higher ed. Not just to \$\$ following the student, but look at capital construction projects what the basis is for that. A number of areas need to be involved in how money is used.

**Senator Schaible:** Just listed reasons of problems that are there; maybe not addressed in this commission but maybe that should be part of it also because we are just addressing how much more money we are or are not giving them without addressing WHY that's a problem. Is that a part of it? For example, listed criteria for university building projects and how nobody on the board does that. Maybe the commission should look at those problems also.

**Senator Flakoll:** Agree; so many areas that lack focus. Look for the longest standing problem. Never able to properly focus on one area in depth. Need a focused effort on a few topics of concern. Also have not had the appropriate dialog and no one wants to acknowledge the "problem" of a system that has 20-40% of its students taking classes by electronic education—preparing instructors, facilities, etc. Providing a means to deliver instruction; do we need a certain building, providing the upfront needs to deliver these courses of the future.

**Senator Gary Lee:** What do we have a board of higher education for if the legislature has to do all of it? They should have the foresight to plan and see how things will play out and change. If there needs to be a commission for everything to be done, maybe that is a better route. To him, they are the ones that should be strategizing and looking forward with the universities in terms of laying out a plan that makes sense. Don't feel that has any place in a commission like this, if that is what he intended.

**Senator Heckaman:** Comments: would have liked to see the University system come forward today with part of their procedures and policies that they are anticipating to cover these. The audit and fiscal review was in 2009, but the documentation today states they have several policies and procedures requiring approval and disclosure, were updated in October 2009, but won't be in place until June 30, 2011? There is two years where some of these things should be in place; many issues. Bottom line—if you have a job, do it.

**Senator Flakoll:** Again, suppose it would be different if they told us how much they want and the legislature had to supply that. Think legislature involvement extends into how much we should supply to them for funds and how they should be used for construction projects and other things. Have that responsibility and need to exercise it each session. Think the responsibility for it extends beyond the board of higher ed. Things happen that

board members are lost; we have more history and they rely more heavily on those recommendations in the "tower" and that doesn't always serve them well.

**Chairman Freborg:** What does the board of higher education do—briefly? **Senator Flakoll:** Would say the lines are very blurred—hence the need for the bills before the legislature as we take it upon ourselves when they have authority and when they do not have authority. But their authority is to manage the system of higher education and campuses. Major focus is to hire the Chancellor and campus presidents. Have times when we don't like what they are doing; introduce legislation if they make mistakes.

**Senator Heckaman:** Would like a brief explanation of the budgeting process for institutions. If we go to a system such as this one and 2300, and a commission, would that process change? **Senator Flakoll:** That process could change, and may be less of a "siloeing effect" because right now there tends to be. Don't have that type of tug and pull between the K-12 school districts because we have established a better plan for funding; don't have those independent "silos" asking for money. They know where the money will go which is a potential benefit of improving the system of funding higher ed. Would much prefer that the legislature be involved than the courts.

**Chairman Freborg:** We have kicked around a couple of ideas, and maybe a few things out of the way. Will take this up again when the amendments are ready.

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee  
Missouri River Room, State Capitol

Committee Work on SB 2300  
February 16, 2011  
14614

Conference Committee

Committee Clerk Signature *T. Gorge*

**Minutes:**

See "attached amendment."

*(ignore first statement on tape; had to switch back to recording of SB 2351 for that portion)*

**Senator Flakoll** handed out amendment (#1 attachment) 11.0744.01001 to SB 2300. It makes several changes in the bill. Page 1, line 11 requires the Chancellor to attend and participate in meetings; page 2, lines 2-4 removed the designation of Senate Appropriations chair, House Appropriations chair, and substitute language to legislatures appointed by the Senate and House majority leader's; lines 6-8 also took out having a North Dakota business owner on commission. Page 2, after line 22: inserts how voting should occur. In one vote the majority of the commission members must agree (7/12\*) AND a majority of the legislature representation on the commission (3/5). Page 3, after line 31 provides for a report to legislative management and state board of higher education; and new Section 5 adds a sunset clause.

Motion Do Pass by **Senator Flakoll**; second by **Senator Gary Lee**. **Chairman Freborg** clarified that in "one" vote the majority of both full committee and legislators must agree (page 2, after line 22). Motion carried 7-0-0 (Vote 1-A; Senator Marcellais voted later).

**Senator Flakoll** moved Do Pass as amended to SB 2300; second by **Senator Luick**. **Senator Heckaman**: Do we have a Fiscal Note on this? **Senator Flakoll**: It is in the Higher Ed existing funds; not required to go to Appropriations.

Motion carried 7-0-0 (Vote 1-B; Senator Marcellais voted later); **Senator Flakoll** will carry the bill.

*(\*NOTE: It was pointed out later in the day that the commission total membership is 13 so majority vote would be 7/13. John Bjornson, Legislative Counsel, stated he could change that as it is a technicality that he could fix without a revote on the amendment)*

**FISCAL NOTE**  
 Requested by Legislative Council  
 04/01/2011

Amendment to: Engrossed  
 SB 2300

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$59,000			
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 3 requires compensation and/or travel reimbursement for (18) commission members.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Assumed 5 meetings per year or 10 meetings for the 11-13 biennium for (18) committee members, plus misc. meeting expenses. No consulting services are contemplated in the expenditure estimate.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Per diem and/or travel reimbursement for (18) committee members for 5 meetings per year or a total of 10 meetings in the 11-13 biennium is estimated to be about \$59,000, 4 meetings per year would be about \$48,000.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 3, (3) requires that the NDUS Office use up to \$40,000 from moneys appropriated to the "governance" line item in the NDUS Office for this purpose. No increased funding is included in HB1003, the NDUS Office appropriation bill, for this purpose, estimated to cost between \$48,000 - \$59,000.

It should be noted that the number of meetings may need to be adjusted to stay within the mandated \$40,000 limit.

<b>Name:</b>	Laura Glatt	<b>Agency:</b>	ND University System Office
<b>Phone Number:</b>	701-326-4116	<b>Date Prepared:</b>	04/01/2011

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/18/2011

Amendment to: SB 2300

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$48,000			
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 3 requires compensation and/or travel reimbursement for (15) commission members.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Assumed 5 meetings per year or 10 meetings for the 11-13 biennium for (15) committee members, plus misc. meeting expenses. No consulting services are contemplated in the expenditure estimate.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Per diem and/or travel reimbursement for (15) committee members for 5 meetings per year or a total of 10 meetings in the 11-13 biennium is estimated to be about \$48,000.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 3, (3) requires that the NDUS Office use up to \$40,000 from moneys appropriated to the "governance" line item in the NDUS Office for this purpose. No increased funding is included in HB1003, the NDUS Office appropriation bill, for this purpose, estimated to cost \$48,000.

It should be noted that the number of meetings may need to be adjusted to stay within the mandated \$40,000 limit.

<b>Name:</b> Laura Glatt	<b>Agency:</b> ND University System Office
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Phone Number: 701-328-4116

Date Prepared: 02/18/2011

# FISCAL NOTE

Requested by Legislative Council  
02/01/2011

**REVISION**

Bill/Resolution No.: SB 2300

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$48,000			
Appropriations						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 3 requires compensation and travel reimbursement for commission members.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Assumed 5 meetings per year or 10 meetings for the 11-13 biennium, plus misc. expenses. No consulting services are contemplated in the expenditure estimate.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Per diem and travel reimbursement for non-campus and non-legislative members for 5 meetings per year or a total of 10 meetings in the 11-13 biennium is estimated to be \$20,000. Similar costs for campus and legislative members is estimated at \$28,000.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 3, (3) requires that the NDUS Office use up to \$40,000 from moneys appropriated to the office for this purpose. No increased funding is included in HB1003, the NDUS Office appropriation bill, for this purpose, estimated to cost \$48,000.

Name:	Laura Glatt	Agency:	ND University System
Phone Number:	701-328-4116	Date Prepared:	02/02/2011

# FISCAL NOTE

Requested by Legislative Council  
01/25/2011

Bill/Resolution No.: SB 2300

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$50,000			
Appropriations						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 3 requires compensation and travel reimbursement for commission members.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Assumed 5 meetings per year or 10 meetings for the 11-13 biennium, plus misc. expenses. No consulting services are contemplated in the expenditure estimate.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Per diem and travel reimbursement for non-campus and non-legislative members for 5 meetings per year or a total of 10 meetings in the 11-13 biennium is estimated to be \$20,000. Similar costs for campus and legislative members is estimated at \$30,000.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 3, (3) requires that the NDUS Office use up to \$40,000 from moneys appropriated to the office for this purpose. No increased funding is included in HB1003, the NDUS Office appropriation bill, for this purpose, estimated to cost \$50,000.

Name:	Laura Glatt	Agency:	ND University System
Phone Number:	701-328-4116	Date Prepared:	01/27/2011

February 15, 2011

PROPOSED AMENDMENTS TO SENATE BILL NO. 2300

Page 1, line 3, after the semicolon insert "to provide an expiration date;"

Page 1, line 11, remove "or the commissioner's designee"

Page 2, remove lines 2 through 4

Page 2, line 5, replace "l." with "j."

Page 2, line 5, remove "senate"

Page 2, line 5, after "leader" insert "of the senate"

Page 2, line 5, remove "and"

Page 2, replace lines 6 through 8 with:

- "k. One legislator appointed by the majority leader of the senate; and
- l. One legislator appointed by the majority leader of the house of representatives; and"

Page 2, after line 18, insert:

"1."

Page 2, after line 22, insert:

- "2. Notwithstanding subsection 1, in order for a motion to be adopted by the commission, other than a motion pertaining solely to procedural matters:
  - a. The motion must be consented to by any seven of the twelve commission members; and
  - b. Three of the five legislators serving on the commission must be on the prevailing side."

Page 3, line 10, after "Duties" insert "- Reports"

Page 3, after line 31, insert:

- "3. The North Dakota commission on higher education funding shall provide reports to the legislative management and the state board of higher education during the 2011-12 interim and the 2013-14 interim.

**SECTION 5. EXPIRATION DATE.** This Act is effective through December 31, 2014, and after that date is ineffective."

Renumber accordingly

# 1 Attachment





**REPORT OF STANDING COMMITTEE**

**SB 2300: Education Committee (Sen. Freborg, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2300 was placed on the Sixth order on the calendar.

Page 1, line 3, after the semicolon insert "to provide an expiration date;"

Page 1, line 11, remove "or the commissioner's designee"

Page 2, remove lines 2 through 4

Page 2, line 5, replace "l." with "j."

Page 2, line 5, remove "senate"

Page 2, line 5, after "leader" insert "of the senate"

Page 2, line 5, remove "and"

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- "k. One legislator appointed by the majority leader of the senate; and
- l. One legislator appointed by the majority leader of the house of representatives; and"

Page 2, after line 18, insert:

"1."

Page 2, after line 22, insert:

- "2. Notwithstanding subsection 1, in order for a motion to be adopted by the commission, other than a motion pertaining solely to procedural matters:
  - a. The motion must be consented to by any seven of the thirteen commission members; and
  - b. Three of the five legislators serving on the commission must be on the prevailing side."

Page 3, line 10, after "**Duties**" insert "**- Reports**"

Page 3, after line 31, insert:

- "3. The North Dakota commission on higher education funding shall provide reports to the legislative management and the state board of higher education during the 2011-12 interim and the 2013-14 interim.

**SECTION 5. EXPIRATION DATE.** This Act is effective through December 31, 2014, and after that date is ineffective."

Re-number accordingly

2011 HOUSE EDUCATION

SB 2300

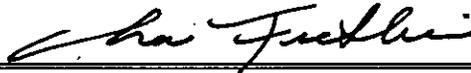
# 2011 HOUSE STANDING COMMITTEE MINUTES

House Education Committee  
Pioneer Room, State Capitol

SB 2300  
03/22/11  
15811

Conference Committee

Committee Clerk Signature



## MINUTES:

**Chairman RaeAnn Kelsch:** We will open the hearing on SB 2300.

**Sen. Ray Holmberg:** Sponsor. SB 2300 is taking a new look at how we study higher education. We have had a number of interim studies over the past years and if you look at how we looked at each one of those four studies you will find the same three bills that come out of those studies. We have done a lot of studying but haven't made changes and there are still issues involving higher education that haven't been resolved and people have been asking questions about how we fund higher education, how do we get the money, and how do we get assured it is being spent wisely. The legislature perhaps is constructed in such a manner that is difficult for them to handle those kinds of issues. A commission that was originally an executive order was able to make changes that have really made a difference in elementary and secondary education in the state of North Dakota. Prior to that I know there are members of this committee that served on a number of interim committees there the ball didn't move down the field very much but the commission made a big difference. Now the difference between that education commission and this one is that the elementary and secondary was originally an executive order. This time the executive branch has come to the legislature and said instead of doing an executive order, let's have the involvement of the legislature from day one. SB 2300 sets up a commission to study higher education. I believe there is still a fiscal note attached but it is not going to be additional money added. It will be absorbed within the higher education system. We are not asking for an additional appropriation. There will be people here today that will tell you about the workings of the bill but I can certainly answer any questions you might have.

**Chairman RaeAnn Kelsch:** Questions? Seeing none thank you.

**Sen. Tim Flakoll:** Co-sponsor. (Testimony attachment 1).

**Chairman RaeAnn Kelsch:** Questions?

**Rep. Joe Heilman:** Because we added a staff member to the State Board of Higher Education as their advising type role would you have any problems if we added a staff member from the campus to this committee?

**Sen. Tim Flakoll:** We talked about that on the senate side and we chose not to because sometimes this work is evolutionary. What we really need are the finance gurus that really know the ins and outs. If we do that and have a second go around with that then maybe we could look at adding. Really this is specifically about the finance portion of it. We have concern if you get the committee too large then you are not nimble enough or ready to make quick movement through the process. During the interim this issue came forth and one of the comments I made was if you are really excited and think this would be a fun thing to do, then you are probably not the right person to be on the committee. It is not fun work. It is not easy work. It takes a lot of time, nights, and weekends. The chemistry of the group is very important.

**Rep. Bob Hunsakor:** In testimony you talk primarily about funding. Is it the intent of this commission that they can delve into other arenas other arenas of higher education other than funding?

**Sen. Tim Flakoll:** The focus is to develop a more appropriate type of funding mechanism that reacts to our priorities. The interim higher education committee before spent around 78,000 dollars in meetings talking about things and we really didn't have a lot of work product. I think this combination of the right mix of people at the table is what we need.

**Rep. David Rust:** I agree with you that you need those people at those discussions. Is that something that can't work with an interim higher education committee so that committee so when they meet to talk about those issues they couldn't have those people on that committee in an ex officio manner to give that input and to have them working with the committee?

**Sen. Tim Flakoll:** It hasn't worked. We tried with a number of different people working on that because it takes a lot of dedicated work. It really takes a drilling down deep which we haven't been able to do as far as a legislative standpoint and having everybody at that table. We can't have too many people there physically because we lose momentum to generate things at a good and thoughtful pace.

**Rep. Karen Rohr:** On page 3 where you identified under section 4. After reading the bill, in 1A you have selected 4 outcomes there. I am wondering about the realistic nature of those outcomes because in the past the higher education institutions were focusing on increased enrollments. The other question is do you already have existing data to compare to the outcomes that are selected by the commission?

**Sen. Tim Flakoll:** I think that is in the area that the Governor will testify on later. With those I think we need to look at the degrees awarded and that is in the context that we know how many students we have and graduate. We need to look at improving graduation rates as a percentage. We have a problem between the first and second year with dropouts. On time graduation I think we all have had significant discussion on getting students into the workforce as soon as possible because the business is need and also it would reduce the investment that goes through this. Subsection A3 is pretty self-explanatory as far as low income students. We seem to have a drop off between year 1 and year 2. Part of that is our tracking that we had in the past. If you were a student that

would go from Minot and transfer to Bismarck a lot of times it is deemed as failure when it isn't necessarily that. We also need better ways to move those students along.

**Rep. David Rust:** I'm going to go back to the section you were just reading about the increases in the number of degrees awarded and the number of on time graduates. I'm curious about the wording there. Would it have been better to have stayed at something like increase in the percentage of degrees awarded compared to students who enroll in the starting program. The same with on time percentage as opposed to the number.

**Sen. Tim Flakoll:** I think there is a little of both. We like a high percentage of our students to matriculate and graduate. We also would like to see many of our K-12 students to go into higher education and move through that as possible. We would like to make the best use of those students we have in the state. Parent and grandparents would love if their kids would stay in the state rather than go to South Dakota or some other place. We are doing some things to try to retain them so upon graduation of high school that they stay in the state. I think a good program is the scholarship one that helps but we also have other things that make it more favorable for them to attend campuses in North Dakota.

**Rep. Phillip Mueller:** The study topics include some very good things. What I don't see in the bill is the business and the fees. Is there anything in here that would preclude the study of fees? There is a whole other range of expenses colleges students have in the areas of fees. Would we be dealing with that here?

**Sen. Tim Flakoll:** I don't know that the language in here would prohibit that. What we are looking at with other bills this session is what the state involvement for one thing. I do have a little concern that we can't make it too wide because that is going back to the original question about the legislature. Often times in the interim on this issue we go 1 mile wide and 1 inch deep. What we need to do is the opposite and need to really look at focusing in on the finance and the state's involvement in that. I think that is where we need to go and drill down on that issue. These are continuing to gain the need for attention.

**Rep. Brenda Heller:** After reading the bill on page 3, line 4, what does the word necessary mean?

**Sen. Tim Flakoll:** I think it would be deemed necessary travel expenses, lodging, etc. There is not intent to have any type of consultant associated with this. We have been there many times and it really hasn't been a benefit to us. We are limited in scope to what we can do here.

**Rep. Brenda Heller:** So you don't really know what the word necessary means? If it fits hotel it would be actual. What are you encompassing with the word necessary?

**Chairman RaeAnn Kelsch:** We can check into that because I am guessing it is legal language. We will check into the purpose for having that language in the bill.

**Rep. Brenda Heller:** Would it be the goal of this commission to come up with legislative intent and come in with a bill and present it in front of the body to run it through for a new way of funding?

**Sen. Tim Flakoll:** Yes.

**Chairman RaeAnn Kelsch:** Further questions?

**Chairman RaeAnn Kelsch:** Co-sponsor. I stand before you in favor of SB 2300. I will talk about a couple of different issues and maybe further clarify some of the questions that have come up during the committee. The way that higher education is currently funded is called a peer model. It appears to me that a peer model is obsolete and it is definitely obsolete in the state of North Dakota. Some other type of mechanism needs to be used for funding our university system. One potential is using an outcome based model. Many times we talk about outcomes and we find it extremely difficult to measure outcomes in higher education. If you start utilizing an outcome based model as the funding formula there are clear, numerous, and distinct advantages to other methodologies. An outcome based model is productivity based while including outcomes that can be determined by the exact proposed commission that is contained within this bill. This model tends to provide more stability by spreading the incentives across more variables and additionally an outcome based formula allows the state to be clear in its expectations while not being too prescriptive to the institutions as to how they achieve those higher levels of productivity. The peer institutions and the way we currently fund institutions using the peer model it has become inherent to all of us that there are inefficiencies in that model. They were basically chosen because they have similar programs, they are comparable in size, and their missions are similar. Especially in the state of North Dakota when we are seeing the changes in our campuses and also as we're looking at the changes that are happening to campuses across the U.S. where they are having to cut their budgets and totally look at the way their campuses are funded, it does not make sense for North Dakota to be compared to those peer models. That is just one type of funding mechanism that could be used. It is one that I think makes sense for North Dakota especially given the fact that we as legislators and the taxpayers are asking for the outcomes. The second issue is transparency. When you look at an outcome based model there is more transparency to the general public. It is transparent to K-12 education because they know what is expected if they decide to go to that institution because the fee structures and funding structures are laid out in a more transparent model. If you have outcomes you have transparency because you know what is happening on those campuses is resulting in the desired outcomes. That again translates into additional transparency. The number that Sen. Flakoll used was 78,000 dollars used two interims ago for a higher education study. I don't think that is what it was accurate. That may have been just what it cost for legislators to be reimbursed and travel to those meetings because we had a consultant who in my mind was high paid and every time he was at a national meeting he had the same ideas. What he came up with was he said gosh North Dakota I think you are doing just fine on your funding formula and I think that it is working just fine. I can tell you that it isn't working just fine. There needs to be additional accountability and transparency and we need to have the desired outcomes that we as legislators are looking for. What we currently have is not working. When we talk about the commission, and I will talk about the K-12 commission of education improvement, when we started looking at the equity funding formula it was overwhelming. For those of you that were here in the past prior to the equity funding formula you know how complicated that formula was but also how convoluted it was. We had line item after line item, we had external fund after fund, and it was a huge mess. Where do you start on something like that? That commission had

commissioners and I want to make you aware of this that legislators didn't get reimbursed for their time when they were working on that commission. I was serving on a couple subcommittees and every single week we meet in subcommittee meetings. We met on that bill year round every single week. The difference between this interim into an interim education study is that number 1 we cannot have subcommittees. Number 2 is the political will just isn't there and that is why we weren't successful in the legislature. There are some of you that have sat on this committee well before I became chairman and you know that even after 1997 we tried to make changes to the funding formula and the political will wasn't there because as soon as we made a change or attempted to make a change, people found out that potentially their school district could be effected by the changes we were looking at. It actually took an independent body composed of legislators to roll up their sleeves and come up with something that was actually going to work. I think that is what has to happen in higher education. I have sat through 2 interims and while we get a plethora of information, we really have nothing that has come out of those committees. I truly think it is because we as legislators have jobs outside of the legislature and it is difficult to find the time to drill down into some of those issues. I think perhaps that is why we hired the consultant was to hear that our funding formula was working. I can tell you after listening to this committee over the last couple of months, this committee wants outcomes and we are not getting that currently. I will stand for any questions.

**Rep. Mike Schatz:** The numbers appropriated for higher education, I'm seeing that in 2007 it is 384 million and in 2011 it is 648 million. Now a lot of people out there are not happy about how much we are spending on higher education. I agree with you that we need more legislators on a commission because the political will comes directly to us every 2 years. Do you think this new commission would discuss lowering spending in higher education?

**Chairman RaeAnn Kelsch:** If it took lowering the amount of money to get the efficiencies, I would suggest the commission probably would. It could be something where you are just throwing money at an institution and not getting the desired outcomes. There are all kinds of things you can look at such as the college completion. If you look at college completion and that is part of your outcome based model and if you don't reach a certain level of college completion, do you start reducing the funding level? There are all kinds of things that this commission could come up with and obviously it is something that has to be passed by the legislature. I

**Rep. Karen Rohr:** You mentioned the number of committees that have worked on this in the past. Does the commission sunset any other committees that are currently working on this?

**Chairman RaeAnn Kelsch:** I'll go back to the interim education committee. We had a number of potential fixes to the funding formula but there wasn't the will to do anything with that. We have also had interim higher education committees that also have addressed issues but haven't brought forward any major changes. Those are legislative committees so they would not have a sunset and those were the committees that I was talking about. I think it is good to put a sunset on this so it expedites the process so we can come back and have something to work on.

**Rep. Mark Sanford:** Do you imagine that his commission would look at things like mission and creed and course duplication as part of the costs or would it simply be the funding formula without those other issues?

**Chairman RaeAnn Kelsch:** I think when you are looking at funding you have to take all the components that go into funding our campuses. You have to look at all those aspects that go into it before you can get a grasp on the funding itself. Perhaps when the Governor comes up he can speak more to that. All the components are money based so in my mind it would be included and I don't think there is anything in this bill that would prohibit that.

**Rep. Dennis Johnson:** How are you going to report your findings to the legislative committee for bill drafts? Are the legislators of the committee going to submit bill drafts?

**Chairman RaeAnn Kelsch:** With the commission it was done by the legislators that were in the commission plus additional because there were never that many legislators on there. Perhaps the Governor has what he envisions. There is no reason why we can't add a reporting mechanism into the bill. It does say that they provide the reports to legislative management during the interim. That is on page 4, lines 8 through 10. It reports those to the legislative management committee and that would either be the interim education committee or higher education committee. We have had those joint meetings where it is education interim committee, higher education interim committee, and workforce development interim committee and potentially you could do a joint meeting between those committees. It probably would have a good benefit for all three of them to know what is being proposed and then obviously to the Board of Higher Education.

**Rep. Brenda Heller:** On the fiscal note where it says that the NDUS office can use up to 40,000 dollars appropriated to the governance line, what is the governance line?

**Chairman RaeAnn Kelsch:** That is their operating line. As you heard from Sen. Holmberg he said there would be no money specifically appropriated for the commission and that it would have to be done within the university system's budget. I would envision it as part of their operating budget.

**Rep. Brenda Heller:** It seems like a lot of money to be over in a line item. Do they normally have that much of a cushion in that line item of 40,000? At the top of the fiscal note under general funds it says 48,000 so what happened to the 8,000 dollars between the top and the bottom? Did they decide it wasn't going to take the full 48,000?

**Chairman RaeAnn Kelsch:** I'm not positive what they did with that line item and perhaps the governor's office can address that. I am not sure why the reduction.

**Vice Chair Lisa Meier:** Further questions? Further testimony?

**Rep. John Wall:** Co-sponsor. I appear in front of you this morning to offer my support for SB 2300. Just as the governor's commission on education improvement brought about positive changes for K-12, I believe the creation of the North Dakota commission on higher education funding will have a similar positive effect on higher education. The publishing of agenda items and open meetings will set the stage for the overall transparency expected in

this process. Discussion on cost incurred in various courses of study and tuition rates will be examined. Rep. Phillip Mueller asked about student fees and I believe these will and should be examined. Degrees awarded, placement rates, etc. will and must be part of the dialogue and transparency. The same transparency must be applied to the examination of proper funding models which will help achieve equity. I believe the passage of SB 2300 will be a positive step in improving higher education in North Dakota and I ask for your support of the purposed legislation.

**Rep. Karen Karls:** You mentioned transparency in open meetings. I have a little complaint about the education improvement commission. We never got notice until a day or so before the meetings and it would be nice to get the 2 week notice that we ordinarily get so we can put it on our schedule. Sometimes I got it in my state email the day of the meeting.

**Rep. John Wall:** I guess I share that with you. The good knew was we were notified and we could attend the meetings. I believe that is a point that is well taken by the people in attendance today.

**Chairman RaeAnn Kelsch:** That is something that needs to be addressed and because it is not a legislative committee, legislative council did not report it although the commission had to meet public hearing reporting requirements but we didn't always get it. I think that is something we can either address in the bill itself or just make sure that we insist that legislative council notify us because they are notified of the meetings as well. Somehow we have to do that because I know the public seemed as though they received the information before we did for the notification of the meetings.

**Rep. Phillip Mueller:** If we look at the makeup of the group of legislators, what we end up with is 3 senators and 2 members of the house. Last time I looked we have a lot more house members than we do senate members. It seems the house is a little bit underrepresented in the mix of things. You have an involvement with Wahpeton and there are obviously other institutions. Could you envision that we would actually have a different funding system for each those institutions based on their needs and financial issues? Did you envision that?

**Rep. John Wall:** I don't know where this will go but I think Rep. Kelsch outlined the problems with the peer institutions. Comparing it with peer institutions I can only speak for the college in my district with is North Dakota State College of Science. The peer equity funding there is not working well because the peers we are compared have much smaller campuses, most don't have dormitories, most don't even have a student center, many do not have libraries and frankly the peer comparison for that institution has not worked well. I realize in the study a few years ago the group that came in and did the study were fairly satisfied that they could get close and find 2 that could be compared with for the peer to get the equity funding. I would envision in the study that all the colleges and universities will be examined separately. Addressing the number of house members versus senate members I would have to defer that question.

**Vice Chair Lisa Meier:** Further questions? Further support?

**Governor Jack Dalrymple:** I think SB 230 is an important piece of legislation. It has potential to make significant impact on the way we fund higher education in North Dakota which seems to be a topic that people would like addressed. The reason for that, I believe, is the current system we have for funding higher education in North Dakota is essentially flawed. The way the budget is built each biennium is to essentially take the historic spending for each institution and talk about any modifications that need to be made to that base amount. People try to look back and trace where the origins of those spending levels are and it is virtually impossible to go back far enough to even find the origins of how a certain amount of money became the base for each institution. These budgets essentially attempt to evaluate the operating expenses of the institution itself which means all of its buildings, its grounds, all of its support infrastructure, and all the employees both faculty and non-faculty. It is translated into an ongoing operating expense and the historic amount is really never questioned. What happens over time is that the entire discussion becomes about whether this should be an upward adjustment of such a percentage or a different percentage. Most of the time they talk about the cost of utilities, maintenance, public employee salaries, faculty salaries, and really never get to any kind of policy discussion about the correct amount of money to allocate or to appropriate for educating a college student. I think that is an inherent flaw in our system because what that means is as time goes by the only incentive that a campus has to get more money essentially is to expand the scope of what they do. They have an incentive to try to get a student to try to take 3 hours of course credit. Every time that happens they are rewarded to some extent. That is their entire system of incentive and what that means over time is that they become, by nature, expansive. They go to the board of higher education and try to get new programs approved, more existing programs expanded, and they make a case that the enrollment is there. If that expansion involves more space they are assigned an additional cost per square foot. It requires more construction and they may be given more staff. By its very nature the system wants to grow with resident students, non-resident students, international students, etc. To some extent that is a good thing in that our campuses do become engines of development, they create economic development, they educate people and they do create economic activity. On the other side however, we are still missing that component where we actually evaluate whether the results of a campus's activity are really the outcomes that are desired by policy makers. Are you getting the results that you think you should get out the 11 campuses? In a way that question is never directly asked. What we are trying to do in this bill has two parts. The first part had to do with the outcome based education funding approach that really is an alternative method that we would suggest be initiated by this commission. That is basically embodied in section 4, part 1, where it suggests some of the outcomes that might be desired. This is a very modest first step. This is an idea that is not unique to North Dakota. This is beginning to appear in other states and other university systems around the country. We have a huge amount of money going to higher education. This initial investment of 5 million dollars would literally just be a first step in looking at an alternative method but I think it is important to assign some dollars to it initially to give people some sense of a stake or some kind of award for this effort. The notion is that some money at least would be targeted at specific identified outcomes. What you have in page 3, lines 16-20, is some of the suggested outcomes that the commission might consider. These are flaws that appear in our system because of the way it is designed to just maximize enrollment and these are some of the obvious things that are side effects of that. You will notice on line 21 that it says any other outcome considered desirable by the commission. The idea would be to give the commission some flexibility to

talk about other desirable outcome for North Dakota that could be identified and rewarded with actual money. Maybe they would decide that 1 of these 4 is not particularly workable, it causes more problems than it solves, and they would not go with it. Those 4 are placed in the bill to give the legislature some sense of what the direction would be. I think the makeup of the commission is important. We have modeled it partially after our successful K-12 commission. The idea here is to keep it as small and workable as possible. You have to think of this as a working group. They are going to roll up their sleeves and actually get in the books of campuses to understand what they do and how they can match a reward program to the way they administrate the campus. As we know it is very important to be compatible with the way they do business. The legislators have to be there to oversee and guide the process, ask the questions, and coach them on what questions to answer. It is very much a working group. The concession was made to include non-voting members to represent faculty and students. In the case of K-12 we would not have wanted this. We were advised in the case of higher education that there is so much invested interest and political aspects to it that it is simpler to allow people to be close observers if they want to but those non-voting members would really not be part of the core function of the commission. They can create their own rules as you see in section 2. The senate added an amendment requiring 3-5 legislators to agree to motions. The expenses are being covered through the board office and you will see that there has been a letter distributed indicating that the chancellor is in support of this approach. They feel also that the time has come to begin to look at alternative methods. Having explained that I would like to now explain section 4, part 2, which is something completely different from part 1. The commission is also empowered to commence a study at their own discretion. If the commission should decide to actually decide to study and determine the various costs for categories of enrolled students at our institutions, why would we do this? The reason is a true reform of our funding of higher education would involve coming to understand the relevant costs of educating a college student. We don't know today what that is and the question arises how we can fund higher education when we don't know what it costs. What the chancellor would agree to today is that the various categories of students now are so different in terms of costs. There is getting to be a greater and greater disparity in how we fund education. Online students have become a huge piece of what we are funding. We had testimony in the senate that one of our campuses only has 5% of their enrolled students actually seated in a classroom with a professor. This is a different world we are in now than we were in 10 years ago where we always thought of students being on campus, going to a classroom, and being instructed. We also know that there are higher cost students. If you get into the sciences, if you are involved in laboratory work, or doing any kind of post-grad study, some of those students become very high cost students and we have nothing that really distinguishes between the 2. Any rational system of funding an entire area of state government like this must really try to get at the actual costs of delivering the product. In B we start getting into the detail of this and actually developing a system of weighted student costs similar to what we do in K-12 education. This could include the size of the educating institutions. What we will find in any study of this type is that it does cost more to educate students on average at a small institution than it does at a large institution simply because of the efficiencies that are gained by a larger institution. It doesn't mean the smaller campuses are doing a bad job, it just simply means it is the reality of having fewer students to spread out for your overhead costs. Any kind of a formula would have recognize, as we do with K-12, that we need to have a factor to offset the added cost of delivering the same education in a smaller institution. That is the reality

we have today. We would gain a lot of transparency there and people would be able to understand what that difference is and be able to talk about it. Finally the historic spending levels would be our initial guide to those costs. That is an important point because we would not go out and compare ourselves to other states. We would look at what we are doing on our 11 campuses and say this isn't standard and you will accept that this is the cost as of 2011 and we will attribute those costs out to various categories of students. That is very much what we have done in our K-12 work as well. I think overall you can see that this is not simple. It is a great mountain to climb. It will not be easy. I think many people are telling us we need to take a step in this direction.

**Rep. Lyle Hanson:** Do you think there is any duplication between the round table and board of higher education with this commission especially on page 4, lines 4, 5, 6, and 7?

**Governor Jack Dalrymple:** No I think quite the opposite. Even the round table the board of higher education itself would accept this historic based funding model that builds the recommendation or the requests of the governor for every 2 years for system funding. They strive for cooperation, coordination, and efficiency. They do not question the method of assigning the historic base funding cost to each campus. I think it is quite different.

**Rep. David Rust:** Why are you thinking about doing this as a bill as opposed to you appointing a governor's commission?

**Governor Jack Dalrymple:** Because we want your buy-in on this. The case of the K-12 commission, the state of North Dakota was under a lawsuit and it was headed for court. I think the governor took a look at the situation and said there may be a better alternative. By executive order he decided to create a commission to, in essence, mediate this problem and solve the problem that we already knew existed. In this situation there are people out there that would question whether there is a problem. I think we would prefer to have a bill passed and have the legislature say they will work with the experts in college finance to solve to the problem.

**Rep. David Rust:** The first person on the commission is the governor or an individual designated by the governor. I am wondering if you are going to be the chair on that. Without trying to be too flattering you did an excellent job on the K-12 part. I think it would be a good deal for this commission if you were the chair as opposed to an individual designated by you.

**Governor Jack Dalrymple:** Thank you for the compliment I appreciate that. It is being left open here because we would like to see what people have to say about that.

**Chairman RaeAnn Kelsch:** First of all there really isn't technically a funding formula for higher education.

**Governor Jack Dalrymple:** Correct:

**Chairman RaeAnn Kelsch:** Basically what happens is one person says this is what we need and it gets to the chancellor, to the board, to the legislature, and that is how it goes. I think that potentially having a formula allows transparency and accountability.

**Governor Jack Dalrymple:** As well as equity.

**Chairman RaeAnn Kelsch:** I do have to commend you Governor Dalrymple for a couple of things. Number one is on the commission, your willingness to chair it, and the fact that you recognize there are issues with higher education and the funding of higher education.

**Governor Jack Dalrymple:** I think this is certainly one of the reasons to pass a bill like this. I personally think higher education in many ways is doing an outstanding job in North Dakota but nevertheless there is frustration out there with the way this system works and the way the money is assigned. At times questions are asked that are not well answered and the accountability, transparency, and ultimately the equity between campuses is something we must get to or the credibility will begin to deteriorate.

**Rep. Bob Hunsakor:** I know you talked about wanting to limit the number of folks on the commission for obvious reasons and I noticed that there wasn't representation from the house minority.

**Governor Jack Dalrymple:** I wouldn't have anything to offer in that regard. I would simply ask that you don't increase the number legislators but if you feel you want to maybe rearrange them a little bit you could do that.

**Chairman RaeAnn Kelsch:** Further questions? Further support?

**Robert Vallie – NDSU Student Government:** (Testimony attachment 2).

**Chairman RaeAnn Kelsch:** Questions? Further support?

**William Woodworth – Lobbyist, NDSA:** (Testimony attachment 3).

**Chairman RaeAnn Kelsch:** Questions?

**Rep. Phillip Mueller:** Do you have an amendment or are you verbalizing one?

**William Woodworth – Lobbyist, NDSA:** I am just verbalizing one.

**Chairman RaeAnn Kelsch:** Further questions? Further support? Opposition? We will close the hearing on SB 2300.

**William Goetz – Chancellor, NDUS:** (Submitted testimony attachment 4).

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Education Committee  
Pioneer Room, State Capitol

SB 2300  
03/30/11  
16186

Conference Committee

Committee Clerk Signature



## MINUTES:

**Chairman RaeAnn Kelsch:** We will open on SB 2300. On page 2 I don't particularly care for in the balance. The way that I see it is there are more individuals from the senate than there are from the house and I think we need to change line 4 and then I think you would also need to change line 24. I know where they came from on this and I understand where the starting point was. I think it needs to be 2 or 3 appointed from the House of Representatives and then either 4 of the 6 or 4 of the 7 legislators must be on the prevailing side for the voting part of it.

**Rep. Phillip Mueller:** I concur with your thoughts about that but what you really have on this bill is 3 senators can decide. If you have people that have an issue and if the 3 senators in this case don't like that nothing happens. I guess my question would be why would we have lines 24 and 25 at all? If we are going to ask these people to come and the legislative side can veto anything that out of this, and I don't think that would happened, but it doesn't seem to me that it fits very well.

**Chairman RaeAnn Kelsch:** That was an amendment by the senate. It really was that because they knew they had more senators than house members. If the senate liked it they could say fine house members we don't care and we have votes and you don't. We certainly hope that isn't what happens but there must have been some reason as to why the senate put that in and it seems to have that appearance.

**Rep. Joe Heilman:** I think Rep. Corey Mock had an amendment for subsection 2 on page 2 to add a staff member as a nonvoting member.

**Chairman RaeAnn Kelsch:** I think there is another committee member that has that same amendment.

**Rep. Joe Heilman:** My opinion is if we are going to have A and B we better have a staff person. I don't know that we need the nonvoting members altogether. I know that was the concern from some of the sponsors that the committee is going to get a little too big. I don't think it is inappropriate to have those individuals as nonvoting members.

**Chairman RaeAnn Kelsch:** We have passed or attempted to pass a couple of reforms, and not necessarily reforms in how the University System is funded, but we had a bill that

passed out of the house that dealt with the 3 tiered levels of funding and the senate defeated that yesterday. Potentially they didn't care for a couple of the governance issues but I truly believe if we are going to do anything in higher education and make any changes in higher education and how it is funded that you have to take the bull by the horns. I know some don't like this and I know there are some that as the session has gone one have warmed up to the fact that this is probably the only way we will see any transformation in the funding of higher education and to look away from peer funding and to look at an outcomes based funding mechanism for higher education and a funding mechanism that offers more transparency to the public. The way the funding currently runs is you have each president who submits their funding wishes to the board and basically they ok that is how it is going to be. I am not sure that is the right or appropriate way to fund higher education. I think there are those who believe that we can't do this study because the State Board of Higher Education has the ultimate authority over funding and I disagree with that. The legislature is who appropriates the money. I think it is a bold move on the Governor's part to introduce this commission considering the fact that the chancellor is his appointment and the State Board of Higher Education are the Governor's appointment. I think the message is what you are doing isn't right and something needs to be done. I know that we've attempted to look at funding during the interim and the committees are large and interim committees don't have the ability to break into subcommittees to get work done and do a lot of the research. It is difficult to pull together that big of a committee. Two sessions ago we hired and had a consultant that came in and we paid him big bucks to tell us everything we were doing was spot on. We spent that entire interim listening to him tell us that what we were doing was spot one knowing full good and well that it wasn't the truth. We asked for alternative methods of funding and we didn't get anything other than just continuing to do the same thing over and over again.

**Rep. David Rust:** I like what was done to SB 2150 when we decided to form what we called a hybrid that has 9 legislators on it and then we also stated that there would be resource people on that. After seeing that bill I prefer it much more over this for a variety of reasons. I like that idea of having it be a legislative committee with input and help from some high stakes people. I think that when you have that many voting members and few of them are legislators they end up setting the legislative agenda for the legislature. To me that is an abdication of responsibility of the legislature. On the positive side I do like in this one that it says 3 of the 5 must be voting on the prevailing side. One of the problems I see with this whole thing is it is difficult when you form a commission for the people in the commission not being committed to being an advocate for that. If you look at the Commission on Education Improvement for K-12, we blotted its accomplishments. At the same time in about 3 biennia what did we throw at it? Two to four hundred million dollars. I'm not so sure that in the house the will is there to throw a lot more money at higher education when the last few biennia those increases have been over twenty percent. I worry about this commission trying to fix something and the fix is a lot more money. That is why I preferred the idea that came out of SB 2150 of having it done by legislators with a high degree of input. In the commission you need people like Jerry Coleman that has the facts and figures and can give very good information. For that matter you need people from the heads of the professional organizations as well to give input.

**Rep. Mark Sanford:** What if we were to take the positions in D, E, F, and G and make them resources rather than voting and then just determine how many legislators you want

to have. That would take the voting down to somewhere around 10 or 11 members so a strong majority would be from the legislators.

**Chairman RaeAnn Kelsch:** But what you have still done, in my mind, is you are leaving it to the big guy to go against his State Board of Higher Education and Commissioner of Education by keeping him in that position and quite honestly that is the part I really like. That is the part I probably like the best. He has put his neck out there saying what they are doing and what is going on isn't right.

**Rep. Lyle Hanson:** Do you think there will be a conflict between this commission, the budget sections, and the State Board of Higher Education? You will probably have people on it from all t3.

**Chairman RaeAnn Kelsch:** I think the difference will be that this is more narrowly focused on coming up with a new funding mechanism for higher education and something that involves more transparency. A couple of things I really like is the idea of increases in the number of degrees awarded and we were talking about whether or not we should have that be a little bit of a different word because you don't want it to infer that you are just trying to become a diploma mill and get more students in. I understand that it is a percentage but it isn't worded exactly the way it should be for practical purposes.

**Rep. Joe Heilman:** I interpret that as basically a graduation rate. Of those who start, how many finish with a degree instead of dropping out. That is how I look at it.

**Chairman RaeAnn Kelsch:** I understand the increases in the number of on-time graduations and that was something we talked about with the State Board of Higher Education. I keep going back the University of Mary because what they do with their advisors and students is something that should be used in every one of our public institutions but they keep telling us they don't have the money or staff to do it. Those advisors meet with those kids when they start at that campus and they map out the classes you need to take to make sure you graduate on time. Those kids have a guarantee of getting out in 4 years. We've talked about that and in some of our smaller campuses maybe they can do that but apparently in our large research institutions can't do that. I understand what you are saying when it increases the number of on-time graduations. I am not sure it is worded correct.

**Rep. David Rust:** That is one of the items I had also listed for myself to talk about. When you talk about specifically identified outcomes such as increasing the number of degrees and on-time graduations, what does number of degrees mean? Does that mean that you are recruiting more out of state students so we can increase the number? My personal opinion is that instead of the number of degrees it should be percentages of those enrolling verses completing. It should be percentages not numbers. If your student body numbers increase then your numbers increase but that doesn't mean your percentage has increased. I'm not so sure some of that really matters because the makeup of things has changed. There was a time when I think everything including room and board was under 1,000 dollars. Now you have lot so folks that work and maybe that four year expectation isn't realistic for them because they are working. I think it should be percentages rather than number.

**Chairman RaeAnn Kelsch:** What is an on-time graduation?

**Rep. David Rust:** Don't we currently kind of have a definition for that someplace? It seems to me with everything I am seeing is 6 years. I am not happy with that. One of the things that the private colleges do is if you want to pick up Concordia's literature, one of the things they show is the percentages, which is very high, of students who graduate in 4 years. They state that if you send your kid to Concordia you will pay more per year but you will pay less for the education.

**Chairman RaeAnn Kelsch:** They have that guarantee of the 4 years.

**Rep. David Rust:** I think the University of Mary has the same thing. To me an on-time graduation is 4 years but it might not be that way and maybe that is what you should be specifying.

**Chairman RaeAnn Kelsch:** Is it to increase the percentage of students that graduate in 4 years or increase the percentage of students that graduate in 5 years or less? Is an on-time graduation just your graduation for your degree? It goes into the idea that if you decide to get tandem degrees can you do that and then is your expectation 5 years and then that is considered on time because you have 2 degrees? I see on-time graduation as being a gray area.

**Rep. Corey Mock:** We are not just focusing on 4 year institutions. We need to keep that in mind when we using our terminology that we will be applying the same standard to 2 year campuses.

**Rep. Mark Sanford:** I agree with the comments that this seems to be focused on completion. It seems to me that other criteria that would be good samplers would be placement and maybe investment and what are placement rates. Another one that could be utilized is a system of ratings for students. It might be customer satisfaction. What do the students feel about what is happening to them while they are there. Those are controversial probably but those pieces of data would support what would be a pretty typical model.

**Chairman RaeAnn Kelsch:** Some of that we will be able to get form longitudinal data system because we are tracking k-12, higher education, and job service so it is those three components that we have. That will pick up through there.

**Rep. Karen Rohr:** When I look at that section I don't think it was the intent of the sponsors and cosponsors to actually put down the exact variables you are going to be looking at because you don't know what that is yet. You are going to look at that reporting mechanism and see what they are already putting in. I think that is why it is so vague in the understanding of what you have here. Like Rep. Corey Mock said you have the 4 year and 2 year. For whoever is on this commission one of their number one tasks will probably be to sit down and determine which outcomes they are going to look at and how easy it is to get that information.

**Chairman RaeAnn Kelsch:** Committee members how do you feel about the recommendation of taking maybe C through G and making them nonvoting members? They can be at that table and adding probably 2 more legislators and then I guess at that point it is more of a legislative committee but you have the nonvoting members that can sit at the table. One of the nice things about having the nonvoting members is the fact that we can have them at the table, they feel more a part of it, and I think they get more heavily engaged in the process. Remember it may go to conference committee but at least the house has put their mark on it and said this is what we think is a better avenue.

**Rep. Phillip Mueller:** Are you talking about D, E, F and G? If it is just E, F, and G you set up a circumstance that the folks at the University of North Dakota are not going to care for because the fellow from North Dakota State University is still on it.

**Chairman RaeAnn Kelsch:** It was D, E, F, and G. It was all four.

**Rep. Phillip Mueller:** The other thing I might suggest is that the legislative makeup of the committee ought to be a bit larger than it currently is and certainly the House of Representatives, which happen to be the larger of the 2 bodies, should be larger than it currently is. On page 2 where we have a minority leader of the senate or the senate leader's designee we could have the minority leader of the house or the minority leader's designee and then another legislator or legislative management. That would put a better set of numbers together I believe.

**Chairman RaeAnn Kelsch:** I am inclined to make that number 2 legislators appointed by the majority leader of the House of Representatives and then 1 minority from. That takes it to 7 legislators. So it would be 2 legislators appointed by the majority leader, the minority leader of the house or the leader's designee and the following are nonvoting members, and then it would be from the list on the front.

**Rep. David Rust:** Would you include the items under 2A and B?

**Chairman RaeAnn Kelsch:** On page 2?

**Rep. David Rust:** Yes. You were talking about adding D, E, F, and G to that list. Would it also be A and B?

**Chairman RaeAnn Kelsch:** Yes. That way they can all be at the table.

**Rep. Phillip Mueller:** Do the numbers in A work? We have added 3 legislators and taken off 4 others.

**Chairman RaeAnn Kelsch:** Yes.

**Rep. Phillip Mueller:** So we actually have a 12 member voting commission?

**Chairman RaeAnn Kelsch:** 11 members.

**Rep. Phillip Mueller:** We are actually taking 2 voting members off the committee.

**Rep. David Rust:** How do you get 11?

**Chairman RaeAnn Kelsch:** The Governor, the commissioner, and the 2 members bring us to 4 and then down on the bottom is 5, and then 6, 7, 8, 9, 10, and then 11 if you add the minority leader in the house.

**Rep. Mark Sanford:** I would move that amendment and I would add a staff position to the nonvoting.

**Rep. John Wall:** Second.

**Chairman RaeAnn Kelsch:** Committee discussion on that amendment?

**Rep. Phillip Mueller:** I would support that amendment. I think it makes sense.

**Chairman RaeAnn Kelsch:** We will try a voice vote.

*Voice vote:* motion carries.

**Chairman RaeAnn Kelsch:** Now we need to address lines 23 through 25.

**Rep. David Rust:** For clarification purposes I am assuming that Rep. Mark Sanford's amendment moved D, E, F, and G out of there.

**Chairman RaeAnn Kelsch:** Yes and they became nonvoting members and then on line 4 we increased that to 2 by the majority leader. What do we want to do with lines 22 through 25?

**Rep. Mark Sanford:** I would propose that we make it 6 of 11 and drop lines 24 through 25.

**Rep. David Rust:** For discussion purposes there are 7 legislators?

**Chairman RaeAnn Kelsch:** Yes.

**Rep. Dennis Johnson:** I would certainly think we would want the majority of legislators in support of the idea or opposed to it. If we are going to be drafting or creating legislation you don't want a group of non-legislators directing a vote on this issue.

**Chairman RaeAnn Kelsch:** That is why we narrowed that down. I tend to agree that maybe that is a comfort factor of whether it is 5 of the 7 or 4 of the 7.

**Rep. David Rust:** Personally I would like 6 of the 11 to be the majority and included in that 4 of the 7 legislators so at least it is a majority of legislators.

**Vice Chair Lisa Meier:** I like that idea and I think that is a good idea being the intent that we want legislators to have an overall say. I would so move.

**Rep. David Rust:** Second.

**Rep. Phillip Mueller:** I wouldn't resist the motion but the kinds of things we hope to come from the commission, and I assume most of the time they will all agree, but I like the 7 and 11 better because we are going to ensure that a pretty good share of the people are informed.

**Rep. Mark Sanford:** I won't resist the motion either because I think it is going to work either way. The reason I suggested taking out 24 and 25 is that with the commission the voting members had equal standards and I think there is some value in that. It seems to me that this one works because I think the commission will get to the point.

**Chairman RaeAnn Kelsch:** We will try a voice vote on the motion.

*Voice vote:* motion carries.

**Chairman RaeAnn Kelsch:** I have to agree with Rep. Karen Rohr. I think there is comfort in not getting caught up in what is meant on page 3. It gives them some options for them to study. I think that the commission itself will work through the issues and that it is not to see a bunch of diplomas and bringing in a lot of new people, but it is to see that people enrolled actually receive their diplomas and receive them in a timely manner and that we see our on-time grad rates go up. We now have the amendments on the bill. What are the wishes of the committee?

**Rep. Phillip Mueller:** I move a do pass as amended.

**Rep. John Wall:** Second.

**Rep. Karen Rohr:** Other than the consultants, is that the only attempt that we have had in increasing the transparency and accountability of the mechanism of higher education?

**Chairman RaeAnn Kelsch:** During the interims we have always had a higher education committee that looks at funding probably being the majority. We talk about deferred maintenance and a lot of the issues and certainly transparency is something that comes up. What you will find if you decide you want to serve on the interim higher education committee is you will receive a lot of documents because we ask for a ton of data. Typically what happens is you receive all this data and it is almost to the point where we are not sure where to start. I don't want anyone on the committee or anyone period to think that interim committees don't work because they do work but typically interim committees are a lot about finding information and receiving data. It has been difficult to come out with a number of fixes during the interim. It is one of those things where you almost have to have people just focuses strictly on that and spending the majority of their time on that one issue.

**Rep. Karen Rohr:** So then we are assured that there is no other committee that could take this up along with their other responsibilities?

**Chairman RaeAnn Kelsch:** I would love to tell you that there is but I just don't think that there is. When we hired Mr. Dennis Jones, I was positive that we were going to come out

with something that session and I had binders full of information from his research and what he had done just for him to come back to us and say what you are doing is spot on.

**Rep. Karen Rohr:** Did we get our money back?

**Chairman RaeAnn Kelsch:** Dennis Jones is very bright but I went to these national conferences and he was there to talk about higher education funding. At every one of those meetings he said peer funding was the way to go. We hired the consultant because we didn't know where to go and we thought we were going to come up with something. I can tell you that outcome based formulas are good but you have to be careful how many outcomes you put in at the beginning because it can become overwhelming. There are states that have been successful with it and have started out smaller with their outcomes to build through that and then getting their outcomes up to where they want them to be.

**Rep. Karen Rohr:** My gut tells me that they are going to brainstorm variables or outcomes that they want to look at and then they will have to prioritize based on the value they get from it.

**Chairman RaeAnn Kelsch:** I think you are absolutely correct. The question has been called for and it is a non-debatable motion for a do pass as amended on SB 2300. We will take the roll. We will close on SB 2300.

**13 YEAS 1 NAY 0 ABSENT**  
**CARRIER: Rep. David Rust**

**DO PASS as Amended**

Date: 3-26-11  
 Roll Call Vote #: VOICE VOTE 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2300

House EDUCATION 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 REP. SANFORD Seconded By REP. WALL

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelsch			Rep. Hanson		
Vice Chairman Meier			Rep. Hunskor		
Rep. Heilman			Rep. Mock		
Rep. Heller			Rep. Mueller		
Rep. Johnson					
Rep. Karls					
Rep. Rohr					
Rep. Rust					
Rep. Sanford					
Rep. Schatz					
Rep. Wall					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

**VOICE VOTE: MOTION CARRIES**

Date: 3-30-11  
Roll Call Vote #: VOICE VOTE 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2300

House EDUCATION 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 VICE CHAIR MEIER Seconded By REP. RUST

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelsch			Rep. Hanson		
Vice Chairman Meier			Rep. Hunsakor		
Rep. Heilman			Rep. Mock		
Rep. Heller			Rep. Mueller		
Rep. Johnson					
Rep. Karls					
Rep. Rohr					
Rep. Rust					
Rep. Sanford					
Rep. Schatz					
Rep. Wall					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

**VOICE VOTE : MOTION CARRIES**

March 30, 2011

VR  
3/30/11

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2300

Page 1, remove lines 13 through 23

Page 1, line 24, replace "h." with "d."

Page 2, line 1, replace "i." with "e."

Page 2, line 2, replace "j." with "f."

Page 2, after line 2, insert:

"g. The minority leader of the house of representatives or the leader's designee."

Page 2, line 3, replace "k." with "h."

Page 2, line 4, replace "l." with "i."

Page 2, line 4, replace "One legislator" with "Two legislators"

Page 2, after line 6, insert:

"a. The vice president for finance and administration at North Dakota state university or the vice president's designee;

b. The vice president for finance and operations at the university of North Dakota or the vice president's designee;

c. One individual, appointed by the governor, who is employed as the business manager or the vice president for finance at a two-year institution under the control of the state board of higher education;

d. One individual, appointed by the governor, who is employed as the business manager or the vice president for finance at any institution under the control of the state board of higher education other than an institution represented under subdivision a, b, or c.;

Page 2, line 7, replace "a." with "e."

Page 2, after line 8, insert:

"f. One individual appointed by the chairman of the legislative management from a list of three names submitted by the North Dakota university system staff senate."

Page 2, line 10, replace "b." with "g."

Page 2, line 22, replace "seven" with "six"

Page 2, line 22, replace "thirteen" with "eleven"

Page 2, line 24, replace "Three" with "Four"

Page 2, line 24, replace "five" with "seven"

Renumber accordingly

Date: 03-30-11  
 Roll Call Vote #: \_\_\_\_\_

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2300

House EDUCATION 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 REP. MUELLER Seconded By REP. WALL

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelsch	X		Rep. Hanson	X	
Vice Chairman Meier	X		Rep. Hunsakor	X	
Rep. Heilman	X		Rep. Mock	X	
Rep. Heller			Rep. Mueller	X	
Rep. Johnson	X				
Rep. Karls	X				
Rep. Rohr	X				
Rep. Rust	X				
Rep. Sanford	X				
Rep. Schatz	X	X			
Rep. Wall	X				

Total (Yes) 13 No 1

Absent 1 - REP. HELLER

Floor Assignment REP. RUST

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

**REPORT OF STANDING COMMITTEE**

**SB 2300, as engrossed: Education Committee (Rep. R. Kelsch, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2300 was placed on the Sixth order on the calendar.**

Page 1, remove lines 13 through 23

Page 1, line 24, replace "h." with "d."

Page 2, line 1, replace "i." with "e."

Page 2, line 2, replace "j." with "f."

Page 2, after line 2, insert:

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Page 2, line 24, replace "Three" with "Four"

Page 2, line 24, replace "five" with "seven"

Renumber accordingly

2011 TESTIMONY

SB 2300

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. ENGROSSED HB 1003

Senate Appropriations Committee

Conference Committee

Hearing Date 3/1/99-3/3/99; 3/31/99

Tape Number	Side A	Side B	Meter #
3/1/99 1	164-0	0-end	
3/1/99 2	80-end	0-end	
3/1/99 3	0-550		
3/2/99 2	0-599		
3/3/99 1	172-end	0-end	
3/3/99 2	0-end	0-end	
3/3/99 3	0-end	0-336	
3/31/99 1		2965-5965	
Committee Clerk Signature <i>Gaudia Anderson</i>			

Minutes:

**SENATOR NETHING:** Opened the hearing on engrossed HB 1003; a BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota University System.

**OVERVIEW - BOARD OF HIGHER EDUCATION** 3/1/99 (Tape 1, A, 164-end; Tape 2, A, 0-4000)

**JACK HOEVEN:** President State Board of Higher Education, introduced the board members: Paul Ebletoft, Dickinson; Joe Pelier, Arthur; Jeanette Satrom, Oriska; Beverly Clayburgh, Grand Forks; Craig Caspers, Wahpeton; Bill Isaacson, Stanley; Jonathan Sickler, UND Student; Bethany Andreasen, Faculty Representative from Minot State. The recent national financing public higher education report shows an increase in per student funding for 1996-1997, 1997-1998, elevating North Dakota's national ranking from 44th to 41st in a one-year period. I believe the 1999-01 budget presented by the Governor provides a good basis for continued recovery efforts. The Governor's budget proposal provides a good foundation to allow the University system to fulfill this central role. ("System Overview" detailed testimony attachment #1, pages 1-5) (tape 1, A, 164-1640)

**SENATOR BOWMAN:** The higher board supported the placing of the measure on the ballot as you stated, who paid for the billboard ads to defeat the measure?

**JACK HOEVEN:** I do not know. I think it was a group of several smaller communities.

#1 SB2300

**SENATOR BOWMAN:** Did any money come from the colleges themselves?

**JACK HOEVEN:** No.

**SENATOR BOWMAN:** We don't know what the WEFA report is going to be, and you want to increase your salaries. If the report falls short of expectations and we have to cut more in order to give salary increases that you are asking, we will almost have to cut programs. Have you looked at programs that could be completely eliminated so we could free up the dollars to pay the salary increases?

**JACK HOEVEN:** Actually, in our 6-year plan, we state that in the event that there are not sufficient funds we are going to have to cut back access even though we don't want to and the people don't want us to, it's in our 6-year plan.

**SENATOR GRINDBERG:** Concerning the equity issue, page 5, the additional resources for some campuses, does that relate to the 6 year-plan and goal 6, the equity issue?

**JACK HOEVEN:** In certain institutions, they will be getting an assigned amount of money but their enrollment increases faster than the money comes so then they fall behind per capita, basically amount per student, in relation to other institutions. /Those adjustments will come and go.

**SENATOR GRINDBERG:** Have you had a number of discussions? There are some serious inequities between what is fair to students at campus A or at campus B. To me this would be a broad policy decision that the board should be looking at as we move into the next millennium with student numbers dwindling, etc. Can you give me a better idea of some of those discussions.

**JACK HOEVEN:** We have had some discussions. As to the future, I would refer that to the Chancellor. (tape 1950)

**LARRY ISAAK:** Chancellor of North Dakota University System, testified in support of HB 1003. Testimony highlighted pages 1-2, and 6-9 of attached. ("System Overview" attachment #2, yellow sheets) (tape 1, A, 1950-3312)

**SENATOR HOLMBERG:** There are successful marketing strategies of out-of-state programs presented to North Dakota students. What is the North Dakota strategy? (tape 3710)

**LARRY ISAAK:** In terms of the air bases, we have some successful models: UND-Lake Region has tremendous success at the Grand Forks Air Base. But, we do have a Michigan Institution in there. We are looking at Grand Forks, we continue to want to have UND-Lake Region serve there. We would like UND to do more, part of it will be the ability to be flexible in terms of time schedules and curriculum. In terms of the Minot Air Force Base, again Michigan is in there fairly heavy, but Minot and Bottineau are now starting to go in there in a combined effort both in the 2-year and 4-year program level. Minot has been in there and done many things. The College of

Science is pulling out of there; but, we're going to have Minot and Wahpeton as the main focus there. In terms of the program that St. Thomas offers in Teacher Education Graduate Degrees in East Grand Forks or Moorhead, that is one we haven't addressed significantly. There are differences in requirements for those graduate degrees from those campuses that we don't have any control over. Currently North Central Accrediting Association is just forming a task force on distance education programs and accreditation and programs that offer credit for work, not necessarily in the classroom. We don't do a lot of that in The University system, some private colleges do offer credit for work experience. We have to look at issues concerning quality as well as access. We are going to be doing a survey of all elementary and secondary teachers in the state, jointly funded by DPI, NDEA, our office, and Vocational Education, to determine their professional development needs, and why or why not they're taking advantage of programs. Hopefully we'll have some data that we can share with the legislature in the months to come. (tape 3710)

**SENATOR HOLMBERG:** On national accreditation on duplicate programs. Where are we?

**LARRY ISAAK:** The 6-year plan calls for us to provide access to be a high quality and high access system. Accreditation is a measure of quality. We continue to have programs that are accredited in nursing, teaching, our 2 engineering programs and the UND business programs, and we are trying to achieve accreditation at NDSU. You and I have had a lot of discussion concerning the NDSU accreditation. There are 1,000 students or maybe more in that program. I think it's good they're able to graduate from an accredited business school at a major graduate institution. I think programs to the extent they can be accredited is a measure of quality, and secondly, it will attract or retain students. Accreditation is important to the student in programs in some fairly competitive programs seeking employment in highly accredited fields. Even though I, at times, have some thoughts about accreditation, I will continue to push our campuses to be accredited, both campus-wide and for individual programs where it is possible to ensure quality.

**SENATOR ST. AUBYN:** On your summary of requests, are these in priority order? (tape 3960)

**LARRY ISAAK:** No, they are just listed.

**SENATOR GRINDBERG:** The Governor didn't put the \$3 million in equity, does that decision come based on a list that is submitted to him from your office or the board? Who makes the selection from top down and matter of priority?

**LARRY ISAAK:** The equity funding request was based on the equity funding study that we did. Yes, we do a priority order of major initiatives in the budget. I don't recall where that fell - I believe somewhere from the 50-75% range of priorities. The Governor did not include that in his priorities. There are some things he did go down a little farther on the priority list and include - I think in the area of capital. There are many needs that we put out there.

**SENATOR GRINDBERG:** You have started to document the number of graduates that stay in North Dakota, can you comment on how successful that has been.

**LARRY ISAAK:** Yes, I refer you to section A, page 4, of your resource book, "Student Performance Indicators." There is a chart that shows in 1995, 61% of ND high school students graduating from a ND institution stayed in the State.

**SENATOR ANDRIST:** Do you see any opportunity for increased productivity among staff?

**LARRY ISAAK:** We are always looking for efficiencies. In 1993, we eliminated over 200 positions from the state budget due to budget reductions at that time. We've continually looked at efficiencies. If you look at the UND budget in front of you, you will find that is down 46 positions, many of those in faculty positions. Productivity is pretty good. We are going to participate in a national standardized study of faculty productivity which will give us some data.

**SENATOR BOWMAN:** To get what you ask in your budget, some other part of budget is going to have to suffer. Are you suggesting we take money from elementary or secondary programs, highway funding, long-term care? Do you have any suggestions for us? (tape 4680)

**LARRY ISAAK:** I don't have the benefit of all the hearings you go through, but I would be very pleased if you would look at a budget for the University system at 22% of the state pie which is halfway between what it was in 1982 and what it is today--it was 24% then and it's 20% today. Every one percent shift in the state budget pie is now \$15M. I understand the hard decisions that you have to make. But I do think you will note the shift of the higher education dollar to the human service dollar.

**SENATOR BOWMAN:** Another one of the fastest growing parts of our budget, is our technology budget. How much should go into technology versus salaries?

**LARRY ISAAK:** We've instituted a technology program fee at our institutions. Student committees recommend how those dollars should be spent. At Valley City and Mayville State, that entire notebook initiative is funded with student fees. They pay for those computers - \$850/year in addition to their tuition.

**SENATOR NETHING:** On the Summary of Requests (yellow attachment #2) please review each of these proposals, and the conversations with the House regarding those items.

**LARRY ISAAK:** The first one is the overall budget. This bill was assigned to the Education Committee of the House Appropriations Committee. They then assigned a two-member subcommittee to each campus or entity budget. They looked at these budgets separately and individually from each and then reported back to the section and to the full committee. Some campuses there were significant discussions with, and some our office was able to participate in; others, there was very little if any conversation with the entities. Some members, the House leadership or whatever said we need to reduce the Governor's budget. Some subcommittees took that more aggressively than others and reported back. Once they reported back, it was clear that a fair share of those cuts were coming out of NDSU and UND. Then it went to the full committee. There were several motions made at the full committee level that started to say we've got to equalize these reductions between UND and NDSU - at least in dollar amounts so there was money added back in one motion and some taken out. That went on for 2-3 days. That basically

is how it was approached over there, other than the salary increase package which was a policy for the entire body.

On item #2, the State College of Science, there was a hearing on the capital construction requests. I'm not sure what deliberations there were with the College of Science in making that reduction, this is in the bonding bill - from \$3.7M to \$2M for infrastructure repairs. Bismarck and Minot presented their projects as part of 1003 and not 1022. Item #3, there were no significant discussions. Item #4, some discussion on pooling, individually and with the entire committee from time-to-time. The Governor's budget pooled 5% of the salary line and the House put it back into individual campus budgets. Dollars for critical salary adjustments in each individual campus budget, they took that out and put that into a pool for the Board. Item #5, the tuition income HB 1003 when it was introduced by the Governor had a Statement of Intent that the budgets for 2001 and 2003 would be built in that manner. There was also HB 1165 which will be coming to the Senate that had a couple of provisions - one was to statutorily make the change that would do this. The House took that language out of HB 1165. Item #6, there was a Midwest Higher Ed Compact, there was a separate bill on the House side to do that and that bill was defeated. We did not ask for additional money to join that. There is a pool in the board's budget for special initiatives. We said we would find money within our budget to join that compact. Item #7, equity funding I have commented on. Item #8, some things on the engrossed bill there was some pooling that was moved around and now needs to be taken care of. Item #9, work force training, HB 1443, there will be a hearing tomorrow. (tape 1, A, end of tape)

**SENATOR SOLBERG:** Two years ago we did some equity funding for certain campuses. What equity funding are we looking at this year and will we be looking at this every 2 years?

**LARRY ISAAK:** The equity funding requested was a \$3 million dollar appropriation for NDSU. Yes, I think we will continue to look at this on a regular basis. (tape 1, B, 139)

**SENATOR SOLBERG:** How do you decide equity?

**LARRY ISAAK:** A number of things including: number of students and types of programs they are in, levels of class, physical plant, age of buildings, and student support services. There is a bench mark report that details this.

**SENATOR HOLMBERG:** I noticed that the growth in the dual credit program has been quite spotty. Is this a concern?

**LARRY ISAAK:** It is a new program. We need to look at the quality of the curriculum. Two campuses are actively pursuing this.

**SENATOR NAADEN:** How was funding done with the decreasing enrollment?

**LARRY ISAAK:** They were short \$8-9M and reductions were made. And, we just didn't spend. We cut back on courses, faculty, administrative staff, physical plant staff, and operating expenses.

**SENATOR NAADEN:** Why don't you just raise tuition?

**LARRY ISAAK:** We did not raise tuition beyond what the Legislature incorporated into the budget requests.

**LYNN SEVERSON:** English Teacher, BSC, testified in support of HB 1003. I have worked there since 1983. We have had two salary committees prior to this biennium. We have combined those committees into one composed of the President of the Board, Chancellor, Vice Chancellor, Financial officers, faculty, and staff on the committee. This group generated the report you have under the second red tab, "Salary Reports". The history as presented in the 'Report of the Board's Committee on Employee Compensation', page 9, shows marked comparisons for faculty and staff. She also reviewed other information contained within the report. She also noted that 70% of new hires leave within 5 years; and they were unable to hire a dean because of salary differences. She also presented a "Funding Equity Comparison" based upon 1999-01 Executive Budget Recommendations, that is attached in the "Summary Report" (tape 1, B, 1507)

**SENATOR NETHING:** The growth projection for North Dakota for the next two years that we have considered in setting the 2 and 2 on salaries is 0 growth in real income, 2% growth in inflation, and when you add in the cost of the health insurance increase it really does bring it up to about a 3. I understand that doesn't affect the pocketbook issue. On page 32, there were some minimal cost areas. I don't know, but I would presume to implement these minimal cost high priority changes, you would need to go to the board. Do you take the request to the Institution, and the Institution takes it to the Board, and the Board makes a decision? Do you know whether any requests have been made that have ultimately gotten to the Board on these changes?

**LYNN SEVERSON:** I believe the Board is open to these possibilities. We haven't had the time to go after these specifically.

**SENATOR NAADEN:** I'd encourage you to do that. It looks as though many could be implemented without legislation.

**SENATOR ANDRIST:** The benefits are tax-leveraged so the benefit is more real. Perhaps we should put all the money in salary because all the charts are based only on salary. Would it help you in hiring if we got rid of the benefits and put more money in salaries?

**LYNN SEVERSON:** I believe there is a page in here on the benefits. The hiring I have been in on, we talk about the benefits extensively.

**LARRY ISAAK:** We did an analysis for the House committee that we will share with you. I don't believe the rankings changed much. We did a study on benefits and will send that down to you.

**SENATOR BOWMAN:** Is there any data showing the number of professors per capita?

**LYNN SEVERSON:** North Dakota is at 100% in cost-of living. It is not cheaper to live in North Dakota.

**SENATOR TOMAC:** In the handout and all of the surrounding states, with the exception of Minnesota, have salaries comparable to North Dakota. I am trying to reconcile that with page 9 of the report and that suggests something different. It states we lag 32% behind regional salaries. I don't understand this when all of our sister states, except MN, are there with us.

**LYNN SEVERSON:** Montana has made a real effort the last 4 years to move up the scale. I do not know about the others.

**SENATOR ROBINSON:** In terms of a benefit package, to me there is some correlation between those long-term faculty in terms of retention, it may not be the factor we'd like to have in terms of recruitment. Do you think the benefit package is helpful in retention?

**LYNN SEVERSON:** It does make a difference to those I work with who are primarily 55 or older men. The moneys received last biennium to address recruitment salaries, causes dissension among long term employees. In terms of teaching English composition, I am double the national standards for the number of papers and students I have. (tape 1, B, 2480)

**LOIS ENGLER:** North Dakota Division of American Association of University Women, testified in support of HB 1003. Testimony attached #3, "System Overview tab" (tape 1, B, 2600-2700)

**LAURA GLATT:** Vice Chancellor, Administrative Affairs, Presented testimony that focused on SB 1003 as noted on the salmon sheets 'Analysis of 1999-2001 Engrossed HB 1003, ....', "System Overview tab" (tape 2700-5565)

**SENATOR ST. AUBYN:** The BSC budget for example, then after the 5% general fund restoration the net difference is BSC still has a \$113,106 decrease in salaries.

**LAURA GLATT:** You have to understand, that in '95% budget exercise, we had to cut 5% in general fund. Within that 95% general fund budget, we also had to fund all the costs to continue. They didn't say you can ask for 95% plus all of the increases you anticipate in utilities, the increase you need to sustain your current salary base so we had to cut more than 5% in terms of programs and services. We had to cut 5% plus what we needed to maintain our utility budget, our salary budget for positions that exist today. So what you see there are really the positions that were eliminated, as BSC, for instance for their costs to continue. When OMB and the Governor put together the budget, they did, as you saw in that previous schedule, really fund the cost to continue. We had already funded that in the 95% budget, and we cut more programs and services to do that. So what we did when they funded the cost to continue is that allowed us to bring back some of the programs and services we had cut in that 95% budget exercise. (tape 1, B, 5818)

**SENATOR ST. AUBYN:** I don't see the similarities, why?

**LAURA GLATT:** It would have depended on where they took their 95% cut. Part of it could be in the revenue column, if they had to cut personnel and operating that required program closures they also had to identify a loss of revenue. It has to be based on a revenue base. In the restoration

plan, the second group, they essentially said we're going to restore most of those things we cut. As a result of restoring these, we won't lose the \$114,000 in revenues. (tape 1, side B, end) (tape 2, A, 84)

**LARRY ISAAK:** The Governor's budget was done, it is my opinion that all the campuses came out okay. Basically the plans that they submitted for reallocation were pretty much accepted in the Governor's budget and the inflationary costs were funded in the Governor's budget. The Governor's budget takes 95% and it restores the funds as the campuses requested it to be restored or not restored, and then it funded the inflationary costs for utilities and the cost to continue this year's salary increases. (tape 2, A, 168)

**SENATOR ANDRIST:** Going back to BSC and the -\$113, 100--that is a reduction of what from what?

**LAURA GLATT:** That compares the first two sets of columns. BSC had to cut \$807,900; that would have been the 5%, plus the cost to continue. They cut \$807,900 in the 95% budget. Then when the board said our first priority is to restore the 5% general fund cut for BSC, that brought back essentially \$694,794. What you see in the last column is the difference between those two.

**SENATOR ANDRIST:** Where do you expect this inflation to come from in the utility area?

**LAURA GLATT:** You may want to check with each campus. I know each campus works very diligently with their suppliers for each of the utilities to get an estimate from them as to where they see the prices going during the next 2 years.

**SENATOR BOWMAN:** The Governor asked for 95% of budget, column 1; column 2 shows restoration of a percentage of that back; column 3 reflects the difference. What is the purpose of cutting and then restoring most of the costs? If you're going to cut to free up money for salaries as UND evidently did, they decided they didn't need those programs restored or any other programs. Is that right?

**LAURA GLATT:** Essentially that was the Governor's message to us when he asked us to prepare the 95% budget. He viewed it, as I understand it, as an exercise to force us to take a hard look at our programs and make some decisions about what we choose to continue and what we want to reallocate to higher priority needs.

**SENATOR SOLBERG:** How does your technology plan fit in with your overall technology plan that you submitted to ISD last January? I would like to see how that proportionately lies in dollars appropriated and where. (tape 2, A, 540)

**LAURA GLATT:** We can get that to you.

**SENATOR NETHING:** Recessed the hearing until after Senate floor proceedings.

**JASON BERNHARDT:** North Dakota Student Association, testified in support of engrossed HB 1003. (Testimony attached #4A, Minot State University proclamation #4B, "System Overview", end of tab) (tape 2, A, 735-1176)

**DALE ANDERSON:** Greater ND Association, testified in support of engrossed HB 1003. (Testimony attached #5, "System Overview") (tape 1180-1620)

**LAURA GLATT:** Continued her presentation outlining changes made by the House in the testimony provided, beginning on page 44, of Analysis of 1999-2001..., red tab. (tape 2, A, 1639-2520)

**SENATOR ST. AUBYN:** What is the difference between the critical salary pool and the 5% pool?

**LAURA GLATT:** The 5% pool was similar to what the legislature did during the '97 session to some extent. Each campus in the subdivision of the bill had their own salary and wage line. In the '97 session you took the salary and wage line out of each subdivision and you pooled them all together and you gave it to the board and told them to decide how to allocate the money. Within the bill you added legislative intent that said the board couldn't give the institution less than 95% of what they had in the current biennium. So when the Governor put his budget together, he said theoretically you only had 5% flexibility anyway, so instead of pooling all of the money; he pooled 5% of the salary line item. That money was to support the continuation of people who are on the payroll today. The critical salary adjustment money is really new money that the Governor added to the budget. The purpose is to use it to address market and retention problems, salary inequity and recruiting.

**SENATOR GRINDBERG:** SB 2016 which was the Department of Emergency Management bill for the next biennium, they have an estimated \$66M in flood related work to go on between 1999-2001. There was approximately \$25M to UND (\$18M for steam lines and \$7M for cost overruns). Shouldn't that be reflected in here? I think the bill we passed out, I guess our thought was that we would take care of those needs that we knew going into the next biennium to address that rather than just expect a \$2.5M deficiency payment at the end of the next biennium. Do we need to address that in here?

**LAURA GLATT:** It was our understanding that we were anticipated to submit a deficiency appropriation for any additional costs not covered in the deficiency appropriation this biennium. For any work going on during 1999-01, we would expect to submit a deficiency appropriation during the next session to cover those costs. A large part of that would be related to the State Fair, the work on the steam line. If you have another expectation, or want to handle it differently, we would be happy to visit about that.

**SENATOR BOWMAN:** You mentioned something about this NDSU funding this project and you now are finding another source from the federal government. Under state law, don't you have to use a certain percentage of private funds?

**LAURA GLATT:** There is no statutory requirement that there be any local match on these projects. Generally a local match has been required, it has been part of the appropriation bill. But, there is not permanent statute, it is certainly at your discretion whether you choose to fund a local match. When you funded this project during the last biennium, there was a local match requirement. When the Board submitted the project to OMB for funding, there was a local fund match. But, at that time we assumed we only had \$1.8M in federal funds. Now it is our understanding based upon this letter from the department of agriculture that we can use these other federal funds to support the projects, so the Board has allowed the Campus to offset the local funds with the federal funds. (tape 2, B, 3728)

**VALLEY CITY STATE UNIVERSITY** 3/1/99 (VCSU tab)

**ELLEN CHAFFE:** President of Mayville and Valley City State, testified in support of engrossed HB 1003. She presented the components of the partnership between Mayville and Valley City State (MaSu-VCSU tab) (tape 2, A, 4000-end) (tape 2, B, 130-500)

**MAGGIE CLEMENS:** President of Valley City State Student Senate, testified in support of HB 1003, and shared advantages of attending Valley City State University. (Testimony attachment #3, VCSU tab) (tape 2, B, 500-650)

**JENNIFER FEIST:** Economic Development Director for Valley City, Barnes County, testified in support of HB 1003. I would like to share the importance of Valley City State University to our community and to the State of North Dakota. VCSU is a basic industry in our region. It is a critical player in our economic development efforts. (Testimony attachment #4, VCSU tab) (tape 2, B, 1280)

**STEVE BENSON:** Vice President for Business Affairs for Mayville and VCSU, testified in support of HB 1003. He noted that \$66,000 was taken from the Governor's salary item, and put into the Board salary pool. No change in our equipment allocation from the previous biennium. There will be an increase in student fees for the next biennium. (Testimony attachment #5, VCSU tab) (tape 2, B, 1280-2296)

**SENATOR ROBINSON:** Could you address the utility increases?

**STEVE BENSON:** The utility budget for VCSU is \$900,000 and in the budget that is an increase of about 9% over this two year period. When we project our budget we always add increases.

**MAYVILLE STATE UNIVERSITY** 3/1/99 (MaSU tab)

**ELLEN CHAFFEE:** President, Mayville State University, presented testimony in support of funding for Mayville State. She stated most students come from and remain in ND after graduation. She also noted the incubation of a Web marketing business on the campus as well as other programs at Mayville State. We are the only University in the State that has a university head start program. (Testimony attached #1, MaSU tab) (tape 2, B, 2565-2985)

**SENATOR SOLBERG:** The web page on Pride of Dakota, was that set up on Campus through your operation?

**ELLEN CHAFFEE:** That was done through Conmark (?), a business we're incubating and it is located on the campus. That was a private arrangement between a private business and the state of ND or whoever is sponsoring that.

**AMY LAGGERQUIST and AUDREY FREIT:** Students of Mayville State University, presented testimony indicating why students choose to attend Mayville State University. (Testimony attached #2A, 2B, MaSU tab).

**RICHARD FORSGREN:** Executive Director of Traill County Economic Development, testified in support of HB 1003. (Testimony attached #3, MaSU tab) (tape 3465-4144)

**STEVE BENSON:** Vice President for Business Affairs, presented an overview of the Mayville State University system budget. (Testimony attached #4, MaSU tab) (tape 4144-4790)

**SENATOR ST. AUBYN:** Where did the figure \$760,000, page 9, for the boiler project come from?

**STEVE BENSON:** The \$760,000 was a figure in our master plan for replacement of the boiler and to take out the underground tanks. OMB plays an important role in helping us determine these costs. (continued his testimony, p.10)

**SENATOR BOWMAN:** Is there any cooperation between other entities who are also experiencing similar boiler, etc. problems?

**STEVE BENSON:** Yes, we have worked together on some projects. The \$760,000 also has an Emergency Clause on it. We shut down in April and start up in October, so we are on a time-line.

**ELLEN CHAFFEE:** The Emergency Clause did not pass the House. If that is something you would consider, we would certainly appreciate it.

**PAUL KRAMER: (LC)** The amendment the House Appropriations Committee put on, included the Emergency Claus. But, when it was acted on the Floor, it didn't pass by enough votes so the Emergency Claus failed. (tape 2, B, 6058)

**SENATOR HOLMBERG:** What is the status of the music program--are you offering majors, minors?

**ELLEN CHAFFEE:** We are just beginning to offer some classes. Most is privately funded. (tape 2, B, end)

**TAPE 3, SIDE A**

**SENATOR GRINDBERG:** Neither campus budget has a request for equipment?

**ELLEN CHAFFEE and STEVE BENSON:** There are no increases.

**SENATOR SOLBERG:** Have you done any projections for enrollment for the next 4 years?

**ELLEN CHAFFEE:** We have done some projections using software from the Board. Basically, this program shows some of the schools going to "0" enrollment in 10 years. The assumption is nothing changes that you still get your students from the same place and you're not recruiting, etc.

We're focusing on strategies to recruit students. We don't believe hard projections are possible in this environment.

**SENATOR KRINGSTAD:** Information provided by Laura this morning indicates the University System, revised '97-'99 projections, the average was 1,171 students. You just gave an enrollment at Valley City of 1,181; on February 17, the projections for the spring semester was 994. What is the enrollment?

**ELLEN CHAFFEE:** The official number for enrollment is based on the third week of the fall semester, and that provides the official number.

**SENATOR NAADEN:** Do offer summer classes for teachers.?

**ELLEN CHAFFEE:** Yes, however, our courses are not at a graduate level, or master's level.

**SENATOR NETHING:** Recessed the hearing on engrossed HB 1003 until 8:30 a.m., March 2.

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**SENATOR NETHING:** Called the Appropriation Committee members to order, March 2. He called for a motion that the Legislative Council staff adjust the executive budget estimated general fund revenues included in the legislative budget status reports to reflect a reduction of \$15,070,947 as recommended in the Office of Management and Budget report presented to the Senate and House Appropriations Committees in joint session on March 1, 1999.

**SENATOR BOWMAN:** Moved do pass

**SENATOR GRINDBERG:** Seconded the motion.

**ROLL CALL:** 13 Yeas: 1 Nay

**MOTION CARRIED**

Yeas: Nething, Solberg, Lindaas, Tallackson, Tomac, Robinson, Krauter, St. Aubyn, Grindberg, Holmberg, Kringstad, Bowman, Andrist

Nays: Naaden

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**SENATOR NETHING:** Reopened the hearing on engrossed HB 1003, 8:30 a.m., March 2.  
(tape 1, A, 275)

**BISMARCK STATE COLLEGE 3/2/99 (BSC Tab) (Tape 1, A, 440-4350)**

**DONNA THIGPEN:** President, Bismarck State College, Presented an overview of Bismarck State College's program. (Testimony attached #1, BSC tab) (tape 1, A, 440-1160)

**RUSS STAIGER:** President, Bismarck/Mandan Development Association to testify in support of the BSC budget with any appropriate changes offered by President Thigpen. (Testimony attached #2, BSC tab) (tape 1, A, 1188-1550)

**CATHY ANDERSON:** BSC Sophomore in Hotel/Restaurant Management, on behalf of the BSC Student Body, to testify in support of funding for BSC. (Testimony attached #3, BSC tab) (tape 1, A, 1565-1970)

**JUSTIN DEVER:** BSC Sophomore in Electronics Technology, on behalf of the BSC Board of Governors, to present a student perspective of the quality education received from BSC. (Testimony attached #4, BSC tab) (tape 1, A, 2000-2245)

**DAVE CLARK:** Vice President of Operations, Corporate & Continuing Education. He noted BSC's fall enrollment of just under 2600 students, but also noted they educated an additional 500 secondary students on campus in the vocational/technical center. Approximately 96.5% of enrolled students are ND residents; 66% of those are Burleigh/Morton County. They do have students from 49 of the 53 counties in the state as noted on a map included in his testimony. He pointed out in the budget summary the partnerships BSC is involved in; noted the need for Schafer Hall renovation, and reviewed the House Amendments on pages 9-10 of the testimony. (Testimony attached #5, BSC Tab) (tape 1, A, 2245-3675)

**SENATOR ST. AUBYN:** How long has the facility supervisor position been vacant?

**DAVE CLARK:** This was a half-time position in our Vo Tech Center that became vacant about a year ago. We purposely left it vacant through the annual budget process because we have approximately 20 custodial positions. They all report to our Director of Physical Plant, which becomes cumbersome for him. What we wanted to do was to create one custodial supervisor and the custodians could report to this individual and take some of the burden off our plant director. We hadn't gotten to the task of filling that position. It is a much needed position at the College.

**SENATOR ST. AUBYN:** What is the status on the asbestos settlement?

**DAVE CLARK:** That is with WR GRADE (?). They did go through an unsuccessful arbitration within the last few months. It is going to court. I don't know what the current status is. The settlement would provide minimal dollars for us because the majority of our asbestos was with the other company. But, for some of the campuses I think it is pretty significant.

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**SENATOR SOLBERG:** Are you looking at becoming more involved with technology, and how well is the graduate program from UND being utilized?

**DONNA THIGPEN:** In terms of numbers of students enrolled in the UND graduate program, I would just be making a guess. I would ask you to hold that question for them. In terms of increasing partnerships with business and industry, that is the direction we're heading. I foresee that is an area that is going to grow.

**SENATOR SOLBERG:** You indicated 70% of your students go on for further education. What would your projections be for the next 2-4 years?

**DONNA THIGPEN:** It would guess, but my guess would be that number will continue to increase because in our technical programs there are enrollment caps. Those enrollment caps are due to our lack of space. For example, we can only take so many students in welding because that is how many stations we've got. And, we use that from 7:30 a.m. to 10:00 p.m. So, there simply isn't the capacity to increase the enrollments in those programs. If there were, I feel fairly certain those numbers would increase rather rapidly.

**SENATOR ANDRIST:** Are you considering utilizing community resources, i.e. high schools, through IVN?

**DONNA THIGPEN:** I don't think there are any plans to expand the number of sites, that is a pretty costly thing to do. I believe where you're going to see the dramatic increase in being able to deliver education to the small rural communities, is what we're talking about with on-line courses. It is a cheaper, more efficient way to do it. Student results are just as good. I believe down the road 5-10 years from now, it will be more and more in that arena than it is in a system like IVN. (tape 1, A, 4350)

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**UNIVERSITY OF NORTH DAKOTA 3/2/99 (UND Tab) (Tape 1, A, 4500-end; B, 0-4270)**

**KENNETH BAKER:** President, University of North Dakota, presented an overview and indicated testimony would focus on the impact of the House Appropriation suggested changes. We will reference certain pages of the enclosed testimony as earlier prepared. The central theme UND has emphasized throughout this session has been to ask the legislature to support our efforts to help ourselves so we can serve the state better. You will find many examples of ways UND has and will continue to serve ND. (UND Tab) (Tape 1, A, 4500-4800)

**ALICE BREKKE:** Assistant to the President, and Director, Budget & Grants Administration, UND. The original budget for the 1997-99 biennium was developed in the spring 1996 assuming business as usual. Many challenges have ensued since that date, including dealing with the financial impact of the flood. She noted changes in student numbers and tuition income, and needed adjustments. She noted on page 8, a chart showing the Governor's recommended budget, as well as the House amendment changes. In addition, she pointed out the detailed notes on pages 9-10 of the testimony. (Testimony #1, UND Tab) (Tape 1, A, 4800-end; Tape 1, B, 0-65)

**SENATOR BOWMAN:** I'm trying to track the tuition you were talking about. You didn't want the funding from tuition included in the formula?

**ALICE BREKKE:** In the original language that came out in the executive recommendation, there was a section in the bill that referenced that in the budget we submitted for the next biennium, '01-'03, tuition would not be included as part of that appropriation. That language was removed in the House approved version of the bill.

**SENATOR GRINDBERG:** In the Department of Emergency Management's Bill 2016, which we passed out of here, there was \$66M in work projected in '99-'01 biennium; \$25M was estimated for the Campus, I think \$18M for replacement of steam lines and \$7M in cost overruns. I'd like you to comment on this because I don't think it is in any of the capital improvement estimates in your current bill. One of the thoughts the Committee had, was one of the alarming amounts was \$7M in cost overruns for the Campus. We thought if we could meld that into your bill and still go for the deficiency process, we'd be able to monitor those cost overruns.

**ALICE BREKKE:** First of all, the flood recovery work, is being performed on the Campus and is restricted by the definitions put together on the disaster survey reports, the DFR's, which FEMA has outlined for each of the components of that work. So, the work is strictly limited to what they have defined as flood repair and restoration relating to the facility. When you talk about cost overruns, one of the things that occurred when dealing with FEMA, those estimates go on the piece of paper very early after the flood. In some cases, it is not clear what the total magnitude of the damage might be that needs to be repaired. So, in some cases those estimates have proved to be very close, in other cases they were no where in the realm of what is reasonable to actually put the repairs in place that are necessary.

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**SENATOR GRINDBERG:** If the bill comes in for \$18M for new steam lines, and there is \$7M for cost overruns for a total of \$25M, the way it is set up now is UND would come to the deficiency process for 10% of that or \$2.5M in the '01 session?

**ALICE BREKKE:** On the one hand that would be correct, but on the other hand in the estimates that we have put together that is the basis for what we have requested, the estimates, I believe, include what we know right now to be the total of what we will need. (tape 1, B, 350)

**PEGGY LUCKY:** Interim Vice President for Finance and Operations for UND. I'm not familiar, Senator Grindberg, with the \$7M overrun that you're referring to. For clarification, the steam line project includes an improved DSR (?) for \$25M; \$18M of which we project to be spent in the next biennium. We anticipate we spent up to \$7M up to June 30 of this year. The current deficiency appropriation includes the 10% match for expenditures through June 30 of '99. We were advised by OMB that the match on expenditures for flood recovery incurred July 1, '99 and later would be deferred to the next biennium, and we were advised to submit a deficiency appropriation for those costs. With the information we have compiled and submitted to this body in the deficiency appropriation, we have included 10% match on the total projected expenditures based upon everything we know at this time. What we know is what we've spent so far and what we anticipate it will take to complete the scope of work that has been approved by FEMA. Those total dollars are different than the approved DSR's. The DSR's are an estimate and many of them were written and approved back in June, July of 1997, and as work progressed and there was a more accurate assessment of the work that needed to be completed, projected totals were revised. (tape 1, B, 350-550)

**SENATOR GRINDBERG:** I can provide that sheet the Division of Emergency Management provided the subcommittee on 2016. But, I think you can appreciate what we're trying to do. If there are going to be costs incurred to be placed in the '99-'01 biennium, shouldn't it be reflected in your capital so that we have an understanding of where we're going, rather than waiting 2 years to see it again.

**PEGGY LUCKY:** Our budget was prepared based upon the guidelines and the advice we were given. The flood recovery costs, from a personal perspective, are not a part of our base and certainly we would not look for that to be a recurring kind of activity. If you would like us to take a different approach, we certainly can.

**KEN BAKER:** To reiterate the point, we are absolutely unaware of a \$7M cost overrun. We have an approved DSR from FEMA for \$25M to replace the steam lines at the University. That's in writing. The \$7M is completely new to us. We'll be happy to look at those materials and try to mutually understand that. (tape 1, B, 690-675)

**SENATOR GRINDBERG:** The 10% cost share is not reflective. Part of it is in this current request. But, the majority in the next biennium is not reflected in your budget.

**SENATOR SOLBERG:** Let me see if I have this straight on your notes. What you've done is go from your 95% budget, put your add-ons back in your executive budget, and then what the House has done. Is that right? Each narrative will follow the process through?

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**ALICE BREKKE:** You should be able to follow the line right across and see what the changes were.

**SENATOR ST. AUBYN:** Could we get copies of Alice's testimony.

**ALICE BREKKE:** I will be happy to do that for you and will get that to you.

**SENATOR ST. AUBYN:** Can you identify a little on the local funds, the \$56,720,000 included what portion of local funds, the House included all local funds. I'm trying to differentiate.

**ALICE BREKKE:** The \$56,720,000 follows the same methodology used for the current biennium and only includes a portion of the local funds. Excluded from that number would be auxiliary enterprises, i.e. bookstore, dining, housing, etc.. Grant and contract activity would be external sponsor awards which come into the Institution, and a variety of other types of local funds. Included in the \$56+ then would be things like flight operations, various student fees, technology fee, continuing ed activities, are some of the bigger examples. The methodology for the '97-'99 biennium and, therefore, the same methodology used for '99-'01 requests, only reflected a portion of the local funds.

**SENATOR ST. AUBYN:** Is there a chart or a summary showing what this \$282M is and \$56M

**ALICE BREKKE:** There isn't anything in the materials I provided; however, it is certainly something I can follow up with.

**SENATOR NETHING:** Chet Nelson, (LC) did the House have that breakout on those funds, or did they just take a bottom line figure?

**CHET NELSON:** No, they just used a total figure.

**SENATOR NETHING:** Then, I think we should have that if you can provide it. (TAPE 1, b, 1000)

**JOHN ETTLING:** Academic Vice President, Provost, UND, highlighted some of the programming currently underway at UND as well as faculty salaries. (testimony, pages 19-20, UND tab) (tape 1, B, 1040)

**SENATOR KRAUTER:** On page 19 you made reference to \$189,000 to the annual innovation pool, you said, "To help them sustain their programs." That caught me because it is potentially a program that on the edge.

**JOHN ETTLING:** I misspoke it, if that's what I said. This is one time money to go into, for example, in the College of Business Administration, Public Administration, they are ramping up a program in entrepreneurship. They're going to start with a certificate. They have oral approval to offer these programs next year. What I see this money could be used for example to provide

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\$180,000 or a portion thereof to the College of Business for one year only to get these courses started. At some point then, they would know from the beginning this is not money they would permanently have in their budget. But, it would get them past the first year until they pulled in resources or generated additional tuition dollars to sustain them.

**SENATOR BOWMAN:** As I follow this outline as far as your reallocation and restoration dollars, basically, you made cuts in quite a few areas or eliminated so you could come up with \$600,000 and \$2,600,000 for salary adjustments. So, your priorities basically went into the salary part. How soon will it be before you come back to ask for moneys to reinstate the programs you just cut? Are these program cuts permanent without affecting the quality of education up there?

**JOHN ETTLING:** It will enhance the quality of the programs we retain, or add. But, we are eliminating and combining programs in order to come up with this money. Some 46 positions at UND are gone or will be as of July 1.

**SENATOR ST. AUBYN:** It looks like \$2M was taken out and you're pooling those dollars for faculty salary enhancement. A good share of those reductions are also in nonacademic areas?

**JOHN ETTLING:** Yes, the entire campus contributed to this reduction. We shut down the wrestling team, positions in plant services were lost. We took the decision last summer that we need to put these in instructional programs and enhance salaries for faculty members.

**KEN BAKER:** We had a special committee that made these recommendations. That committee heard from folks all over the campus and did ultimately make the recommendation that the reinvestment should be in faculty salaries because that is the area where we have the greatest need. (tape 1, B, 1700)

**MARY KWITE:** Social Studies Faculty Member, UND, shared insights on faculty commitment and successes with students. (Testimony pages 21-26, UND tab) (tape 1, B, 1900-2310)

**BOB BOYD:** Vice President, Student and Outreach Programs, UND, outlined the benefits derived from the establishment of the division. (Testimony pages 27-29 UND tab) (tape 1, B, 2310-2400)

**JONATHAN SICKLER:** Student Body President, UND. Testified in behalf of faculty salaries as an important element of providing a quality education. Our student government had the Bureau of Governmental Affairs conduct a survey in the past couple of weeks to find out why students came to UND. The number one reason by a pretty good margin was academic reputation. Regarding tuition, during the last legislative session, we made the partnership between the state and students much more explicit. We realize students need to cover the cost of their education, and realize the state also has an interest in doing that, and providing a share of that cost. We're asking for proportional increases. When the student tuition rate is increased by 5-6% and the state general fund is only increased by 2-3%, students have generally found that unacceptable. When you increase tuition that much without a state general fund increase, you're limiting the opportunities or abilities for students to pay for that education. The amount they get for paying that tuition has lessened. We ask the state to share their cost of the education system.

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(tape 1, B, 2400-2865)

**BOB BOYD:** Presented an overview of student enrollment geographically, student numbers in different programs, as well as graduation success. (Testimony pages 30-36) In response to Dr. Thigpen's statement concerning the Internet becoming the way of the future, I see a combination thereof. Bismarck has involvement with UND 6 programs. The classes average 20 students per course in the UND/Bismarck classes. (Tape 1, B, 2935-3723)

**SENATOR ROBINSON:** You indicated in your testimony the Grand Forks Community was going to contribute money to UND.

**BOB BOYD:** We have received \$100,000 from Grand Forks. We've taken those dollars and have requested an RFP from the various units that deal with enrollment management on our campus. Those applications are just now coming in and will be awarded within the next 2-3 weeks. I know one of them is to provide opportunities for our students to come on our campus that might not otherwise be able to.

**PEGGY LUCKY:** Referred Committee Members to page 46 and presented the capital project recommendations and noted Phase I will be funded during the '99-'01 biennium, Phase II and III will be requested in future bienniums. (Testimony page 46-59, UND Tab) (Tape 1, B, 3870-4150)

**SENATOR ST. AUBYN:** Of these, did the Governor accept the \$2.55M? What is in the budget?

**PEGGY LUCKY:** The budget includes Phase I of each of the projects. The House did not make any adjustments to this line item.

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unfortunately are down to about \$4.5M because of the flood. New hires would bring at least \$1M in grants, etc.; the Nebraska individual would bring about \$2.5M from the National Institute of Health grants.

**SENATOR TALLACKSON:** What is the flood recovery status?

**KEN BAKER:** We are close to 85-90% recovered. The steam distribution project is the last remaining project. We estimate that will take a minimum of 2-3 years to complete. We are still in the process of rebuilding the student population.

**SENATOR SOLBERG:** Would you comment on the proposals to move UND/Williston and UND/Lake Region to Community College status?

**KEN BAKER:** I'm in support of this and believe they will provide needed community workforce training. I've indicated to them if it doesn't work, they can come back as branches of UND.

**SENATOR NAADEN:** Do you provide any summer courses for training teachers in computers?

**JOHN ETTLING:** I'm not aware of summer programs exclusively. We have recently put into place cycle I with a new program called "Instructional Design and Technology." One of the constituencies it is pointed to are school teachers who want to upgrade their technological skills, specifically designated as such.

**KEN BAKER:** We do have extensive summer programming for teachers at UND. Some of those teachers are seeking master's degrees that involve technology.

**GARVIN STEVENS:** Dean, UND-Williston, noted the successful computer training the area Teacher Learning Center provided to 27 area teachers last Saturday.

**SENATOR KRINGSTAD:** I'd like to add that we do the same thing at BSC. That is an ongoing thing and it is offered during the summer months, also.

**SENATOR ROBINSON:** I want to add the discussion yesterday focused on graduate level courses and advanced training. That sometimes creates a problem if you're in a track where you need to pick up advanced graduate level courses.

Concluded this portion of HB 1003 (tape 2, A, 1385)

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**UND-WILLISTON** 3/2/99 (Tr' JND-W) (Tape 2, A, 1800-4060)

**GARVIN STEVENS:** Executive Dean, UND-Williston, with full anticipation of a name change to Williston State College. We've had a great union with UND, and like Pres. Baker said whatever comes of this legislation, either way we'll continue to operate as a strong 2-year college, and serve the state of ND. He presented an overview of UND-Williston is all about as related to its master plan, and particularly its infrastructure. (Testimony attached - UND-W Tab) (tape 1800-3130)

**BRENDA WIGNESS:** Director of Business Affairs, UND-Williston presented an overview of the budget, including House amendments. (UND-W Tab) (Tape 2, A, 3185-3790)

**SENATOR ANDRIST:** The House eliminated your Occupational Safety and Small Business Programs, but they restored your Agricultural and Accounting Programs?

**BRENDA WIGNESS:** That was based on our request. We were reallocating resources, and our campus decided to eliminate the Safety and Small Business Management Programs. In that process we also eliminated the Ag and Accounting Programs, but we restored those two. The Occupational Safety and Environmental Health Program has a service aspect. We do OCEA workshops and 8-courses, etc. We will still continue to do that. This is the 2-year program.

**GARVIN STEVENS:** That was a response to the Governor's 95%. I found that after meeting with business and industry and the oil business they were more interested in the service part of the program and not necessarily the 18-month curriculum that created a 2-year degree.

**SENATOR TOMAC:** What the House did was on page 1, behind the green sheets, the last 2-3 items, the health package and 2 + 2, and then the .5% operating. Is that the only adjustment they made?

**BRENDA WIGNESS:** Yes.

**GARVIN STEVENS:** Concluded the testimony.

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**LAKE REGION-UND** (Tab UND-LR) (Tape 2, A, 4440-end; B, 0-960)

**SHARON ETEMAD: Executive Dean, CEO, Lake Region-UND,** presented an overview of UND-Lake Region, including the budget. (Testimony UND-LR Tab) (Tape 2, A, 4995-end; B, 0-250)

**ARMIN HANSON: Pres., UND-LR Foundation;** noted the names of those who have helped raise \$.5M to pay toward the auditorium which we feel will cost about \$1M. The Devils Lake Community has supported this wholeheartedly.

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**SHARON ETEMAD:** Continued her presentation. (Tape 788)

**SENATOR ROBINSON:** Are the extensive repairs that have been made to the roads, parking lots, etc. holding up with the high water levels?

**SHARON ETEMAD:** We think we've done a good job with the engineering expertise available, and concluded the hearing. (tape 2, B, 960)

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**MINOT STATE UNIVERSITY 3/2/99 (Tab MiSU) (Tape 2, B, 1061-5275)**

**H. ERIK SHAAR:** Pres., Minot State University, highlighted budget areas, student enrollment decreases, including loss of Canadian students due to the value of the dollar. Testimony attached (MiSU Tab) In addition, he discussed the ramifications of the fire in Harmouth (?) Hall (Tape 2, B, 1061-end; Tape 3, A, 206)

**SENATOR SOLBERG:** Is the student forecasting tracking like you thought?

**H. ERIK SHAAR:** Yes, it is, but we are trying to influence that. It was tracking down. We've instituted high pressure on the staff to remedy that situation. We are getting the word out about Minot State. We were cited in *US News & World Report* as one of the nation's best colleges. (tape 2, B, 2345)

**SENATOR ST. AUBYN:** Did you bring the \$2.8M renovation up to the House?

**H. ERIK SHAAR:** We did. The Governor drew his line just above our project as recommended by the Board.

**SENATOR ST. AUBYN:** Celeste, if this was a safety thing, was that a consideration of the Governor in those projects?

**CELESTE KUBASTA: (OMB)** When the Governor's budget was put together on capital projects, the priority was looking at the infrastructure. The Board had a \$10M pool they had created for specific projects. The priority was going back to those and trying to deal with those issues where we are losing heat through the ground, so we tried to work on steam lines, roofs, electrical distribution systems, and those kinds of things. I think some of the emphasis originally on this project was placed on the remodeling of the building and so it hadn't made it into the infrastructure pool. So it went lower on the priorities, and of course the price tag. The bonding is tight in this biennium, so there wasn't room available for additional bonding. (tape 2, B, 2502)

**SENATOR BOWMAN:** In noting your declining enrollment, do you have comparable technology programs as BSC to allow the overflow could transfer to Minot?

**H. ERIK SHAAR:** Some programs we simply don't have. For example, we don't have 2-year programs. Those programs were moved to Bottineau. But, we could look at others program by program.

**LARRY EIDE:** Support Services, presented the budget, and noted House changes, page 3-11. (MiSU Tab) (tape 2, B, 2700-4540)

**SENATOR HOLMBERG:** A couple of sessions ago, you purchased on time, a telephone switch, and at that time the concern was are you going to get money for it or were you going to have to eat it? What is the status on that? Have we paid for that? Is that in the budget?

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**LARRY EIDE:** Thanks to you, you had written into the minutes that was a continuing obligation for 7 years. We just finished the 4th year. That lease payment is \$148,000/year and is in my utilities budget.

**SENATOR KRAUTER:** On January 27, we were given a listing of vacant FTE's. When I look at that list, it is quite a bit larger. I understand some were vacant 1 month, 9 months, etc. You said you gave the House a listing. How does that compare with the information we've been given and the information you gave the House? How do I reconcile that?

**LARRY EIDE:** We gave them a list of all of the vacancies at that time. They chose 3 to eliminate. That's the difference, that's why it doesn't reconcile.

**SENATOR KRAUTER:** When I look at what the University System gave us yesterday to start with, there it only indicates \$35,270 in reduced salaries for vacant positions. Why is there a discrepancy?

**LARRY EIDE:** The \$35,000 is general fund; the balance is from special funds.

**SENATOR ST. AUBYN:** What are you budgeting in '97-'99 in terms of FTE enrollment?

**LARRY EIDE:** Our original estimate for the biennium as we submitted our budget for the 7-'99 biennium, we had 3,045 FTE;s for the first year, and 2,820 for the second year. Now the revised numbers for the first year of the past biennium is 2,733 FTE, and 2,525 FTE.

**SENATOR ST. AUBYN:** On page 7 of your testimony where you talk about extraordinary repairs, where is the \$500,000 and the \$152,368.? If I understand this right this wasn't requested, but was provided by the Executive budget?

**LARRY EIDE:** The \$398,098 is a formula driven number. It is the same exact number authorized this biennium. That's given to us by the Board staff. They do a calculation that is based on plant value, and cost of replacement. That is not one we select. When we were asked to do optional packages to the 95% budget request, we had the option to reinvest dollars or restore dollars. In our case, we were allowed to ask for \$152,368 in addition to the \$398,098. Everyone had that same opportunity. The numbers were different for each institution, but each of us had the opportunity to choose the options we wanted to put in the budget. The Board had its own priority list and we followed that. The \$500,000 is the result of testimony I offered before OMB back in October. I said some day someone from Minot State College would stand before them or another committee and say that our boiler has just broken down and we can't heat our buildings. Last winter our coal boiler was down for 13 weeks. We had to switch to natural gas. Luckily we have enough horse power to do that in a normal winter, a mild winter. The boiler itself isn't in trouble, it's the coal delivery and ancillary systems. We're having tremendous problems even getting parts for that equipment. It's over 20 years old. When we were down for 13 weeks they actually had to go to a foundry and have some of those parts made for us. I guess I got OMB's attention. (tape 2, B, 5275)

**MINOT STATE UNIVERSITY-BOTTINEAU CAMPUS 3/2/99 (MiSU-BC Tab) (tape 2, B, 5340-end; tape 3, A, 1500)**

**KATHLEEN CORAK SUND:** Campus Dean, Minot State University-Bottineau, noted the energized, vitalized campus and its accomplishments, particularly noting increases in student enrollment. (Testimony MiSU-BC Tab) (Tape 2, B, 5340-end; tape 3, A, 0-540)

**SENATOR GRINDBERG:** Earlier we heard testimony from Devils Lake and how Cisco works together to make sure programs and things are done so everyone knows what is going on. Do we have other 2-year campuses doing the same type of thing?

**KATHLEEN CORAK SUND:** Yes, in fact we had an interesting discussion at C-Tech last November about the fact that for too many years we've been squelching duplication just for the sake of it. When, in fact, there are many cases the demand for programming far exceeds the supply--there are more students interested in this type of training than we are able to train at the time. C-Tech is the group that fast-tracks vocational programming, if you will. We've had animated discussion about how Cisco can help to meet some of these needs. We're not the only campus in the state with Cisco Regional Academy status, but we are the first one to bring this particular kind of networking into place. There are several other programs at the 2-year level with slightly different emphasis.

**SENATOR ST. AUBYN:** In regards to the information technology initiative itself, was this something presented to the Board? How does this figure in?

**KATHLEEN CORAK SUND:** The Bottineau Campus was encouraged by the Chancellor to begin to develop several types of vocational efforts over the years and to look for an opportunity to creatively bring them to fruition. At the request of the House we were asked to bring forth an initiative. This is the one we feel will bear the most fruit. With that invitation, we brought it forward. At the same time, we go through the procedures to complete Board approval. We expect to see that in the May meeting.

**SENATOR KRINGSTAD:** I picked up on what Dr. Shanr noted that some of the programs from Bottineau are located in Minot. What is the student count in Bottineau versus Minot? You're counting the Minot students in your count, too?

**KATHLEEN CORAK SUND:** Yes, they're in our head count. They're split a little differently for the purposes of facilities maintenance, etc., but they're in our full-time equivalent count. It is roughly 20-25% of our enrollment that are Minot based students.

**SENATOR NETHING:** As I look at your budget, Larry, there are only a couple of items there that the House adjusted in the Bottineau budget, is that correct?

**LARRY EIDE:** On page 12, you will note the budget and the differences from the Governor's budget. (tape 3, A, 840-1200)

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**SENATOR NETHING:** I don't believe it is necessary to go through the rest of the budget. We haven't asked you to comment on the House amendments. Obviously you'd be pleased with the technology initiative, and the other one it seems to me is the salaries. I guess those are about the only areas the House touched, right?

**LARRY EIDE:** That's correct other than the one-half percent across the board that affected all of us.

**SENATOR NETHING:** On the technology initiative, how did that come about?

**LARRY EIDE:** As Dr. Corak explained it, she was asked to come into the House with an initiative, an enhancement to their budget. She's been working on at least 3 initiatives for a number of years since she's been there. When Minot State was assigned the responsibility of overseeing Bottineau, we were determined not to fail, and we were determined to make it an active institution. They have not had a new program in over 20 years. She came up with 3 ideas: the one that she suggested to the House is the one she just explained. The House funded it.

**DAVID O'CONNELL:** Senator, District 6, testified in support of the 'marriage' of Minot State and Bottineau. The morale on the Campus has never been as high. This extra incentive program can push it even higher. Last week I interviewed a student from Bottineau that is an accountant. I'm hopeful this weekend, I'll be able to hire that person. Senator Solberg has been very helpful to the Bottineau Campus as well. It is an excellent program.

**SENATOR NETHING:** Recessed the hearing on engrossed HB 1003 until 8:30 a.m., 3/3/99

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**NORTH DAKOTA STATE UNIVERSITY** 3/3/99 (NDSU Tab) (Tape 1, A, 172-6120)

**DR. ALLAN G. FISCHER:** Interim President, North Dakota State University, to testify in support of HB 1003 (testimony attached, section NDSU, tape 1, side A, meter 172-777).

**R. CRAIG SCHNELL:** Vice President for Academic Affairs, North Dakota State University to testify in support of HB 1003 (testimony attached, section NDSU, tape 1, side A, meter 812-2068).

**SENATOR HOLMBERG:** Even though this is not within your budget line item, what is the impact to NDSU on the cut of EPSCoRE funding of some \$200,000?

**R. CRAIG SCHNELL:** EPSCoRE has been one of the most successful programs we've had in North Dakota. It's created a certain level of wealth to the Universities and the increased cooperation you see between UND, NDSU and some of the other institutions as well. The \$200,000 cut actually doubles because this is used as a federal match. If we lose money in the State, then we lose dollar for dollar on the federal side. There's also an indirect cost in there which comes out to \$1.4 for each dollar we lose.

**SENATOR HOLMBERG:** Going back to UND's high cost of getting National Accreditation for their Business School, maintaining that and also the costs involved in the attempt to have National Accreditation for the School of Communications. Could you provide the committee with cost estimates and the status of the move to receive National Accreditation for the Business School?

**R. CRAIG SCHNELL:** Accreditation is extremely important. It's a signal to your colleagues, etc., that you have a quality program. Accreditation says that we are and have these good standards. We've made it a goal to seek accreditation for every major program we can find. The direct costs at this point in time have been travel to meetings, etc., \$5,000-\$6,000 at the most. The expenses will be a little more this year, \$8,000-\$10,000 because of the self study. I wouldn't just credit these expenses to accreditation. Our Business School is increasing, we are going to need to add additional staff. Our MIS program has doubled in the last three years. Additional costs are worth the investment as our students seek national jobs.

**SENATOR HOLMBERG:** Certainly my questions are not to be viewed as disappointment at what NDSU is doing, my disappointment has been over the years with the Board of Higher Education. In my opinion, they are not focusing on a policy from the Board level.

**R. CRAIG SCHNELL:** I think that the Board's responsibility is to provide the best of everything that they can for the students and that's what accreditation is really about. So, I'm not sure I understand your disappointment because I tend to think the Board is doing the right thing in supporting the programs that we have.

**SENATOR GRINDBERG:** The equity issue has been in the pipeline for awhile and I believe we had some salary pool dollars during this present biennium that have not been distributed to try and address equity issue of salaries. Some of the things the House did, has stepped backwards. I

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think one of the decisions we have to make, is to put that back into the Board office for the intent of equity with salaries. In your opinion, is that the correct direction in looking at those pool dollars through the Board office, and over time, a reallocation of those dollars that re-address the needs of the students of North Dakota no matter what institution they attend?

**R. CRAIG SCHNELL:** The equity question is a very difficult one. Overall in a recent equity study, there is a \$40M shortfall in the whole system and each institution owns part of that. The problem comes in taking money from other shortfalls in each of the other institutions. We're hoping that we could get new dollars for dealing with the issue.

**RICHARD RAYL:** Vice President for Business and Finance (testimony attached, section NDSU) (tape 1, side A, meter 2993-3635).

**SENATOR HOLMBERG:** Was that Emergency Clause on the original bill and it did not get the two-thirds vote?

**RICHARD RAYL:** We asked for the Emergency Clause, as Dr. Fischer indicated. They made no contact with us during the subcommittee deliberations. We were not able to follow-up to make sure it was on there. I'm sure we're not the only University that would like to have that Emergency Clause. The University System did ask OMB to put the Emergency Clause in the capitol improvement line item. Legislative Council said that it couldn't be done broadly, but it could be handled bill-by-bill. The Governor's office and OMB did recommend an Emergency Clause for all capitol improvements.

**CELESTE KUBASTA:** (OMB) Mr. Rayl is correct, the Office of Management & Budget had originally put into OMB's bill a clause that would give emergency status to the capital improvement's line throughout the State. We had a number of requests, not just NDSU, that need to get started on their projects as soon as the session ends to get the contracts at good prices. Legislative Council informed us that it was not legal to put that clause into OMB's bill; therefore we come into each hearing and request that amount. I asked for that in the House and they decided not to put that on. Again, I would request that at least a portion of the capital improvement's line be kept as an Emergency Clause.

**SENATOR ST. AUBYN:** Celeste, did the House give you any indication what their problem was on this?

**CELESTE KUBASTA:** (OMB) It wasn't even discussed.

**RICHARD RAYL:** When we created our list for capital improvements for the budget, we do this in the Spring of the odd years-about nine months from the beginning of the fiscal year biennium, we create a laundry list of items that is a plan we work from. As we get into the cycle, because of emergencies and things of this nature, we follow the plan, but the plan may not be followed to the tee because things occur, the roof leakage in the Library, etc. According to the life cycle of the roof it is still in good condition, but it has a leak. Those dollars will be coming out of the capital improvement line item. Most of the money will and has been going into the

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infrastructure for the last four years. We do have renovations that we have been putting off that we will have to do.

**JEREMY GREENE:** Student Body President, North Dakota State University to testify in support of HB 1003 (testimony attached, section NDSU (tape 1, side A, meter 4039-4590).

**SENATOR SOLBERG:** You stated there was a vote of the Student Body, what was the vote?

**JEREMY GREENE:** Students voted in favor of the Center - 900 for; 600 against. We had the largest student voter turnout ever in the history of North Dakota State. We had a 17% turnout; the national average is 10%.

**SENATOR ANDRIST:** Does the plan for this Wellness Center propose to pay the Bonds with user fees or assessment to all students?

**JEREMY GREENE:** The Student Body voted to raise the Student Health and Wellness fee \$38 per semester to pay for the revenue bond.

**SENATOR ANDRIST:** I was wondering if the 900 students would pay more for the 600 students that don't want to have it?

**JEREMY GREENE:** I'm not sure. The facility would be free for all students as are most student services. In 1986, the Legislature passed a resolution that State funds cannot go towards student services anymore. The only people that would be paying to use this service would be the faculty and the child care on a per use basis.

**JERRY OLSON:** President of the North Dakota State College of Science to testify in support of HB 1003 (testimony attached, section NDSU (tape 1, side A, meter 4880-5338).

**ALLAN G. FISCHER:** Concluded, page 20, we think NDSU is a great investment of your money (testimony attached, section NDSU (tape 1, side A, meter 5379-5673).

**SENATOR ANDRIST:** The Skills and Technology Training Center. You say you need \$1M and the House gave you \$500,000. You also know we have a difficult search for money. Is the \$500,000 still useful if we can't come up with the full \$750,000 or would we be better to delay the project?

**JERRY OLSON:** Phase I of the construction was provided during the last Legislative session, \$750,000 on the understanding that we would raise an additional \$750,000. Indeed in the efforts toward this we have raised \$1.8M and phase I is completed. We need to move into phase II. As we prepare the bids and work with those architects, we ask them to establish a base bid and an alternate. Certainly, the \$500,000 would not allow us to totally complete the base bid on phase I. We do need \$750,000 to complete the base bid. The others are alternatives that would enhance the facility and allow us to serve our needs better.

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**FOREST SERVICE 3/3/99 (Forest Service Tab) (Tape 1, A, 6125-end; B, 1-1888)**

**LARRY KOTCHMAN:** State Forester of the North Dakota Forest Service to testify in support of HB 1003 (testimony attached, section Forest Service (tape 1, side A, meter 6125-end and side B, meter 1-1888).

**SENATOR HOLMBERG:** On one of the budget tours, there was an ADA outdoor rest room in the middle of a forest. You couldn't have gotten there on a wheelchair, is that continuing?

**LARRY KOTCHMAN:** This was under construction when you were there. The county put a bike trail in there and that is what we were waiting for. This will be corrected by this summer.

**SENATOR ST. AUBYN:** On the local funds, the House added \$1.3M, what is that?

**LARRY KOTCHMAN:** The local funds include state land receipts, land leases and the largest amount is associated with our pass-through grant activities, such as the living snow fence grant. It wasn't included in the Executive recommendation. No local funds, state land collections and pass-through grant money was included.

**ELESTE KUBASTA: OMB;** This is the local funds that in the current biennium, the Legislature had a portion of the money included in the appropriation. The Executive recommendation had no local funds and the House put in all local funds of all the entities.

**SENATOR KRAUTER:** Doesn't the state land receipts go to a certain trust fund?

**LARRY KOTCHMAN:** Things that are on lease for example, would be segregated into a separate fund by the State Treasury for use by the State Forester. We also gather some things from campground receipts and other services we provide, which are from forest areas that are leased and there is not very many of them. They produce about \$10,000 a year.

**SENATOR KRAUTER:** Are the Stewardship Incentive Grants from USDA Forest Service included in here?

**LARRY KOTCHMAN:** Yes, that would be included in the local funds number.

**SENATOR KRAUTER:** Why aren't those considered Federal dollars?

**LARRY KOTCHMAN:** For all the Higher Education entities, grants and contracts have been off budget and that's why it's treated like that.

**SENATOR KRAUTER:** How does Lincoln Oakes Nursery fit into all this, do we have duplication? I understand soil conservation, but if we can make things more run efficiently, why do you have two entities in the State?

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**LARRY KOTCHMAN:** The relationship that exists between Towner State Nursery and Lincoln Oakes is a very old one. There is a memorandum between the Soil Conservation Districts and the State Forester that they would grow all the hardwood stock and we would grow the Evergreens. Lincoln Oakes facility is geared toward hardwood production and ours is geared towards conifers. Because the nursery business is very specialized it requires certain soil regimes and equipment. This is how it was determined on what is grown at the Nurseries.

**SENATOR KRAUTER:** The revenue received from this is in here?

**LARRY KOTCHMAN:** Revenue from our tree sales is included in Special Funds.

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**NORTH DAKOTA STATE COLLEGE OF SCIENCE** 3/3/99 (Tab NDSCS) (Tape 1, B, 2595-end; Tape 2, A, 0-2100)

**JERRY OLSON:** President of the North Dakota State School of Science to testify in support of HB 1003 (testimony attached, section NDSCS (tape 1, side B, meter 2595-3908).

**MIKE RENK:** Vice President for Administrative Affairs to testify in support of HB 1003 (testimony attached, section NDSCS (tape 1, side B, meter 3915-4630 and 4750-5360).

**SENATOR NETHING:** Did you explain to the House that if they made their cuts that you would only be able to retain the first and second focus?

**MIKE RENK:** We did explain to the House we would take \$50,000 out of here and the .5 was not asked at that time. The \$117,000 was additional.

**SENATOR NETHING:** Did they know that was going to be focus number six?

**MIKE RENK:** We just said \$50,000 and didn't specify any programs.

**SENATOR KRAUTER:** When I look at the cuts the House made and I look at the three items; salary, 5% operating, and \$50,000 and then when I look at your focuses one through six, those aren't the same issues and they don't add up to salaries.

**MIKE RENK:** Tried to explain (Senator Nething explains below).

**SENATOR NETHING:** The .5 is a \$117,225.

**MIKE RENK:** Yes, it is.

**SENATOR NETHING:** What you're saying, is that, the across the board cut, which in your case is \$117,225, you would take that out of technology?

**MIKE RENK:** Yes.

**SENATOR NETHING:** The \$50,000, they have already taken out of technology. So on pages 8 and 9, what you're saying is, if nothing is restored and it stands as it is, the only focuses that you will be able to go forward with are one, two and three.

**MIKE RENK:** That's correct.

**BOB GETTE:** Vice President for Instructional Affairs to testify in support of HB 1003 (testimony attached, section NDSCS, tape 1, side B, meter 5875-end and tape 2, side A, meter -681).

**JERRY OLSON:** President State College of Science to summarize (tape 2, side A, meter 698-842). We hope the message was - we work to our strength. We do need to balance the promise of preparing a trained work force with the resources. We have provided in the appendix the reassignments that have been made over a wide number of years. We do try to use hard information to make our judgments and our decisions on. We have included a listing reflecting those reassignments. The 95% budget we went through this spring was not new to us, but it did affect us. The enrollment trends provided do show that we do have peaks and valleys and we do adjust staff to accommodate the needs. We hear from businesses, industries and communities to facilitate the needed programs. As Community Colleges have expanded, many have demonstrated that they can provide a skilled work force for our labor market. Our institution, since 1903, has specialized in this. We have over 50,000 graduates and we think we have demonstrated that we can do it in the long haul. Thank you very much.

**SENATOR GRINDBERG:** My belief is that our Nation has had the priorities in the wrong areas, as far as resources put into Higher Education when the Labor Department projections say that 80% of our careers are in the technical area - two year degree programs. There hasn't been a lot of shift in that philosophy and I believe now there are some things shifting to reprioritize where our resources should go in the next millennium with Higher Education. You're held in high regards in the national community with North Central Association and other organizations. You bring back good expertise, what's going on Nationally. Do you see any kind of a trend leading State Legislatures, Boards of Higher Education, etc. to start recognizing these needs that have been in front of us for nearly twenty years?

**JERRY OLSON:** I don't think there is any question about this on a National basis and that has probably lead to a lot of the expansion in Community Colleges. There are now 1250 Community Colleges and they are preparing that workforce training across the country. The Bush report, that came out a few years ago on the North Dakota workforce, clearly emphasized the need for Higher Education to look at ways of expanding those efforts. We believe that should be a high priority for us in the years to come. If 80% of the jobs require a two-year Associate Degree and not a four-year degree, we simply have to look at some other ways of funding to do that.

**SENATOR BOWMAN:** With the current budget the way it is, the programs that have been successful for your institution, are those programs going to be affected a lot or are you going to be able to save those programs so you can continue the excellence in those particular parts of your budget?

**JERRY OLSON:** Over the years when we were having growth years, we were able to save all the programs because we used our extra tuition money. We went to the Emergency Commission and had those dollars reappropriated to us to do that. Once we had to begin to cap programs, and the enrollment growth leveled off and we no longer had the excess income, we had to look at saving our best programs. We set up criteria to evaluate all of them and unfortunately, three of them fell at the bottom: Accounting, Graphic Arts and Science Tech. If this trend continues, there are others that will have to go.

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**SENATOR ANDRIST:** I have never been a fan of reciprocal tuition agreements. It seems to me that being situated in the corner of the state would affect your tuition revenue quite adversely, is this true or do you feel it helps you?

**JERRY OLSON:** We have consistently 450 students coming from Minnesota to our campus. Those agreements have been beneficial. We are able to attract a good number from Minnesota, South Dakota and Montana and this is enhanced by those agreements.

**SENATOR ANDRIST:** On those programs, when you are running full, is priority given to North Dakota Students?

**JERRY OLSON:** We will give priority to North Dakota students.

**SENATOR ST. AUBYN:** Do you have an overall chart to show the enrollment of the total programs?

**JERRY OLSON:** We can provide.

**SENATOR SOLBERG:** In the last budget, the NDSU Skills & Technology Training Center, phase II of the construction. Where are we at now and where do you see the School of Science in is?

**JERRY OLSON:** Six months to a year after the graduates are out in the workforce, they need to be retrained. New technology comes online and that's where the Skills Center fits into this. If HB 1443 passes and is funded, establishing regional training centers, then we as a regional center would have the opportunity to not only work with preparatory students, but retraining students. We would be looking for sites to do that. That is how we became involved and that's how it fits in. We have been trying to do this for a number of years without any funding. We are interested as it is in the best interest for our graduates and the best interest for our workforce.

**SENATOR ROBINSON:** How many students did you have to turn away this fall?

**JERRY OLSON:** As of the first day, 170 students. Currently, for example, we are not accepting any more students into our Electrical Program next fall.

**SENATOR KRAUTER:** Can you give me statistics of which programs you are currently capping off?

**JERRY OLSON:** We will provide a list.

**SENATOR KRAUTER:** During the budget tour, we discussed the faculty being paid less than a graduate student, is this still an issue?

**JERRY OLSON:** In those growth programs, it's a very serious problem. We really need to move that 2% back up to 3% to maximize the market to simply be able, for example, in the diesel technology area, to keep it staffed fully with competent people. It is a very serious problem.

**SENATOR KRINGSTAD:** You mentioned Architectural Drafting was full, you had 129 students in 1998, and in 1995 you had 154 - I don't understand.

**BOB GETTE:** We have identified some part-time salary dollars. We had an adjunct faculty member that we utilize when the load increases. We built in a way to be flexible in that program. Some of the other programs, we don't have enough part-time salary money to be that flexible.

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**NORTH DAKOTA UNIVERSITY SYSTEM OFFICE** 3/3/99 (NDUS Office Tab) (Tape 2, A, 2100-end; B, 0-4400)

**LARRY ISAAK:** Chancellor, NDUS (testimony attached, section NDUS office (tape 2, side A, meter 2100-2197).

**SENATOR SOLBERG:** On the professional student's exchange program, what's the percent of the students that come back to North Dakota and is it pretty stable in all the categories we fund?

**LARRY ISAAK:** I believe 60%. I will need to provide the rest of the data.

**SENATOR TALLACKSON:** Will you comment on the salary pool?

**LARRY ISAAK:** The salary pool in column 2, \$16.9M, that pool was 5% of the campus budgets. The Governor took 5% of the campus budgets and put into a pool for the Board to allocate, it is not salary increase dollars, it is 5% of the base budgets of the campus's salary line. The House actions took the money out of the pool and put it back into the campus budgets, the way the Governor had removed it. The critical salary pool, \$2.685M, is the amount of dollars that were in the campus budgets for critical salary adjustments, a pool similar to what was appropriated last time. The House took that money that was in the individual campus budgets and pooled it for the Board to allocate.

**SENATOR ANDRIST:** The Professional Student Exchange program. I was under the impression that those Optometry students and Med students have to pay back some of that money if they don't locate in North Dakota?

**LARRY ISAAK:** That was the case, but that provision by statute was repealed by the Legislature in 1983.

**SENATOR ST. AUBYN:** In the salary pool, is the 2 & 2 increase reflected above?

**PAUL KRAMER:** (LC) The compensation package of 3 and 3; all of that money went to the campus, even the portion that related to the funding that was put in the pool, was still with the campus. So when we reduced it from 3 and 3 to 2 and 2, we didn't even have to look at the pool because all the salary compensation money was in the campus budget. So it was reduced there and when the pool was moved back, it had no bearing on changing the 3 and 3 and the 2 and 2.

**SENATOR ST. AUBYN:** So the campuses originally had 95% plus the 3 and 3.

**PAUL KRAMER:** They had the 95% and all the funding for the 3 and 3.

**SENATOR ST. AUBYN:** So was the original intent to redistribute it to the campuses anyway?

**CELESTE KUBASTA:** (OMB) The last biennium, the Senate Appropriations pooled the salary dollars for Higher Education and put in a number of restrictions. One of those restrictions was that 95% of the money must be retained in accordance with the way it had been previously

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distributed, leaving 5% of that money in that pool to be distributed at the Board's discretion rather than pooling 100% of the money and saying that 5% is really the Board discretion.

**SENATOR BOWMAN:** Why do we have to put any percent in until after we know what we can put in?

**LARRY ISAAK:** That is the Governor's recommendation.

**SENATOR NAADEN:** What would you want?

**LARRY ISAAK:** The recommendation of the President of the Board, which I support is to pool all salary dollars as you did last biennium.

**SENATOR NAADEN:** Make 95% of them mandatory?

**LARRY ISAAK:** If that's the will of the committee putting those parameters around, we will accept that.

**KATHY McDonnell:** Director of Finance to testify in support of HB 1003 (testimony attached, section NDUS (tape 2, side A, meter 4115-4686).

**PHIL BOUDJEK:** EPSCoR Program, to testify in support of HB 1003 (testimony attached, section NDUS office) (tape 2, side A, meter 4800-6116).

**SENATOR BOWMAN:** Who gets the \$1.7M, does it go for people to write grants?

**PHIL BOUDJEK:** Most of the money goes to assistants and associates. 70% of those have been on our campuses for five years or less to get them started. Once they're on their own they do very well. We have very few repeat funds in our program.

**SENATOR BOWMAN:** I've heard kids come back with a Doctorate's Degree in Teaching, but went into research. Now we have a student teacher. Was the Doctorate Degree Teacher being paid to teach or paid to research and how does that benefit us?

**PHIL BOUDJEK:** The EPSCoR Program does not bear on the teaching mission of the University. Our program is dedicated solely to building the research infrastructure.

**SENATOR TALLACKSON:** In a lot of cases the research grants go with the professor, is that the case here, and when the professor moves out of the State does it go with him?

**PHIL BOUDJEK:** Yes, and that is a real problem that has developed over the years. When somebody from the EPSCoR State hits on their second grant, they are viewed as prime and can be moved to another University. I'm not sure how much we can change that, but we are doing better. Success has a price.

**JOE CICHY:** Representing the North Dakota Dental Association to testify in support of HB 1003 (testimony attached, section NDUS (tape 2, side B, meter 300-498).

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**SENATOR NETHING:** Did you get a chance to talk to the House before they made that reduction?

**JOE CICHY:** Yes, we did testify before the House and provided essentially the same testimony.

**KATHLEEN MANGSKAU:** Oral Health Program Director in the Division of Maternal and Child Health at the North Dakota Department of Health to testify in support of HB 1003 (testimony attached, section NDUS (tape 2, side B, meter 565-678).

**PEGGY WIPF:** Director of Financial Aid to testify in support of HB 1003 (testimony attached, section NDUS (tape 2, side B, meter 800-1490).

**SENATOR NETHING:** Did the House cut any of this program?

**PEGGY WIPF:** No.

**SENATOR ST. AUBYN:** If we accept the House Amendments, how do you determine which of those programs would be affected?

**PEGGY WIPF:** Overall to each Profession proportionately and also taking into account the number of Vet and Dentistry students in Minnesota.

**SENATOR SOLBERG:** The \$214,000 carryover, is there something in the law that allows carryover in this fund?

**PEGGY WIPF:** Yes, and this is in section 5 of the Engrossed Bill.

**SENATOR TALLACKSON:** Why don't you send all the Dentist students to Minnesota if they don't charge us?

**LARRY ISAAK:** This program began many years ago before there was a Minnesota option. Students started attending different schools for dentistry. We used to pay a support fee to Minnesota. When the reciprocity agreement was negotiated, we got them to agree to take North Dakota students in Vet and Dentistry at the same rate they charge Minnesota students and also to accept them on the same basis they accept Minnesota students. The other reason is that it does give the students an option. Not all students want to go into a specialty.

**SENATOR NETHING:** What is the Perkins Loan and why did the House eliminate it?

**PEGGY WIPF:** It is a 1/3 State and 2/3 match of Federal dollars. This is referred to as a campus based aid program. We help with the State support that is needed to get the Federal dollars. I am not sure why the House cut it.

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**SENATOR ST. AUBYN:** Does this mean the State would put in \$103,000 and the Federal will give them \$206,000 which is a total of \$309,000 available for loans? As those loans are paid off, do you have to reimburse the Federal for their share?

**PEGGY WIPF:** Yes, that is available for loans. That goes into a revolving fund and those are rewarded out again.

**SENATOR ST. AUBYN:** So this fund will continue to grow, and how long has this been available?

**PEGGY WIPF:** The fund will continue to grow and it's been around for about twenty years.

**SENATOR ST. AUBYN:** What's the eligibility for it?

**PEGGY WIPF:** It is based on financial need.

**SENATOR ST. AUBYN:** Has there been more need than the dollars available?

**PEGGY WIPF:** Yes, this is one program that is being targeted for reduction at the Federal level also. It's been reduced twice in the past couple years.

**SENATOR ST. AUBYN:** If this is reduced, it is going to reduce the availability of some students financial aid?

**PEGGY WIPF:** Correct.

**SENATOR GRINDBERG:** In the attached WICHE report, it talked about 1999/2000 academic year, PEL grants are going to go from \$3,000 to \$4,500 is that accurate? How many of our students receive a PEL grant?

**PEGGY WIPF:** The authority is to allow for \$4,500. The reality is that it is not going to increase more than \$150 to \$400. The dollars are not there. We have around 13,000 students for about \$21M.

**SENATOR GRINDBERG:** So the process in Washington has not changed?

**PEGGY WIPF:** No, and it's a budget process. Ideally we would like to be there to keep pace with tuition.

**SENATOR NETHING:** What about Perkins?

**PEGGY WIPF:** The number of North Dakotans who were able to receive a Perkins loan for 1997/1998 totaled 4000 students, public, private and tribal. The average loan amount was \$1,400 for a total distribution of \$6.2M.

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**SENATOR KRAUTER:** On number 5, Students Receiving State Grant Dollars Awarded. Can you provide the fiscal years, 1997/1998 and 1998/1999, the breakdown by institution, the dollar amounts that were received of the \$1.6M? What public, private and Native American institutions received and the dollar amounts?

**PEGGY WIPF:** I do have that and will provide it to you.

**SENATOR TALLACKSON:** Any fraud with these loans or grants?

**PEGGY WIPF:** More so out of the Country.

**LARRY ISAAK:** North Dakota has the lowest default rate in the Nation, .1%.

**SENATOR NAADEN:** We wouldn't be doing away with Perkins Grants there would just not be \$300,000 of new money?

**PEGGY WIPF:** You are correct.

**MICHEL HILLMAN:** Vice Chancellor for Academic Affairs to testify in support of HB 1003 (testimony attached, section NDUS (tape 2, side B, meter 2765-2990).

**EDDIE DUNN:** Executive Director College Technical Education Council to testify in support of HB 1003 (testimony attached, section NDUS (tape 2, side B, meter 3040-3120).

**LARRY ISAAK:** Concluding remarks (tape 2, side B, meter 3122-3460). We recognize the support you have given the University System throughout the years and it has been very good. You have stood by the system, you've done the best you can with limited resources and we really do appreciate that and understand. The Legislature has been asking us to focus, focus, focus. The last couple of years, we have reallocated several million dollars, through the 95% process. You have seen the schedules of what's been reallocated. In that process, 168 positions were defunded. Overall this budget request in front of you, the Governor's budget which we ask you to restore, would reduce FTE's by 67. We have also reallocated to help ourselves on salary increases to the tune of \$3M this past biennium. In addition, we experienced revenue shortfalls of \$8M across the system. We did not spend anymore and did not come back to request you to pick that up as a result of those enrollment declines. Students have accepted tuition increases of up to \$500 over a four-year period, plus special fees. We believe we've done what the Legislature has wanted us to do - to address the University System and move us towards making many major changes and we are going to continue to do that. It is our sincere hope that as you look at this budget request, and consider restoring the Governor's budget, that you will take all of these significant actions into perspective. I think we have tried to do a good job and be worthy stewards of the resources. We've reallocated wherever we can to make us a more focused University System and your actions on this bill can send us a very positive message, if you do in fact restore the funds that were cut by the Governor. That would indicate that these significant efforts are recognized and well worth it.

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**SENATOR TOMAC:** On the contingent funds that the House pooled and then took out \$200,000. I'm not sure I understand what a Higher Ed contingent fund is or what the Board office does with a capital improvement contingent fund?

**LARRY ISAAK:** The Board in the past has had three or four different pools relating to capital improvements. Those pool moneys go back to the campuses and the Board allocates those back based on requests for projects. The contingent fund is used to cover some things that are unexpected or fund some special needs that arise or that the Board wants to do. For example, this biennium, we funded half the costs of the person put into place to implement common course numbering on our campuses. That contingent fund, when started several years ago, was a \$1M appropriation and for the past four or five biennium's, declined to \$200,000. The Governor recommended one pool for capital projects that was \$400,000. He also recommended the contingent line appropriation of \$200,000. The House combined those two line items and cut it to \$400,000 and placed it in one line item.

**SENATOR KRAUTER:** I thought the common course number was an issue that was taken care of already. Is this an ongoing type of a process?

**LARRY ISAAK:** Yes, we've really geared it up in the last two years. We will probably have to continue to do that. With courses changing or eliminated or the contents being changed, I think it's going to be a continuing process.

**ANDREW VARVEL:** UND Alumnus To testify on HB 1003 (testimony attached, section NDUS, tape 2, side B, meter 3845-4063).

**NANCY KOPP:** Representing the North Dakota Optometric Association as well as the North Dakota Veterinary Association to testify in support of HB 1003 that provides funding for the Professional Student Exchange program (tape 2, side B, meter 4070-4240). The North Dakota students pursuing this career are finding it increasingly more difficult to make ends meet. When they are entering into the practices with debt load in excess of \$100,000 and a starting annual income of \$35-\$40,000. Both Associations on a State and National level do what they can to provide educational scholarships and also find that applicants far outnumber the recipients. At the present time, there is a shortage in some areas of the State, primarily in rural communities. It is unfortunate that our State cannot provide Doctorate programs for this. The Professional Student Exchange Program does provide some financial assistance and encouragement that there can be a bright future practicing in North Dakota. I would ask for your favorable consideration in adoption of HB 1003.

**DICKINSON STATE 3/3/99 (DSU Tab) (Tape 2, B, 4430-end; Tape 3, A, 0-1800)**

**RICHARD D. BRAUHIN:** Interim President, Dickinson State University to testify in support of HB 1003 (testimony attached, section DSU (tape 2, side B, meter 4430-4830).

**ALVIN BINSTOCK:** Vice President for Business Affairs to testify in support of HB 1003 (testimony attached, section DSU (tape 2, side B, meter 4907-end and tape 3, side A, meter 1-1000).

**SENATOR ST. AUBYN:** Was there any discussion with the House as to the vacant position?

**ALVIN BINSTOCK:** No, there wasn't. We met with a committee of two, we identified vacant positions and gave scenarios of each one.

**SENATOR ST. AUBYN:** Can you explain the Dual Credit Course Funding? You mentioned they cut it 50%. Was this discussed with the House subcommittee also?

**RICHARD D. BRAUHIN:** The program itself was explained to them, the potential for it being cut was not a topic of discussion. During the last years since we started dual credit, we basically have paid instructors to teach those classes, primarily adjunct instructors. Last year, we basically paid out \$52,000 in salary for one year. Out of that we took in terms of tuition collection, \$76,000. We took the dollars we had through salary saving positions we had not been able to fill and put that into the dual credit situation, such as the position that was vacant here and others we could not fill at that time. When we put together the budget for the next biennium, we went back in and asked for approximately \$103,000, which is twice what it cost us this last year. That's why we asked for the dual credit amount up front. It curtails that program in half, which would mean instead of providing thirty-five courses in a year, we would only be able to provide seventeen.

**SENATOR ST. AUBYN:** What is the dual credit course?

**RICHARD D. BRAUHIN:** It's a situation where college courses are taught at High Schools and the High School gives High School credit for that course. It allows students that are primarily seniors to start on their college career by getting some credit on general education courses such as freshman compositions, calculus, etc.. Most often, we find in talking with Superintendents in smaller High Schools that a lot of students in their senior year do not have enough course work to keep them busy, this was a way to provide that jump start on college.

**SENATOR KRAUTER:** Continuing on dual credit. Your request was \$105,600 and it was cut in half. In the current biennium there was no direct appropriation or direct funding for dual credit, it was taken out of tuition and savings in the other salary positions, correct?

**RICHARD D. BRAUHIN:** That is exactly correct.

**SENATOR KRAUTER:** When you were presenting your 95% budget, you eliminated the truck driving training program?

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**RICHARD D. BRAUHIN:** Yes, we did.

**SENATOR KRAUTER:** Can you give us some background as far as numbers of enrollment and what it cost and what brought you to the decision to eliminate the program?

**RICHARD D. BRAUHIN:** When we were asked by the Governor to go through the 95% budget, we were also asked to look at programs that were not efficient in terms of cost expenditure. We analyzed all the programs. In our institution, Truck Driving as we call it, which is a Highway Transportation Specialist, is the single most expensive program on campus. Over the last five years, our enrollments have gone from approximately forty down to twenty-five a year. That program cost \$185 a credit hour. Our second most expensive program is nursing at \$138 per credit hour. The average at Dickinson State is \$97, with our least expensive program being \$50 per credit hour. We felt it was a program we could do without and that it would be best fitted to be located elsewhere in the State, in larger more populous areas. That's why we identified that as a program to cut, not that we wanted to cut it.

**SENATOR KRAUTER:** What is the total amount that was cut?

**ALVIN BINSTOCK:** Distributed dollars were infused in this program by the Department of Vocational Education. The net effect of the dollars that were actually cut, were in the neighborhood of \$130,000 a year. If we were to retain this program at Dickinson State we'd be looking at the recapture of a minimum of \$225,000 to continue the program. Vocational Education was supporting the program at \$34,500 annually.

**SENATOR BOWMAN:** I'm concerned with increasing tuition another 2% when we're in an area where we're seeing declining grain prices and extreme pressure on the Agricultural Communities. Do you have any fear at all that you might see the numbers start to drop if you increase tuition?

**RICHARD D. BRAUHIN:** Yes, we do have a fear that our enrollment may drop. We need to raise the tuition to meet the expenses of the cost incurred to deliver the educational services and maintain the quality that we have. We are in the area of the State that has the highest number of students with the most need in terms of grants and etc.. A lot of this is because many of our students come from farms and ranches with a lot of assets and no cash flow.

**ALVIN BINSTOCK:** It's ironic, at the same time we're concerned about raising tuition 2%, our same student body comes in and raises their own fees to have additional intra murals, dances and support activities within their student center.

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**PRAIRIE PUBLIC BROADCASTING** 3/3/99 (Prairie Pub. Tab) (Tape 3, A, 1900-end; B, 0-336)

**SENATOR ANDRIST:** State Senator from District 2, to testify in support of HB 1003 (testimony attached, section System Overview (tape 3, side A, meter 1900-2016). I'm a member of the Board of Directors of Public Television. You're going to hear so much in the next three biennium's about the conversation to digital television. It's a whole new and exciting science.

**KATHLEEN PAVELKO:** President of Prairie Public Broadcasting (testimony attached, section System Overview (tape 3, side A, meter 2100-4065).

**SENATOR ST. AUBYN:** The \$2.2M, is this in addition to the existing appropriation?

**KATHLEEN PAVELKO:** The \$2.2M is in addition to the operating appropriation, a one time capital request.

**SENATOR ST. AUBYN:** The current network we have built out there, did the State pay for the entire part of that originally or was that through membership?

**KATHLEEN PAVELKO:** The network we have now was built by a combination of Federal and State funds. Approximately half of it was State funds and the remainder was Federal funds with a considerable mix of individual and corporate contributions as well. We anticipate that same mix of funding to be in place for the digital rebuild as well.

**SENATOR ST. AUBYN:** Page 4, you talk about your funding mix. Could membership, businesses and all that also contribute to this to get this lower than the State paying half?

**KATHLEEN PAVELKO:** The funding mix on page 4 refers to our operating appropriation. All of the capital equipment for Prairie Public Television and Prairie Public Radio has been primarily funded by a combination of Federal and State grants. Is it possible for individuals or corporations to pay a share of this cost? The amount is so large that it is not realistic to expect that a capital campaign with individuals and corporations would be able to raise \$10.4M. In addition, we have not presented to you additional costs that will not be eligible for Federal funds at all. We are planning about a \$1.5M capital campaign with individuals and those funds will be used to cover costs the Federal Government will not. An example, the Federal Government will provide matching money for transmitters, antennas and production equipment. They will not provide any matching money to renovate the buildings and the transmitter buildings that the equipment goes into. Some of that renovation will be required during the process. We intend to go to our members and businesses to ask them for \$1.5-\$2M to pay for those unmatchable costs.

**SENATOR ST. AUBYN:** Are the operational costs more expensive versus the existing network that the State is paying 9%?

**KATHLEEN PAVELKO:** We anticipate that the long term operating costs for the network for digital will be about the same as they are for analog. There is a time period between the sign on

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of the digital signals and the time we are required to turn off the analog signal, we will be double broadcasting. We'll have two transmitters going until the Federal Government permits us to turn it off. During that period, five to seven years, we will have higher electricity costs. We are already planning to reallocate funds of our own to cover that short term increase in costs. Once we are broadcasting only in digital, we anticipate a roughly similar cost of operation.

**SENATOR BOWMAN:** How long have we known about this, and does this work with the technology plan that we're putting in place? We're spending a tremendous amount of dollars trying to inter link everything. Are these in competition with each other?

**KATHLEEN PAVELKO:** I see a close connection between the technology plans of Prairie Public and what I understand to be the evolving technology plan for the State in SB 2043. We're hopeful that Prairie Public will have a continuing voice on the Information Technology Board so that Prairie Public Services can be developed in parallel with the State's needs. The Prairie Public Broadcast System with the Educational aspects I described, will link in with the other technology plans of the State. For example, the technology plan of the State, is to build a Statewide data network that will carry audio, video and etc.. That network will go only where the network goes, a fiber connection. What Prairie Public does is take that closed loop system, which goes from designated place to designated place, and allows us to reach citizens in every home, school and workplace. You don't have to have a specific line to your house or workplace to make it work. That's why I see it as a complimentary technology and not a duplicative one. It is my heartfelt hope that Prairie Public will be a part of the Information Technology Board so that our services stay very close to State needs.

**SENATOR TOMAC:** In 1977, I remember the fight we had to put Prairie Public into place. Things have changed a lot in the past 22 years to the point that most of my neighbors now have a digital dish and have alternative programming at their fingertips for a very low cost. Is there really a need for Public Television at this point?

**KATHLEEN PAVELKO:** There are many more choices now than 22 years ago. There remains only one noncommercial choice. Only one where you can be absolutely sure that your children will not be exposed to violent or difficult programming. Also, those choices that you've referred to are not local choices they are nationally or internationally available and do not carry any content specific to North Dakota or the Prairie Region.

**SENATOR TOMAC:** I struggle with that, you may have changed something in the last two months and etc.. To be honest, I don't frequent the channel much. I would challenge the noncommercial a little bit, the advertisements are almost commercial in nature, which I understand needs to be. I was surfing Sunday evening at 11:00 p.m., before I had my dish, and on Prairie Public was the gay weather report. I was trying to determine as I watched, how someone who is gay would have a different weather report than someone who wasn't. The program was obviously focused on a lifestyle that is something I didn't approve of. You suggest that this is something that everybody can watch, is that program still their and are those programs still available?

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**KATHLEEN PAVELKO:** You have me at a disadvantage, I don't know the specific programming you are referring to. When I say that programs are appropriate for children, we devote seven to eight hours every day to children from 7 a.m. to 5 p.m.. Programs that are on later in the evening, particularly quite late in the evening, may be targeted towards adult rather than children. As far as this particular program, I can investigate what it might have been.

**SENATOR TOMAC:** I don't know if the program is still on anymore, I just remember that incident and astounded me that Prairie Public had that type of program. Some of the content of the program further astounded me because I wasn't again sure how a weather report is different from one individual to the next. I am concerned and maybe Senator St. Aubyn can answer because he's on the Information Technology plan. Do you understand how these two compliment each other, I see more of a duplicate than a compliment at this point.

**SENATOR NETHING:** Maybe we can talk about that later. Senator St. Aubyn was asking a question about private investment and my thought was that he was asking about private television entities opposed to raising the money in a campaign drive. Where do the local network stations get involved in this?

**KATHLEEN PAVELKO:** Commercial stations face the same Federal requirements that we do. We've had extensive discussions with a number of our commercial colleagues in the State about their plans to make this transition and ways that we can work together to reduce costs. Retina Television and Prairie Public Broadcasting, for example, already share quite a lot of technical infrastructure. For example, if we are going to build towers to carry a microwave link from Bismarck to Williston, we have one currently, we share that link so we don't have to build two sets of towers. We fully intend to continue that kind of shared facility in the digital world wherever possible. Those are figured into our overall plan. In terms of cost, Meter Broadcasting before it was sold, had estimated it would cost \$20M for it's five station network to make the conversion to digital television. We're estimating that we'll be able to convert eight transmitters for \$23-\$24M. The costs are roughly comparable and we will be working with our commercial colleagues to reduce costs wherever we can.

**SENATOR NETHING:** Is there any opportunity for them to do a joint venture with you?

**KATHLEEN PAVELKO:** It is possible to share some parts of the infrastructure, but the Federal Communications Commission would not allow us, for example, to share transmitters. Within the limits of the Federal law, we intend to partner.

**SENATOR NETHING:** Will they be contributing in a dollar sense towards this \$24M?

**KATHLEEN PAVELKO:** I anticipate their contribution will take the form of the reduced costs. It would cost us more than the \$23-\$24M. For example, if we had to build a string of towers between Bismarck and Williston without the participation of a commercial broadcaster, we'd have to seek funding for 100% of that cost from various sources. If they'll partner with us, we can reduce the cost and share that linkage.

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**SENATOR NETHING:** I know we're talking about a single type of infrastructure. How far are we from using satellite to do this same kind of opportunity?

**KATHLEEN PAVELKO:** We've looked into three major delivery alternatives for Prairie Public Broadcasting signal: satellite, fiber and microwave interconnection. Remember, we still have transmitters broadcasting the signal over the air. The question is how do you get the signal to those transmitters? We have found that a microwave connection, at this point, is by far the least expensive in capital and operating costs. A satellite transponder to carry the Prairie Public signal would cost \$1M a year to rent not including regular operating costs. We feel it's not a cost effective option for us so we've not presented that as a possibility. The interconnection portion of this project is \$5.5-\$6M, it has a life span of 20-25 years and annual out of pocket operating costs of \$65,000. Microwave is a known technology, we are experts in using it and we anticipate that it's the most cost effective choice for us.

**SENATOR KRINGSTAD:** You talk about schools and institutions utilizing this system for multipurposes. What's the cost factor going to be for schools or whoever uses it?

**KATHLEEN PAVELKO:** \$100 per hour. This cost would be shared with the people using the system. This compares to an \$800 per hour operating for satellite.

**SENATOR TALLACKSON:** You mentioned one of your options was fiber optics, we've just finished the completing of a loop of fiber optics in North Dakota. Will this replace that?

**KATHLEEN PAVELKO:** We did investigate fiber as well, and we discovered the annual cost to lease the fiber time would be approximately ten times more than using a microwave interconnection system. The other problem with the existing fiber loop goes from city to city. We need to reach transmitters that are located at little hill tops and on buttes. So, that fiber doesn't exist and would have to be specially built which would be very expensive.

**SENATOR TALLACKSON:** Around Grand Forks, they're building digital towers for telephones, that would be different that this?

**KATHLEEN PAVELKO:** Cellular phone companies need towers to put their equipment on. Many times they take advantage of existing towers including ours and those of commercial broadcasters. It's a whole lot cheaper to rent space than it is to build them. I understand some cell companies are expanding so rapidly that they are also building some of their own towers to meet their own needs.

**SENATOR ANDRIST:** When you say the operating cost are \$100 per hour, if there is eight different people using parts of this at one time, is that \$100 each or that's the total?

**KATHLEEN PAVELKO:** We're not at that level of detail, but I do believe that it would be divided among the users, whatever that operating cost is.

**SENATOR NETHING:** Closed the hearing on engrossed HB 1003. (tape 3, B, 336)

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tape 1, B, 2965-5965

**SENATOR NETHING:** Reopened the hearing on engrossed HB 1003.

**SENATOR ST. AUBYN:** Presented and explained proposed amendment 98003.0305, and moved do pass.

**SENATOR BOWMAN:** Seconded the motion.

**DISCUSSION:** Senator Tomac raised questions about the skills training center, and while he felt the center was an excellent idea, but raised the question of whether it was a function of higher education or economic development; and if this is a capital improvement project. He felt with the shortage of funds should we be spending  $\frac{3}{4}$  of a million dollars for the 12th university. Senator Robinson voiced appreciation to the committee for their work. Senator Krauter, Senator St. Aubyn made reference to board initiatives, these are referenced as a line item. Senator Andrist also raised questions about priorities in terms of some of the needs of crumbling steam lines, crumbling roofs, etc. Senator St. Aubyn looks at this as a joint venture between ND State college of Science and NDSU, and was never was intended as a 'Fargo Project'. It is skills enhancement. The goal is that it will be self-supporting with fees that are contracted through them. There is a great need for training and retraining in today's job market.

**ROLL CALL:** Voice vote approved do pass, with Senator Tomac dissenting, the amendment to engrossed HB 1003.

**CARRIER: SENATOR ST. AUBYN**

**SENATOR ST. AUBYN:** Moved do pass engrossed HB 1003, as amended.

**SENATOR SOLBERG:** Seconded the motion.

**ROLL CALL:** 14 yeas; 0 nays; 0 absent & not voting.

**MOTION CARRIED TO DO PASS ENGROSSED HB 1003, AS AMENDED.**

**CARRIER: SENATOR ST. AUBYN**

**SENATOR NETHING:** Closed the hearing on engrossed HB 1003.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1003

Page 1, line 2, after "system" insert "; to create and enact a new chapter to title 15 of the North Dakota Century Code, relating to the adoption of the midwestern regional higher education compact; and to declare an emergency"

Page 1, replace lines 12 through 24 with:

"NORTH DAKOTA UNIVERSITY SYSTEM	
Salaries and wages	\$342,117,813
Technology	21,948,467
Restoration pool	<u>1,178,000</u>
Total salaries, wages, technology, and restoration	\$365,244,280
Estimated income:	
Bismarck state college	\$7,339,776
University of North Dakota - Lake Region	1,453,806
University of North Dakota - Williston	2,300,265
University of North Dakota	52,633,093
North Dakota state university	48,866,414
North Dakota state college of science	9,485,836
Dickinson state university	6,146,576
Mayville state university	2,908,718
Minot state university	11,501,851
Valley City state university	3,893,786
Minot state university - Bottineau	1,364,817
University of North Dakota medical center	10,812,782
Forest service	<u>663,040</u>
Less institutional estimated income	<u>159,370,760</u>
General fund appropriation	\$205,873,520

Subdivision 2.

NORTH DAKOTA UNIVERSITY SYSTEM OFFICE	
Operating expenses	\$760,709
Equipment	26,000
Student financial assistance grants	4,450,281
Information technology management	215,255
Professional student exchange program	1,310,716
Disabled student services	26,560
Technical administration	197,627
Contingency and capital improvements emergency fund	398,000
Scholars program	706,230
Nat e American scholarships	204,082
Title II	534,000
Competitive research program	1,971,100
Prairie public broadcasting	992,513
Board initiatives	<u>2,296,000</u>
Total operating funds	\$14,089,073
Less estimated income	<u>4,933,900</u>
General fund appropriation	\$9,155,173

Subdivision 3.

BISMARCK STATE COLLEGE	
Operating expenses	\$4,893,212
Equipment	367,187

Capital improvements	<u>958,835</u>
Total operating funds	\$6,219,234
Less estimated income	<u>450,000</u>
General fund appropriation	\$5,769,234
Local funds appropriation	\$11,370,000
Total all funds appropriation	\$17,589,234

Subdivision 4.

UNIVERSITY OF NORTH DAKOTA - LAKE REGION

Operating expenses	\$1,338,042
Equipment	150,338
Capital improvements	<u>1,094,318</u>
Total operating funds	\$2,582,698
Less estimated income	<u>495,000</u>
General fund appropriation	\$2,087,698
Local funds appropriation	\$6,403,766
Total all funds appropriation	\$8,986,464

Subdivision 5.

UNIVERSITY OF NORTH DAKOTA - WILLISTON

Operating expenses	\$1,521,116
Equipment	249,596
Capital improvements	<u>88,790</u>
Total operating funds	\$1,859,502
Less estimated income	
General fund appropriation	<u>\$1,859,502</u>
Local funds appropriation	\$1,653,000
Total all funds appropriation	\$3,512,502

Subdivision 6.

UNIVERSITY OF NORTH DAKOTA

Operating expenses	\$27,655,286
Equipment	1,520,260
Capital improvements	4,917,136
Special initiatives pool	<u>1,462,223</u>
Total operating funds	\$35,554,905
Less estimated income	
General fund appropriation	<u>\$35,554,905</u>
Local funds appropriation	\$282,733,609
Total all funds appropriation	\$318,288,514

Subdivision 7.

NORTH DAKOTA STATE UNIVERSITY

Operating expenses	\$21,576,515
Equipment	1,867,800
Capital improvements	8,652,531
Skills training center	<u>1,535,000</u>
Total operating funds	\$33,631,846
Less estimated income	<u>7,037,500</u>
General fund appropriation	\$26,594,346
Local funds appropriation	\$111,620,179
Total all funds appropriation	\$145,252,025

Subdivision 8.

NORTH DAKOTA STATE COLLEGE OF SCIENCE

Operating expenses	\$6,605,363
Equipment	1,494,368
Capital improvements	<u>635,885</u>
Total operating funds	\$8,735,616
Less estimated income	

General fund appropriation	\$8,735,816
Local funds appropriation	\$15,580,000
Total all funds appropriation	\$24,315,616

Subdivision 9.

DICKINSON STATE UNIVERSITY

Operating expenses	\$4,074,902
Equipment	390,000
Capital improvements	693,962
Total operating funds	\$5,158,924
Less estimated income	
General fund appropriation	\$5,158,924
Local funds appropriation	\$8,221,397
Total all funds appropriation	\$13,380,321

Subdivision 10.

MAYVILLE STATE UNIVERSITY

Operating expenses	\$2,211,150
Equipment	170,500
Capital improvements	931,671
Total operating funds	\$3,313,321
Less estimated income	
General fund appropriation	\$3,313,321
Local funds appropriation	\$7,400,000
Total all funds appropriation	\$10,713,321

Subdivision 11.

MINOT STATE UNIVERSITY

Operating expenses	\$6,043,525
Equipment	917,929
Capital improvements	1,050,466
Total operating funds	\$8,011,920
Less estimated income	
General fund appropriation	\$8,011,920
Local funds appropriation	\$19,003,936
Total all funds appropriation	\$27,015,856

Subdivision 12.

VALLEY CITY STATE UNIVERSITY

Operating expenses	\$2,842,167
Equipment	323,100
Capital improvements	812,334
Center for innovation in instruction	299,583
Special initiatives	68,714
Total operating funds	\$4,345,898
Less estimated income	
General fund appropriation	\$4,345,898
Local funds appropriation	\$8,820,000
Total all funds appropriation	\$13,165,898

Subdivision 13.

MINOT STATE UNIVERSITY - BOTTINEAU

Operating expenses	\$1,063,035
Equipment	147,500
Capital improvements	218,130
Total operating funds	\$1,428,665
Less estimated income	60,000
General fund appropriation	\$1,368,665
Local funds appropriation	\$2,124,426
Total all funds appropriation	\$3,553,091

Subdivision 14.

**NORTH DAKOTA FOREST SERVICE**

Operating expenses	\$423,601
Equipment	65,011
Capital improvements	79,541
Grants to centennial trees	<u>147,486</u>
Total operating funds	\$715,639
Less estimated income	<u>195,966</u>
General fund appropriation	\$519,673
Local funds appropriation	\$1,336,082
Total all funds appropriation	\$2,051,721

Subdivision 15.

**UNIVERSITY OF NORTH DAKOTA MEDICAL CENTER**

Operating expenses	\$7,502,327
Equipment	<u>547,915</u>
Total operating funds	\$8,050,242
Less estimated income	
General fund appropriation	<u>\$8,050,242</u>
Local funds appropriation	\$47,592,145
Total all funds appropriation	\$55,642,387
Grand total general fund appropriation H.B. 1003	\$26,398,637
Grand total estimated income appropriation H.B. 1003	\$172,543,126
Grand total local funds appropriation H.B. 1003	\$523,858,540
Grand total all funds appropriation H.B. 1003	\$1,022,800,303

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 31

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 3

Page 7, line 5, replace "critical salary pool" with "board initiatives"

Page 7, line 6, replace the first "1" with "2"

Page 7, line 7, replace the first "1" with "2" and replace "14" with "15"

Page 7, line 10, replace "critical salary pool" with "board initiatives"

Page 8, line 9, after "approve" insert "the"

Page 8, line 12, remove "appropriations"

Page 8, line 13, replace the first "1" with "2"

Page 8, line 14, replace "3" with "32"

Page 8, line 19, after the first "to" insert "the"

Page 8, line 21, replace "FUNDS" with "FUND APPROPRIATIONS"

Page 8, line 22, replace "funds" with "fund dollars"

Page 8, remove lines 28 through 30

Page 9, remove lines 1 and 2

Page 9, line 9, after "funds" insert ", in addition to the minimum local match of \$200,000."

Page 9, line 13, after "funds" insert ", in addition to the minimum local match of \$495,000."

Page 9, remove lines 16 through 20

Page 9, line 29, replace "11," with "9"

Page 10, remove lines 8 through 10

Page 10, after line 15, insert:

**SECTION 13. NDSU/NDSCS SKILLS TRAINING CENTER.** The general fund moneys provided by the 1999 legislative assembly for the skills training center may only be used for renovations to the skills training center. Any general fund moneys provided for the skills training center for the 1999-2001 biennium are intended to be the final direct general fund support provided by the legislative assembly, and no direct general fund support may be provided for the operations of or renovations or additions to the skills training center after the 1999-2001 biennium.

**SECTION 14. PROGRAM COORDINATION AND ACCREDITATION.** The legislative assembly urges the state board of higher education to carefully review requests by state institutions of higher education applying for accreditation of programs that have already been accredited at other state institutions. The board should consider student access and quality issues as well as costs when reviewing such requests. Whenever such a request is made or accreditation is granted, the board is encouraged to direct the campuses offering similar programs to cooperate in jointly offering the similar programs by using the staffs and resources of the other campuses. Also, the legislative assembly expresses its strong support for the board to continue implementing policies and procedures to ensure coordination and cooperation between campuses where similar programs are offered.

**SECTION 15. TECHNOLOGY POOL.** The technology pool amount in subdivision 1 of section 1 must be used for the benefit of the institutions and entities in subdivisions 2 through 15 of section 1 as determined by the board of higher education. Technology funding allocations are to be made based on historic funding, the higher education computer network strategic plan, base funding for higher education computer

network computer center operations, and base funding for interactive video network and on-line Dakota information network operations.

**SECTION 16. SALARY POOL.** The salary pool amount in subdivision 1 of section 1 must be used for the benefit of the institutions and entities in subdivisions 2 through 15 of section 1 as determined by the board of higher education. When making allocations from the salary appropriation pool in subdivision 1 of section 1, the state board of higher education shall allocate a minimum of ninety-five percent of the 1997-99 salary and wage appropriation to the institutions and entities in subdivisions 2 through 15 of section 1. The board is encouraged to allocate the funds to achieve the reinvestment of funds included in the 1999-2001 biennium entity budget requests. The board may, at its discretion, allocate funds to address equity funding issues and additional salary increases beyond legislative appropriations although it is recognized by the legislative assembly that significant additional funds or reallocations between campuses are necessary to fully address the equity funding and salary increase issues.

**SECTION 17. ALLOCATION OF RESTORATION LINE.** The restoration line in subdivision 1 of section 1 must be used for the benefit of the institutions and entities in subdivisions 2 through 15 of section 1 as determined by the board of higher education. When making allocations from the restoration line in subdivision 1 of section 1, the board of higher education is strongly encouraged to consider allocating the funds to address equity funding issues and special academic program needs of the entities under its control.

**SECTION 18. LEGISLATIVE COUNCIL INTERIM STUDY OF HIGHER EDUCATION FUNDING.** The legislative council shall consider studying higher education funding during the 1999-2000 interim. If conducted, the study should solicit input from the governor, board of higher education, executive branch, university system campuses, and representatives of business and industry. The study should address the expectations of the North Dakota university system in meeting the state's needs in the twenty-first century, the funding methodology needed to meet these expectations and needs, and an accountability system and reporting methodology for the university system. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-seventh legislative assembly.

**SECTION 19. UTILITY SAVINGS.** Any utility savings realized during the 1999-2001 biennium by the entities listed in section 1 of this Act must be used for maintenance or capital project expenditures.

**SECTION 20. LAND BOARD DISTRIBUTIONS.** Notwithstanding the provisions of section 15-03-05.2, during the 1999-2001 biennium, the board of university and school lands shall distribute to the appropriate entities in section 1 of this Act all income from permanent funds managed for the benefit of those institutions.

**SECTION 21. PARTICIPATION IN MIDWESTERN REGIONAL HIGHER EDUCATION COMPACT STUDENT EXCHANGE PROGRAM.** Notwithstanding section 22 of this Act, it is the intent of the fifty-sixth legislative assembly that during the 1999-2001 biennium North Dakota's membership in the midwestern regional higher education compact may not include participation in the compact's student exchange program. The legislative council shall consider including a review of North Dakota's participation in the student exchange program portion of the midwestern regional higher education compact in the study provided for in section 18 of this Act.

**SECTION 22.** A new chapter to title 15 of the North Dakota Century Code is created and enacted as follows:

**Midwestern regional higher education compact.** The midwestern regional higher education compact is adopted as follows:

## Article I. Purpose

The purpose of the midwestern higher education compact is to provide greater higher education opportunities and services in the midwestern region, with the aim of furthering regional access to, research in, and choice of higher education for the citizens residing in the states that are parties to this compact.

## Article II. The Commission

1. The compacting states create the midwestern higher education commission, hereinafter called the commission. The commission is a body corporate of each compacting state. The commission has all the responsibilities, powers, and duties set forth in this chapter, including the power to sue and be sued, and any additional powers conferred upon it by subsequent action of the respective legislative assemblies of the compacting states in accordance with the terms of this compact.
2. The commission consists of the following five resident members from each state: the governor or the governor's designee who serves during the tenure of office of the governor; two legislators, one from each house, except for Nebraska, which may appoint two legislators from its legislative assembly, who serve two-year terms and are appointed by the appropriate appointing authority in each house of the legislative assembly; and two other at large members, at least one of whom is to be selected from the field of higher education. The at large members are to be appointed as provided by the laws of the appointing state. One of the two at large members initially appointed in each state serves a two-year term. The other, and any regularly appointed successor to either at large member, serves a four-year term. All vacancies are to be filled in accordance with the laws of the appointing states. Any commissioner appointed to fill a vacancy serves until the end of the incomplete term.
3. The commission shall select annually, from among its members, a chairman, a vice chairman, and a treasurer.
4. The commission shall appoint an executive director who serves at its pleasure and who is secretary to the commission. The treasurer, the executive director, and other personnel as the commission determines must be bonded in the amounts required by the commission.
5. The commission shall meet at least once each calendar year. The chairman may call additional meetings and upon the request of a majority of the commission members of three or more compacting states, shall call additional meetings. The commission shall give public notice of all meetings. All meetings must be open to the public.
6. Each compacting state represented at any meeting of the commission is entitled to one vote. A majority of the compacting states constitute a quorum for the transaction of business, unless a larger quorum is required by the bylaws of the commission.

## Article III. Powers and Duties of the Commission

1. The commission shall adopt bylaws governing its management and operations.

2. Notwithstanding the laws of any compacting state, the commission shall provide for the personnel policies and programs of the compact in its bylaws.
3. The commission shall submit a budget to the governor and legislative assembly of each compacting state at the time and for the period required by each state. The budget must contain recommendations regarding the amount to be appropriated by each compacting state.
4. The commission shall report annually to the legislative assemblies and governors of the compacting states, to the midwestern governors' conference, and to the midwestern legislative conference of the council of state governments regarding the activities of the commission during the preceding year. The reports must include any recommendations that have been adopted by the commission.
5. The commission may borrow, accept, or contract for the services of personnel from any state or from the United States, or from any subdivision or agency thereof, from any interstate agency, or from any person.
6. The commission may accept for any of its purposes and functions under the compact donations and grants of money, equipment, supplies, materials, and services, conditional or otherwise, from any state or the United States or from any subdivision or agency thereof, from an interstate agency, or from any person, and may receive, use, and dispose of the same.
7. The commission may enter agreements with any other interstate education organization or agency, with institutions of higher education located in nonmember states, and with any of the various states to provide adequate programs and services in higher education for the citizens of the respective compacting states. After negotiations with interested institutions and interstate organizations or agencies, the commission shall determine the cost of providing the programs and services in higher education for use in these agreements.
8. The commission may establish and maintain offices in one or more of the compacting states.
9. The commission may establish committees and hire staff as necessary to carry out its functions.
10. The commission may provide for actual and necessary expenses for the attendance of its members at official meetings of the commission or of its designated committees.

#### Article IV. Activities of the Commission

1. The commission shall collect data on the long-range effects of the compact on higher education. By the end of the fourth year from the effective date of the compact and every two years thereafter, the commission shall review its accomplishments and make recommendations to the governors and legislative assemblies of the compacting states regarding continuance of the compact.
2. The commission shall study higher education issues that are of particular concern to the midwestern region. The commission also shall study the need for higher education programs and services in the compacting states and the resources for meeting those needs. The commission shall prepare

reports, on its research, for presentation to the governors and legislative assemblies of the compacting states, as well as to other interested parties. In conducting the studies, the commission may confer with any national or regional planning body. The commission may draft and recommend to the governors and legislative assemblies of the various compacting states suggested legislation addressing issues in higher education.

3. The commission shall study the need for the provision of adequate programs and services in higher education, such as undergraduate, graduate, or professional student exchanges in the region. If a need for exchange in a field is apparent, the commission may enter agreements with any institution of higher education and with any compacting state to provide programs and services in higher education for the citizens of the respective compacting states. After negotiating with interested institutions and the compacting states, the commission shall determine the cost of providing the programs and services in higher education for use in its agreements. The contracting states shall contribute funds not otherwise provided, as determined by the commission, to carry out the agreements. The commission may also serve as the administrative and fiscal agent in carrying out agreements for higher education programs and services.
4. The commission shall serve as a clearinghouse for information regarding higher education activities among institutions and agencies.
5. The commission may provide services and research in any other area of regional concern.

#### Article V. Finance

1. The compacting states will appropriate the amount necessary to finance the general operations of the commission, not otherwise provided for, when authorized by their respective legislative assemblies. The amount must be apportioned equally among the compacting states.
2. The commission may not incur any obligations prior to the passage of appropriations adequate to meet the same; nor may the commission pledge the credit of any of the compacting states, except by and with the authority of the compacting state.
3. The commission shall keep accurate accounts of its receipts and disbursements. The receipts and disbursements of the commission are subject to the audit and accounting procedures established under its bylaws. All receipts and disbursements handled by the commission must be audited yearly by a certified or licensed public accountant and the report of the audit must be included in and become part of the annual report of the commission.
4. The accounts of the commission must be open at any reasonable time for inspection by duly authorized representatives of the compacting states and by persons authorized by the commission.

#### Article VI. Eligible Parties and Entry Into Force

1. The states of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin are eligible to become parties to this compact. Additional states may be eligible if approved by a majority of the compacting states.

2. This compact becomes effective, as to any eligible party state, when its legislative assembly enacts the compact into law.
3. An amendment to the compact becomes effective upon its enactment by the legislative assemblies of all compacting states.

#### Article VII. Withdrawal, Default, and Termination

1. A compacting state may withdraw from the compact by enacting a statute repealing the compact, but the withdrawal may not become effective until two years after the enactment of such statute. A withdrawing state is liable for any obligation that it incurred on account of its party status, up to the effective date of withdrawal, except that if the withdrawing state has specifically undertaken or committed itself to any performance of an obligation extending beyond the effective date of withdrawal, it remains liable to the extent of the obligation.
2. If a compacting state at any time defaults in the performance of its obligations, assumed or imposed, in accordance with this compact, all rights, privileges, and benefits conferred by this compact or by agreements made under the compact are suspended from the effective date of the default, as fixed by the commission. The commission shall stipulate the conditions and maximum time for compliance under which the defaulting state may resume its regular status. Unless the default is remedied under the stipulations and within the time period set by the commission, the compact may be terminated with respect to the defaulting state by affirmative vote of a majority of the other member states. A defaulting state may be reinstated by performing all acts and obligations required by the commission.

#### Article VIII. Severability and Construction

The provisions of this compact are severable, and if any phrase, clause, sentence, or provision of this compact is declared to be contrary to the constitution of any compacting state or of the United States or its applicability to any person or circumstance is held invalid, the validity of the remainder of the compact and its applicability to any person or circumstance may not be affected. If the compact is found to be contrary to the constitution of any compacting state, the compact remains in full force and effect as to the remaining states and in full force and effect as to the state affected as to all severable matters. The provisions of the compact must be liberally construed to effectuate the purpose of the compact.

#### SECTION 23. Midwestern higher education commission - Terms - Vacancies.

1. The members of the midwestern higher education commission representing this state are:
  - a. The governor or the governor's designee.
  - b. One member of the senate and one member of the house of representatives, appointed by the chairman of the legislative council.
  - c. Two at large members, one of whom must be knowledgeable about the field of higher education, appointed by the governor.

2. The term of each legislative appointee is two years. One initial at large member must be appointed for a term of two years and the other for a term of four years. Thereafter, the term of each at large member is four years.
3. If a member vacates the position to which the member was appointed, the position must be filled for the remainder of the unexpired term in the same manner as that position was filled initially.

**SECTION 24. EMERGENCY.** The capital improvements line items contained in subdivisions 2 through 14 of section 1 of this Act are declared to be emergency measures, and those funds are available immediately upon filing of this Act with the secretary of state. Sections 9 and 10 of this Act are declared to be emergency measures."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**DEPARTMENT 215 - NORTH DAKOTA UNIVERSITY SYSTEM**

**SENATE - This amendment provides for the following changes:**

General fund:

	SYSTEM POOLS	UNIVERSITY SYSTEM OFFICE	BISMARCK STATE COLLEGE	UND-LAKE REGION	UND- WILLISTON	UNIVERSITY OF NORTH DAKOTA
Executive budget		\$28,856,225	\$14,512,720	\$4,950,031	\$4,771,182	\$33,355,802
House changes		(15,078,229)	484,155	120,099	148,694	2,128,429
House version	\$0	\$13,780,296	\$14,996,875	\$5,070,130	\$4,919,876	\$35,484,231
Senate changes:		\$200,000				
Restore EPSCoR funding			\$72,000			
Provide funding to complete Schader Hall hallway renovation project						
Correct other funds portion of Merl School pay plan error			(27,701)	(\$2,441)	(\$19,776)	(\$435,553)
Utility reductions						
Remove information technology initiative added by the House						154,831
Restore a portion of the capital improvement funds removed by the House						
Restore a portion of the specific operating expense reductions made by the House						
Restore all of the Skills Center funding removed by the House						
Provide for a systemwide restoration pool	\$1,178,000					(12,291,515)
Funding transferred to the system technology pool	21,948,487					(47,214,067)
Funding transferred to the system salary pool	182,747,053	(4,625,123)	(9,251,940)	(2,979,991)	(3,040,888)	(141,622)
Funding source change for increased land department revenue distributions						
Total Senate changes	\$205,873,320	(\$4,625,123)	(\$9,207,641)	(\$2,982,432)	(\$3,099,344)	(\$59,897,329)
Senate version (general fund)	\$205,873,320	\$9,155,173	\$5,789,234	\$2,087,698	\$1,859,532	\$33,554,903
	NORTH DAKOTA STATE UNIVERSITY	STATE COLLEGE OF SCIENCE	DICKINSON STATE UNIVERSITY	MAYVILLE STATE UNIVERSITY	MINOT STATE UNIVERSITY	VALLEY CITY STATE UNIVERSITY

Executive budget	\$79,401,738	\$82,888,030	\$13,038,299	\$8,481,888	\$24,882,877	\$11,571,887
House changes	1,331,089	828,784	818,017	828,878	748,923	818,824
House version	\$78,070,649	\$83,716,814	\$13,856,316	\$9,310,766	\$25,631,800	\$12,390,711
Senate changes:						
Restore EPSCoR funding						
Provide funding to complete Schaler Hall hallway renovation project						
Correct other funds portion of Med School pay plan error						
Utility reductions	(\$85,450)	(\$2,384)		(\$1,038)		
Remove information technology initiative added by the House						
Restore a portion of the capital improvement funds removed by the House	95,169					
Restore a portion of the specific operating expense reductions made by the House						
Restore all of the Skills Center funding removed by the House	181,874					
Provide for a systemwide restoration pool						
Funding transferred to the system technology pool	(9,658,952)					
Funding transferred to the system salary pool	(37,717,319)	(14,510,720)	(\$8,089,580)	(5,340,344)	(\$17,583,483)	(\$7,288,842)
Funding source change for increased land department revenue distributions	(205,774)	(83,094)	(5,850)	(30,491)	(5,850)	(27,199)
Total Senate changes	<u>(\$47,138,452)</u>	<u>(\$14,596,178)</u>	<u>(\$8,095,418)</u>	<u>(\$5,371,873)</u>	<u>(\$17,589,333)</u>	<u>(\$7,288,041)</u>
Senate version (other funds)	\$28,932,197	\$8,735,616	\$5,158,924	\$3,213,321	\$8,011,920	\$4,345,886

	MSU-BOTTINEAU	FOREST SERVICE	UND SCHOOL OF MEDICINE AND HEALTH SCIENCES	TOTAL
Executive budget	\$3,872,832	\$1,573,548	\$28,223,862	\$332,924,847
House changes	319,477	53,203	892,348	(7,521,090)
House version	\$4,192,309	\$1,626,751	\$29,116,211	\$325,403,757
Senate changes:				
Restore EPSCoR funding				\$200,000
Provide funding to complete Schaler Hall hallway renovation project				72,000
Correct other funds portion of Med School pay plan error				
Utility reductions				(554,323)
Remove information technology initiative added by the House	(\$200,000)			(200,000)
Restore a portion of the capital improvement funds removed by the House				250,000
Restore a portion of the specific operating expense reductions made by the House			\$142,449	304,323
Restore all of the Skills Center funding removed by the House				250,000
Provide for a systemwide restoration pool				1,178,000
Funding transferred to the system technology pool				
Funding transferred to the system	(2,617,594)	(1,107,078)	(21,208,418)	

salary pool				
Funding source change for increased land department revenue distributions	(5,860)			(905,190)
Total Senate changes	<u>(52,823,444)</u>	<u>(11,107,076)</u>	<u>(21,066,999)</u>	<u>(224,876)</u>
Senate version (other funds)	\$1,368,666	\$519,673	\$8,050,242	\$326,398,637

Other funds:

	SYSTEM POOLS	UNIVERSITY SYSTEM OFFICE	BISMARCK STATE COLLEGE	UND-LAKE REGION	UND-WILLISTON	UNIVERSITY OF NORTH DAKOTA
Executive budget		\$4,933,900	\$7,789,776	\$1,948,806	\$2,300,265	\$56,492,071
House changes			11,370,000	6,403,788	1,653,000	278,733,809
House version	\$0	\$4,933,900	\$19,159,776	\$8,352,572	\$3,953,265	\$335,225,880
Senate changes:						
Restore EPSCoR funding						
Provide funding to complete Schaler Hall hallway renovation project						
Correct other funds portion of Med School pay plan error						
Utility reductions						
Remove information technology initiative added by the House						
Restore a portion of the capital improvement funds removed by the House						
Restore a portion of the specific operating expense reductions made by the House						
Restore all of the Skills Center funding removed by the House						
Provide for a systemwide restoration pool						
Funding transferred to the system technology pool						
Funding transferred to the system salary pool	\$159,370,700		(\$7,339,776)	(\$1,453,806)	(\$2,300,265)	(\$52,833,093)
Funding source change for increased land department revenue distributions						141,022
Total Senate changes:	<u>\$159,370,700</u>	<u>\$0</u>	<u>(\$7,339,776)</u>	<u>(\$1,453,806)</u>	<u>(\$2,300,265)</u>	<u>(\$52,492,071)</u>
Senate version (other funds)	\$159,370,700	\$4,933,900	\$11,820,000	\$6,898,766	\$1,653,000	\$282,733,809
	NORTH DAKOTA STATE UNIVERSITY	STATE COLLEGE OF SCIENCE	DICKINSON STATE UNIVERSITY	MAYVILLE STATE UNIVERSITY	MINOT STATE UNIVERSITY	VALLEY CITY STATE UNIVERSITY
Executive budget	\$55,068,003	\$9,018,742	\$8,340,726	\$2,878,227	\$11,680,734	\$3,086,587
House changes	111,819,418	15,984,000	9,021,397	7,400,000	18,819,303	8,820,000
House version	\$166,887,421	\$24,982,742	\$17,362,123	\$10,278,227	\$30,499,937	\$11,906,587
Senate changes:						
Restore EPSCoR funding						
Provide funding to complete Schaler Hall hallway renovation project						
Correct other funds portion of Med School pay plan error						
Utility reductions						
Remove information technology initiative added by the House						
Restore a portion of the capital improvement funds removed						

by the House  
 Restore a portion of the  
 specific operating  
 expense reductions  
 made by the House  
 Restore all of the Skits  
 Center funding removed  
 by the House  
 Provide for a systemwide  
 restoration pool  
 Funding transferred to  
 the system technology  
 pool  
 Funding transferred  
 to the system  
 salary pool  
 Funding source change for  
 increased land  
 department revenue  
 distributions  
 Total Senate changes  
 Senate version  
 (other funds)

Funding transferred to the system technology pool	(\$48,866,414)	(\$9,465,836)	(\$6,146,578)	(\$2,908,716)	(\$11,501,851)	(\$3,030,796)
Funding transferred to the system salary pool						
Funding source change for increased land department revenue distributions	205,774	83,094	5,850	30,491	5,850	27,190
Total Senate changes	<u>(\$48,660,640)</u>	<u>(\$9,402,742)</u>	<u>(\$6,140,728)</u>	<u>(\$2,878,227)</u>	<u>(\$11,496,001)</u>	<u>(\$3,006,507)</u>
Senate version (other funds)	\$118,657,679	\$15,580,000	\$8,221,397	\$7,400,000	\$19,003,936	\$8,820,000

UND  
 SCHOOL OF  
 MEDICINE AND  
 HEALTH  
 SCIENCES

	MSU- BOTTINEAU	FOREST SERVICE	UND SCHOOL OF MEDICINE AND HEALTH SCIENCES	TOTAL
Executive budget	\$1,418,887	\$859,006	\$59,472,012	\$228,698,722
House changes	2,152,581	1,338,082	(\$45,582)	489,747,452
House version	\$3,571,328	\$2,195,088	\$58,926,430	\$698,446,174

Senate changes:  
 Restore EPSCoR  
 funding  
 Provide funding to  
 complete Schaler  
 Hall hallway  
 renovation project  
 Correct other funds  
 portion of Med  
 School pay plan  
 error  
 Utility reductions  
 Remove information  
 technology initiative  
 added by the House  
 Restore a portion of  
 the capital  
 improvement  
 funds removed  
 by the House  
 Restore a portion of the  
 specific operating  
 expense reductions  
 made by the House  
 Restore all of the Skits  
 Center funding removed  
 by the House  
 Provide for a systemwide  
 restoration pool  
 Funding transferred to  
 the system technology  
 pool  
 Funding transferred  
 to the system  
 salary pool  
 Funding source change for  
 increased land  
 department revenue  
 distributions  
 Total Senate changes  
 Senate version  
 (other funds)

	MSU- BOTTINEAU	FOREST SERVICE	UND SCHOOL OF MEDICINE AND HEALTH SCIENCES	TOTAL
Restore EPSCoR funding				
Provide funding to complete Schaler Hall hallway renovation project			(\$521,503)	(\$521,503)
Correct other funds portion of Med School pay plan error				
Utility reductions	(\$28,135)			(28,135)
Remove information technology initiative added by the House				
Restore a portion of the capital improvement funds removed by the House				
Restore a portion of the specific operating expense reductions made by the House				
Restore all of the Skits Center funding removed by the House				
Provide for a systemwide restoration pool				
Funding transferred to the system technology pool				
Funding transferred to the system salary pool	(1,364,817)	(\$663,040)	(10,812,782)	
Funding source change for increased land department revenue distributions	5,850			505,130
Total Senate changes	<u>(\$1,397,102)</u>	<u>(\$663,040)</u>	<u>(\$11,334,265)</u>	<u>(\$44,500)</u>
Senate version (other funds)	\$2,184,426	\$1,532,048	\$47,592,145	\$698,401,668

Total funds:

	SYSTEM POOLS	UNIVERSITY SYSTEM OFFICE	BISMARCK STATE COLLEGE	UND-LAKE REGION	UND- WILLISTON	UNIVERSITY OF NORTH DAKOTA
Executive budget		\$33,790,425	\$22,302,498	\$8,880,837	\$7,071,487	\$149,847,873
House changes		(18,078,227)	11,834,185	8,523,885	1,801,694	290,690,039
House version	80	\$18,714,198	\$34,136,651	\$13,404,702	\$8,873,111	\$430,757,911
Senate changes: Restore EPSCoR		\$200,000				

Provide funding to complete Scheller Hall hallway renovation project			\$72,000			
Correct other funds portion of Med School pay plan error						
Utility reductions		(27,701)		(32,441)	(19,774)	(343,533)
Remove information technology initiative added by the House						
Restore a portion of the capital improvement funds removed by the House						154,831
Restore a portion of the specific operating expense reductions made by the House						
Restore all of the Shifts Center funding removed by the House						
Provide for a systemwide restoration pool	\$1,178,000					
Funding transferred to the system technology pool	21,945,467					(12,291,519)
Funding transferred to the system salary pool	342,117,813	(4,825,123)	(16,591,716)	(4,433,797)	(5,340,833)	(99,047,160)
Funding source change for increased land department revenue distributions						
<b>Total Senate changes</b>	<b>\$365,244,280</b>	<b>(\$4,825,123)</b>	<b>(\$16,547,417)</b>	<b>(\$4,433,230)</b>	<b>(\$5,390,607)</b>	<b>(\$12,419,327)</b>
Senate version (total funds)	\$365,244,280	\$14,089,073	\$17,509,234	\$8,966,464	\$3,512,502	\$318,288,514

**NORTH DAKOTA STATE UNIVERSITY**

**STATE COLLEGE OF SCIENCE**

**DICKINSON STATE UNIVERSITY**

**MAYVILLE STATE UNIVERSITY**

**MINOT STATE UNIVERSITY**

**VALLEY CITY STATE UNIVERSITY**

Exclusive budget house changes	\$128,100,635	\$31,700,772	\$21,380,019	\$11,339,093	\$36,533,011	\$15,238,154
House version	112,950,482	16,613,764	6,235,444	7,623,528	19,568,179	9,082,372
	\$241,051,117	\$48,314,536	\$27,616,463	\$18,962,621	\$56,101,190	\$24,320,526

Senate changes:						
Restore EPSCoR funding						
Provide funding to complete Scheller Hall hallway renovation project						
Correct other funds portion of Med School pay plan error						
Utility reductions	(365,450)	(32,364)		(51,000)		
Remove information technology initiative added by the House						
Restore a portion of the capital improvement funds removed by the House	95,188					
Restore a portion of the specific operating expense reductions made by the House	161,874					
Restore all of the Shifts Center funding removed by the House	250,000					
Provide for a systemwide restoration pool	(1,858,952)					
Funding transferred to the system technology pool	(88,583,733)	(23,986,556)	(14,238,142)	(8,249,032)	(29,065,334)	(11,154,638)
Funding transferred to the system salary pool						
Funding source change for increased land department revenue distributions						
<b>Total Senate changes</b>	<b>(\$35,719,692)</b>	<b>(\$23,986,556)</b>	<b>(\$14,238,142)</b>	<b>(\$8,249,032)</b>	<b>(\$29,065,334)</b>	<b>(\$11,154,638)</b>
Senate version (total funds)	\$145,292,625	\$24,318,016	\$13,388,321	\$10,713,589	\$27,036,856	\$13,165,886

	MSU- BOTTINEAU	FOREST SERVICE	UND SCHOOL OF MEDICINE AND HEALTH SCIENCES	TOTAL
Executive budget	\$5,294,880	\$2,432,354	\$37,865,674	\$45,592,908
House changes	2,412,699	1,389,285	348,287	4,150,271
House version	\$7,707,579	\$3,821,639	\$38,213,961	\$45,743,179
<b>Senate changes:</b>				
Restore EPSCoR funding				\$200,000
Provide funding to complete Schuster Hall hallway renovation project				72,000
Correct other funds portion of Med School pay plan error			(\$521,500)	(\$521,500)
Utility reductions				(\$54,323)
Remove information technology initiative added by the House	(\$228,135)			(\$228,135)
Restore a portion of the capital improvement funds removed by the House				250,000
Restore a portion of the specific operating expense reductions made by the House			142,448	304,323
Restore all of the Skills Center funding removed by the House				250,000
Provide for a systemwide restoration pool				1,178,000
Funding transferred to the system technology pool				
Funding transferred to the system salary pool	(\$3,982,411)	(\$1,770,118)	(\$2,021,268)	
Funding source change for increased land department revenue distributions				
<b>Total Senate changes</b>	<b>(\$4,210,546)</b>	<b>(\$1,770,118)</b>	<b>(\$32,400,254)</b>	<b>\$950,352</b>
Senate version (total funds)	\$3,553,091	\$2,051,721	\$55,842,387	\$1,022,800,303

This amendment also:

- Adds a section providing that funding for the Skills Training Center may not be used for the operations of the center and that no general fund support will be provided for the center after the 1999-2001 biennium.
- Adds a section urging the Board of Higher Education to review accreditation of new programs which are already accredited at another institution.
- Adds sections providing directive regarding the allocations to be made from the technology and salary pools and the restoration line.
- Adds a section providing for a Legislative Council study of the funding of higher education.
- Adds a section directing that any utility savings be used for repair or maintenance items.
- Adds a section providing for the additional distributions by the Land Board to the institutions.
- Adds sections providing for the state to join the Midwestern Regional Higher Education Compact.
- Adds a section providing that North Dakota may not participate in the Midwestern Regional Higher Education Compact student exchange program during the 1999-2001 biennium.

1999 CONFERENCE COMMITTEE MINUTES

BILL/RESOLUTION NO. 1003

Appropriations Committee

Conference Committee

Hearing Date April 7, 1999

Tape Number	Side A	Side B	Meter #
2	x		0-30.0
Committee Clerk Signature <i>Carey Davis</i>			

Minutes:

**CHAIRMAN WENTZ** opened the meeting on HB 1003.

**2A: 0.5 SEN. ST AUBYN** said the Senate spent much time on the issue of equity, and explained their amendments.

**2A: 3.2 REP. WENTZ** asked if redistributing land department dollars had been done consistently. Sen. St. Aubyn said it has not.

**2A: 4.5 SEN. ST AUBYN** said the Senate had a problem with the House cutting EPSCOR and the Schafer Hall hallway project. There are not enough funds provided for maintenance or improvements the way it is.

**2A: 5.5 PAUL KRAMER, Legislative Council**, explained that the Senate put money back from the pools.

**2A: 6.8 SEN. ST AUBYN** continued his explanation of the amendments. The left \$1.78 million in the pool and asked the board office to consider equity issues when distributing the funds.

**2A: 9.2 SEN. ST AUBYN** discussed the utility areas. They converted to BTUs and adjusted for average winters. They would utilize those dollars saved for capital improvements.

**2A: 12.3 REP. WENTZ** asked if NDSU plans to put money into the Skills Center. Sen. St. Aubyn replied that they have raised \$1.8 million for it already.

**2A: 13.4 REP. CARLSON** asked how much the House had reduced it before it went over to the Senate. Sen. St. Aubyn replied that the House had reduced it from \$750,000 to \$500,000. The Senate then restored it. Rep. Carlson asked where the difference would come from. Paul Kramer replied that the \$150,000 difference was federal funds.

**2A: 14.7 SEN. BOWMAN** said they would get enough money to get the project going and then they would have to keep it going without general fund dollars.

**2A: 15.2 SEN. KRAUTER** noted that this was not a unanimous decision in the Senate. The minority did not feel the Skills Center was a priority.

**2A: 15.9 SEN. ST AUBYN** continued his explanation of the amendments. He said that accreditation of programs puts a toll on budgets. The amendments ask the state board of higher education to carefully look at that.

**2A: 17.2 REP. WENTZ** asked if specific programs were discussed. Sen. St. Aubyn mentioned the business program at NDSU.

**2A: 18.0 REP. CARLSON** asked what the total was in the technology pool. Sen. St. Aubyn responded that it is \$35 million.

**2A: 20.2 REP. WENTZ** asked if the language regarding the pooling of funds mandates 95%, then why shouldn't it just be given back to the campuses. Sen. St. Aubyn replied that the issue was having a system budget versus 11 campus budgets.

**2A: 23.3 REP. CARLSON** referred to the language in section 17, and said that "strongly encourage" does not direct anything. Sen. St. Aubyn said they wanted to give the message, but did not want to put a big hardship on the NDUS with no flexibility.

#2 SB 2300

**2A: 30.4 REP. CARLSON** said the House took out .5% in operating, and asked what happened to it in the Senate. Sen. St Aubyn replied that the Senate did not touch it. The House took .5% across the board, but selectively reduced a couple of campuses even further. The Senate did not feel that was right.

The meeting was adjourned.

**1999 CONFERENCE COMMITTEE MINUTES**

**BILL/RESOLUTION NO. 1003**

Appropriations Committee

Conference Committee

Hearing Date April 8, 1999

Tape Number	Side A	Side B	Meter #
2	x		0-40.0
Committee Clerk Signature <i>Cathy Davis</i>			

**Minutes:**

**CHAIRMAN WENTZ** opened the meeting on HB 1003 with all members present.

**2A: 0.6 PAUL KRAMER, Legislative Council**, explained the spreadsheet with the Senate changes.

**2A: 3.8 REP. CARLSON**: The pay package of 2&2 is out of here, and I thought that amounted to \$4.3 million. Originally total reductions by the House were what?

**2A: 4.1 PAUL**: \$7.5 million.

**2A: 4.5 REP. CARLSON**: Could you further explain the land department distribution. Did I just hear you say that you reduced the general fund contribution by the same amount?

**2A: 4.6 PAUL**: A few years ago there was a change made where some of the earnings from the funds held by the land department for the institutions were invested into the permanent trust fund. What they're doing this biennium is distributing 100% of the earnings instead of reinvesting them. That totaled \$505,000 for higher education. What was done was when we added in the estimated income of \$505,000, we made a corresponding general fund reduction. So they didn't actually get that money on top of everything else. It was just a switch.

**2A: 5.3 REP. WENTZ**: I have a question regarding the salary and wages line item. Is that fully funded so we can meet our obligation to give everyone a minimum \$35 and then a 2&2.

**2A: 5.6 PAUL**: No. It was funded at 2&2, but it was not funded with the \$35 also.

**2A: 6.0 REP. WENTZ**: Was that a discussion in the Senate?

**2A: 6.5 SEN. ST AUBYN**: Yes, it was. But we discussed it very little. Paul, do you recall the amount that was needed to make higher ed whole?

**2A: 6.2 PAUL**: A little over \$500,000.

**2A: 6.4 SEN. ST AUBYN**: Some of the discussions we've had, more leadership is something that needs to be addressed systemwide. I don't know how we could selectively say we're going to do something to one campus, but not others.

**2A: 6.9 REP. WENTZ**: I agree. I know that's something we'll get comments on during the interim.

**2A: 7.0 SEN. ST AUBYN**: Did the House discuss it?

**2A: 7.1 REP. WENTZ**: I don't recall.

**2A: 7.2 SEN. ST AUBYN**: I know we discussed it in general. One suggestion was to reduce the 35 accordingly from the 3%. When we reduced it from 3% to 2% that's a 1/3 reduction, and then possibly reduce the 35 by 1/3. I know in our caucus there wasn't a lot of support for that. They felt the 35 was kind of a minimum.

**2A: 8.1 REP. WENTZ**: We could take some of these items one by one and see where the differences are. Let's start with the salary pools. In the House we allocated them out to the various campuses, and the Senate put them back into a pool.

**2A: 8.7 REP. CARLSON**: The House started out with several things we thought were important after we listened all the testimony. One was to leave all the salaries at the campuses. We were pretty much unanimous about that.

As we looked at the salary from last time, there were winners and losers. They basically have the bodies and the people out there, but then we give them 95% of their salaries and the board office determines where the rest of them go. I know it's a difficult spot for the campuses to talk about. But if you ask them without a bunch of people around, they would prefer to have control of their salaries. I still feel strongly that 100% of that should not be pooled at the board office. They should be out at the campuses. We took the \$2.6 million of the critical salary pool that had been assigned to the campuses, and we moved that to the board office. We felt it was their discretion to look over the system. If there are hiring problems, if there are some way below the market, and there are bonuses for signing people, that they have the flexibility to deal with that upon request. I'm still at the stage where I'm not comfortable with moving 100% of the salaries and wages back to the board office. I'd like to hear the Senators' response to that.

**2A: 9.8 SEN. KRAUTER:** I'm trying to find it in the wording about the 95%. As I recall in our hearing, we were never given any information that the current way wasn't working.

**2A: 10.4 REP. CARLSON:** If you look at that sheet there were winners and losers. What we're in essence doing is we're creating another pool of the salaries that they should be getting at the campuses.

**2A: 10.6 SEN. ST AUBYN:** How do you define winners and losers? Those that got money and those that didn't? I think it's very important that we give the board the flexibility if we're going to make some serious changes within higher education. If we want to maintain status quo, then we might as well distribute all the money and forget about NDUS. We've established this system. How do you determine winners and losers?

**2A: 11.3 REP. CARLSON:** The money. They lost the money. You have a body that has with it a certain amount of costs in dollars. If you don't get the money for the body, and the body remains in the chair, you have to find it somewhere else in your budget. Now if that's your definition of winners and losers, maybe it is. It seems very unusual to me that someone gives you 38 FTEs, but only gives you the funds for 35. In the end you don't get money for the 38. I don't know that we do it anyplace else, and I don't know why we do it there. It's just the salaries. If you want to pool for equity, let's talk about equity. This is wages. When we appropriate we do it based on the cost of those bodies. We don't appropriate for five extra.

**2A: 12.1 SEN. ST AUBYN:** Salaries are part of the equity. I don't know if you understand what's involved with the formula. It's very complex, taking in a lot of different factors. Equity does involve salaries.

**2A: 12.5 REP. WENTZ:** Are you referring to the Equity study?

**2A: 12.5 SEN. ST AUBYN:** Well, no. He made the comment about the equity. He said we're not talking about the equity, we're talking about the salaries. Well the salaries are part of the equity. You look at higher education. What part of the budget is salaries? The board had some very unusual circumstances during the last biennium. They had to deal with those at the same time. At the same time they lost tuition income. If we're not going to allow them to work as a system, I think we're going to individual campuses again. Is it your idea to give the campuses the full 100%?

**2A: 13.4 REP. WENTZ:** I think that was our idea. We felt that the campuses should get 100%, and then if we need another pool to take care of some of those other questions then that should be a separate pool. That's what we called the equity pool.

**2A: 13.7 SEN. KRAUTER:** I'd like to get that information. If we're saying there's so many FTEs there, and we appropriated 95%, and the other 5% was discretionary and they didn't get that, I'd like to see that.

**2A: 14.2 REP. CARLSON:** I can get that information.

**2A: 14.4 SEN. ST AUBYN:** That's exactly the point. That's why we've done that. We've asked the board to have some flexibility and allow for special circumstances within the system. If the idea of the 5% was to give them back equally, then we would've just given them the whole 100%.

**2A: 14.8 REP. CARLSON:** We're not arguing that point. We're saying that if you have salary dollars appropriated on bodies, and you only end up with 95%, you only get 3% more, and you're 2% short, and nothing else changed in your budget, those dollars should've gone what they were meant for as salaries. Our philosophy is that if it's a line item that we budget, and we're going to deal with equity, that's not the pool where you get the equity from.

**2A: 15.1 SEN. ST AUBYN:** What's so frustrating is that on one hand you're saying you don't care what happened the time before, but then you're saying there's winners and losers. There aren't when everyone got the 95% and that's what was promised.

**2A: 15.3 REP. CARLSON:** We don't agree on that at all. They were promised 100%, they got 95%, and maybe we'll give you the other 5%.

**2A: 15.5 SEN. ST AUBYN:** I'd like to see the proof that they were promised 100%.

**2A: 15.6 REP. CARLSON:** That's an assumption. Bodies cost so much money. We appropriate so much per person in every budget. Then why don't we hold back 5% of the salary dollars in every other agency because they might not need it all? We could use it for equity.

**2A: 16.2 SEN. ST AUBYN:** What other agencies have a governing board?

**2A: 16.4 REP. WENTZ:** I think we have a difference of philosophy between the two houses.

**2A: 16.6 SEN. ST AUBYN:** I'd like to have Paul Kramer identify in the current statute what it says about the 95%.

**2A: 16.8 REP. WENTZ:** I don't think we have a difference of opinion on what it says.

**2A: 16.9 SEN. ST AUBYN:** I think we do because I keep hearing that there's winners and losers. The statement was made that they were promised 100%.

**2A: 17.0 PAUL KRAMER:** The language in the appropriation bill for this current biennium stated that "The institutions of higher education shall receive salaries and wages for the 97-99 biennium that are at least 95% of the salaries and wages of the 95-97 biennium."

**2A: 17.3 SEN. BOWMAN:** When you first set up your line items for salaries and wages that would be based on FTEs. But when the enrollment comes in and there isn't the enrollment to justify the FTEs, do we fund the line item for the FTE even if the FTE isn't going to be needed? If indeed we give them 100% to use that money for the FTE, does that give them the permission to use one less FTE and increase the salary for all of them? Or does that money stay someplace where it could go to another campus that has an increase in an FTE for a program that's necessary? I would think that if you give them the 95% that would give them some flexibility to move money to a different campus if there's a need for another FTE.

**2A: 18.8 SEN. ST AUBYN:** It's obvious then that the House's contention is that 100% of the salary line item must go to the campuses. Is that what your feeling is then?

**2A: 19.0 REP. WENTZ:** It does mine, and I think it does the rest of the House as well. What else? Are we going to have a major difference on the restoration of the EpScor funding?

**2A: 19.6 SEN. ST AUBYN:** I would just like to question what the philosophy was on the reductions. Why was EpScor reduced, and was the House aware of the effect?

**2A: 19.9 REP. CARLSON:** There were some of us that didn't think it was smart to take that out. They felt there were plenty of excess funds, we could get plenty of matching funds with it, and the majority said to go along with it. There were some of us that didn't think we should take away funds where there was a large match with it.

**2A: 20.4 SEN. ST AUBYN:** I might just mention that it was not an increase over the current level, it was actually the base level.

**2A: 20.5 REP. WENTZ:** Ok, so that won't be an area of contention. The new technology program, the \$200,000 reduction. Is that something we can talk about or need to talk about?

**2A: 20.6 SEN. ST AUBYN:** Our philosophy was not the merit of good or bad of the program, it was more that it didn't go through the proper approval sequences. Actually, I'm very supportive of the program. The board does have money in board initiatives, that if the board elected to fund it they could do so in board initiatives. But we felt that if we're going to do that, I can guarantee that every campus is going to have their own special initiative over and above the executive recommendation.

**2A: 21.2 REP. WENTZ:** In the House we supported it because they had presented the idea to the C-Tech committee in the Chancellor's office and go what they interpreted as a go-ahead from that committee, but had not yet gone the next step to make the formal presentation to the board. Their thinking was that if they were to get that go-ahead and not have the money to implement it, and it looked as if it was going to be a green light the whole way.

**2A: 21.7 SEN. BOWMAN:** I also agree that if they went through with the beginning processes of this, and it is definitely a program that higher education wants to look at, if the money is available they'll have to make their case. It's easier to make the case if they've done the preliminaries. And if they've done that, they've just got to go through a couple more hoops to get to that final step. The most important thing is that the money is there to justify that. But there will also be other people coming in for the same justification. It then takes some decision making by the Board of Higher Education. I think that's where it should be.

**2A: 22.3 REP. WENTZ:** We wanted the money to be there because it looked as if it would be approved at the June meeting. It would be a shame if they had to wait another two years to get the program off and running. Perhaps if there is a pool for board initiatives that would be an option for them. Ok, we reduced the operating expenses and you restored a portion. Is that a major area of discussion?

**2A: 22.9 SEN. ST AUBYN:** Just to explain that, we couldn't find any justification for the reductions. We didn't find any information on it. The board office didn't seem to know anything either. All the campuses were already

affected by the .5% across the board. We weren't sure why two campuses were singled out, and yet no others received any additional operating expense reductions. It just seemed strange, all of a sudden the \$250,000 and \$220,000. We couldn't figure out what the justification was.

**2A: 23.6 REP. CARLSON:** I'm in agreement with that. There were several motions in our committee to try to add those numbers back in after we took the .5%. I think what you've done is to try and equalize what a few of us felt was unequal. Probably the only things we felt were unequal in our budget process was that we took them twice on the same item.

**2A: 24.1 SEN. ST AUBYN:** We took the utility reductions, and that's where we tried to distribute part of those singly selected cuts in those areas and also capital improvements. We tried to restore at least a portion of each of them.

**2A: 24.7 REP. WENTZ:** We reduced funding for the Skills Training Center and you restored that. Is that going to be a major item of discussion? Capital improvement funding? We reduced it and you restored a portion.

**2A: 25.0 SEN. ST AUBYN:** That was the same reasoning. We weren't sure why two campuses were selectively reduced. The board office didn't seem to have any rationale as to why that was done. One of the things we continually face is that there isn't enough capital improvements to keep up the campuses the way it is, and so we felt it was very important to restore at least a portion of that. We'd be willing to listen if there was reasoning.

**2A: 25.7 REP. NICHOLS:** Can you tell me a little bit about how you arrived at the utility funding numbers you had.

**2A: 26.0 SEN. ST AUBYN:** We asked for a history of the utility usage and the square footage for each campus for the last three years, and also the degree days as a weather factor in terms of how harsh of winters we had. We converted everything over to BTUs and tried to come up with an average winter for each of the campuses, and the number of degree days. We looked at their actual usage, adjusted for an average winter and also adjusted for additional square footage they might have. For example, NDSU had a significant square footage and UND had a minor one.

**2A: 27.0 REP. WENTZ:** I think our areas of contention are going to be with the pools.

**2A: 27.3 REP. NICHOLS:** I think very strongly that the members of the House felt this change was the correct thing to do. A couple sessions ago we had an equity adjustment at Minot State because of how they ranked with regard to the other campuses. That's one way of changing something that's not quite correct. Maybe we need to look at some type of fund, if not now then in the future, that allows the adjustments to be made outside of the salary line item. If it's possible to find something on that order now, maybe we should do that.

**2A: 28.3 SEN. ST AUBYN:** That's kind of what we had recommended in having the restoration line. The other thing is just the study itself. Let's use Minot for an example. Minot had a major reduction in enrollment. If we were to take our formulas as they are, we would have had to reduce the funding they were to have gotten. That's part of that 95%. Sometimes they use that to help those campuses that lost a lot of tuition dollars.

**2A: 29.7 REP. WENTZ:** The problem with the formula is that it doesn't recognize a decrease in enrollment, and the fact that it does not necessarily decrease the overhead costs.

**2A: 29.9 SEN. ST AUBYN:** I think it takes an average of 3 or 4 years, average enrollment. It does try to help a little in that area, but you can have that problem. Would it help at all instead of guaranteeing the 95%, give them the 95%? Why put it in the board office, guarantee them, and then redistribute it? Or is the House very firm that the full 100% has to be in?

**2A: 30.7 REP. WENTZ:** That might be something we could consider. We might have a compromise on that.

**2A: 30.8 REP. CARLSON:** I think the Senate must understand that we're not adverse to the pools and the equity concept. We differ with where the wages should be placed. I looked at the equity report, and I read it. I go back to the one that says "Budget Requests for University System", it includes special allocation for NDSU of \$6 million to begin to address the issue of equity. This specific item was not funded in the Governor's budget. How much money do we need to get it there? In reality, it's going to be a long term process because the numbers are so big and so spread between the universities. In fact, we like the pool concept. We would have created more if we could have found the ability to do that because we'd like the board to have some of those flexibilities. We felt wages wasn't the place to do it. We also had a problem with the fact that there are \$9 million in new tuition increases that they allowed. That doesn't come into many conversations that they had quite a large chunk of new money to deal with in terms of tuition. Those things all became part of our decision when we looked at it. I do have some concerns about providing a system-wide restoration pool. I'd like some explanation on that \$1.178 million that got added back in there.

**2A: 32.4 SEN. ST AUBYN:** That was another area that we discussed about dealing with this equity issue. Rep. Carlson's exactly right that \$6 million would not take care of the equity issue for NDSU. If we take the current system, apply the formula, how much more money do we need? It was \$47 million if I recall, to get everyone equal to the current formula. We tried to shift the existing dollars and do it. We would've really crippled some campuses at this point. That was our concept of having the restoration line to deal with the equity issues to some small degree. Look at those campuses and try to assign some equity dollars to them. The other thing is the 95%. The Governor asked all agencies to provide a 95% budget. Then he asked was how they would restore the other 5% if they had it. I think UND did a very good job on their reallocation plan. The only problem I have on that whole exercise is that the board should've taken that one step further. That should've been a system-wide thing. Maybe we need to look at the 5% system-wide. We're not looking at a system-wide thing that we can make some significant, permanent changes.

**2A: 34.5 REP. CARLSON:** Section 17 of the bill deals with restoration. Number one, the money is at best a token effort. Secondly, it really doesn't give them enough direction to do anything. That's the problem I'm having with it. We've increased their budget and yet we feel the need to add another \$1.178 million when we're all done. The budget increase is bigger than K-12. Why are we doing this when 100% of the kids in K-12 are from North Dakota, and 40% of the kids in higher ed are from somewhere else? We disproportionately increase the spending, and then we put in a pool besides, and give them the tuition besides. K-12 didn't have that option.

**2A: 35.6 SEN. ST AUBYN:** Are you saying the general fund appropriation is more?

**2A: 35.8 REP. CARLSON:** The general fund increase for higher ed is more than the increase for K-12. I'll stand to be corrected if I'm wrong, but I think we discussed that at the time we did it.

**2A: 35.9 SEN. ST AUBYN:** But if you look at the percentage of the general fund that has gone to the different government, actually K-12 is significantly higher when you talk about percentage of the general funds and the increases over a period of time. Actually higher ed has taken a continual drop.

**2A: 36.5 SEN. KRAUTER:** Just so we know where we're going here, what do you have listed as far as issues that are on the table and need to be resolved?

**2A: 36.7 REP. WENTZ:** I don't know if I got all of them, but one is the salary pool. Pooling it in the board office versus allocating it right out to the campuses. Along with that is the critical salary pool, which was our response to some of the things that you hoped to answer with the 5% remaining in the board office. Then we had some questions about the restoration pool. Is that correct Rep. Carlson?

**2A: 37.3 REP. CARLSON:** Yes, we do.

**2A: 37.5 SEN. KRAUTER:** The C-Tech approval for the Bottineau initiative. And we glossed over the Skills Training Center real quick. I didn't catch anyone's indication on that.

**2A: 38.0 REP. WENTZ:** I didn't sense it was an issue bothering anyone.

**2A: 38.2 REP. CARLSON:** There were some members in our committee that wanted that lowered. Being from Fargo it's a very hard issue to want to jump onto.

**2A: 38.4 REP. WENTZ:** We'll discuss that some more. Anything else?

**2A: 38.7 SEN. ST AUBYN:** Just a question. The critical pool salaries I recall, was actually in each campus. It was part of their salary. It was really part of their campus salaries.

**2A: 39.0 PAUL KRAMER:** It was a separate line item.

**2A: 39.2 SEN. ST AUBYN:** Right, it isn't part of the campus salary line item. What we did was take everything, lump it together, and pool that. We may not be that far off. I don't know how much that amounts to in terms of the critical pool. So if we were to say we're going to give 100% of the regular thing, and pool the critical, maybe we're not that far off. Maybe legislative council could do some calculations and figure that out.

The meeting was adjourned.

1999 CONFERENCE COMMITTEE MINUTES

BILL/RESOLUTION NO. 1003

Appropriations Committee

Conference Committee

Hearing Date April 9, 1999

Tape Number	Side A	Side B	Meter #
1	x		16.0-end
1		x	0-3.5

Committee Clerk Signature *Cathy Davis*

Minutes:

**CHAIRMAN WENTZ** opened the meeting on HB 1003.

**1A: 16.5 Rep. Carlson:** Yesterday one of the things we talked about was the salary pools, and we suggested that we try and break it down. If you look at the sheet here, and talk about the total wages that were pooled in salaries, \$342,117,813. The general fund portion of the salary pool is \$182,700,000. Then we got established in the House session a, where we took money that had been at each campus for critical salary adjustments, we moved that into a critical salary pool. That was \$2.6 million. So we got down to the base salary of \$180 million. Then yesterday we talked about what would happen if we didn't pool 5%, but rather 4%, 3%, 2% or 1%. You can see the numbers reflected there. On my recommendation Paul kept the critical salary pool separate because I think that's a completely different issue that we were addressing at that point in time.

**1A: 17.7 Sen. St. Aubyn:** Paul, you had showed us a book that showed the pool distribution last time. I was wondering if I could see that again, in terms of the amount that was in there. How much was the 5%?

**1A: 18.4 Paul Kramer, Legislative Council:** The 5% wasn't identified separately last time because they pooled 100%, and the guidelines said that 95% had to be given back. We had no reason to track it separately.

**1A: 18.6 Sen. St. Aubyn:** At that time there was \$750,000 that went for the Fargo Skills Center. What's the \$100,000 legislative pool reduction for Ag Extension undesignated position?

**1A: 19.0 Paul Kramer:** That was a reduction made to the pool for an unspecified position. They had the flexibility to decide where it was.

**1A: 19.3 Sen. St. Aubyn:** I was wondering what Rep. Carlson's recommendation would be then.

**1A: 19.6 Rep. Carlson:** I've been doing some work on this, and my thought was 2% of the money to be pooled. But I have another use for that money as I look at it. A lot of it came from our discussion yesterday when we talked about equity, and we talked about campuses that are below the baseline. My thought was that if we're really attempting to do something with equity, that 2% should be used to address the equity issue for those campuses that fall below that line. That money should be targeted by the board to use for equity, whether it be 4, 5, or 6 campuses. Separate of the critical salary pool, I want you to understand that.

**1A: 21.8 Sen. Kranter:** You're talking about the salary equity? We're not confusing this with the equity in the whole formula, the funding of programs, correct?

**1A: 22.2 Rep. Carlson:** My limitation would not have been just with the salaries. It would be to deal with the equity among the campuses.

**1A: 22.3 Sen. St. Aubyn:** Rep. Carlson, how would you propose distribution among those? I look at the system-wide average, and that would mean UND-LR, UND-Williston, NDSU, NDSUS, DSU, and VCSU. But you're at different percentages. How would you distribute the money equitably at that point? The lowest one, UND-LR is at 81%, DSU is at 88.6%. How would you distribute the dollars?

**IA: 23.3 Rep. Carlson:** If you go back to the criteria they've established, the board has identified what they presume to be equity to arrive at these numbers. It should be their responsibility to deal with those areas within their equity study to distribute that money where it is needed the most to bring them back to an equitable level. I don't think that should be our decision.

**IA: 25.0 Sen. St. Aubyn:** Paul, do you know how you would equitably distribute that? You couldn't do it per student necessarily. Laura do you have a suggestion of how you would do that?

**IA: 25.5 Laura Glatt, NDUS:** There's a number of options of how you could do it. Certainly the system average has been referred to. I'm not sure that's a good indicator because NDSU and UND raise the average so much because of their size. We could look at equity between similar types of institutions. We could look at equity across the system. I don't think there would be any attempt to try to bring everyone to the same figure. There are normally going to be funding differences. Some, because of their size have greater economies of scale. Some, because of their mission have higher costs. What we struggle with is that there's always going to be a gap. The question is how large the gap is going to be. I want to point out that if you dedicate the whole 2% to equity, you have to understand that the institutions that don't benefit from that, that is a cut to their base. That will mean fairly significant cuts to those other institutions.

**IA: 27.5 Sen. Bowman:** Prorating something back is not that hard to do as long as you know what you're going to prorate. If it's going to be the total budget of that campus, and you can figure the percentages out and give them back that percentage, it's not going to be a whole lot for those smaller campuses. Most of it's going to go to NDSU I would guess. So to throw the top off, it may throw off the base.

**IA: 28.6 Rep. Nichols:** I had a question for Laura as far as what they had done with regard to equity in the past, if it had always been out of funds above and beyond the salary pool. I know we did this a couple terms ago, and there was a proposal in the original budget to do that. Was it always out of additional funds above the salaries?

**IA: 29.1 Laura Glatt:** Yes.

**IA: 29.2 Rep. Carlson:** The driving question we've had since the day our committee took up the issue of the higher ed budget way back in January, was the question of equity. We've had everybody that feels they're below the line come to us. Their solution is two-fold: either redistribute the money a little bit, or give them a lot more money. Giving them a lot more money isn't an option. This is an attempt at creating an opportunity to give them some sort of equity. There are winners and losers, but we're attempting to bring it more to the line.

**IA: 30.0 Sen. St. Aubyn:** I don't disagree with a lot of this discussion, but we have a constitutionally provided board that's responsible for these campuses. We need to give them the authority to try to figure out what's in the best interest of the Board of Higher Education and try to figure out how to equitably distribute those funds. For us to categorically say how it's going to be distributed, I feel real uncomfortable. Equity is more than just the equity formulas. There may be a campus with an unusual circumstance such as a significant drop in enrollment. UND is a good example. They had a significant loss in tuition because of the flood. That's why I propose leaving some flexibility for the board to make some of those decisions.

**IA: 31.3 Rep. Carlson:** I'm not disagreeing with Sen. St. Aubyn. I don't want to decide where the money goes. I want to make sure there's a source of money. I think we need to give the board the tools. I agree there are special circumstances that shouldn't be legislated. In the case of 2% it's \$3.6 million and it would do something toward the equity issue. It's at their discretion how to deal with that.

**IA: 32.6 Sen. St. Aubyn:** I guess I was confused because I thought you meant the top five would be getting it. That's the reason I was saying that there are other circumstances. Let's let the board decide those circumstances.

**IA: 33.3 Rep. Carlson:** I could buy into the whole system-wide thing, because there are other circumstances. But I do think that when you got all done that a lot of the equity things would go to the bottom four or five. If these studies are true, the money would mostly go there anyway. I want to target it to equity.

**IA: 33.9 Sen. St. Aubyn:** We have three pools at this point. We talked about merging those into one pool, actually two pools because of the technology pool, too. But there's the percentage reduction, plus the critical salary pool, and the restoration pool. We talked about merging those together and giving the board the flexibility to deal with equity and other special program needs with those funds. Is that your preference to lump them together, or do you want a specific pool?

**IA: 34.9 Rep. Carlson:** Rep. Wentz and I talked a little bit about this, and our consensus was that we would like to leave the critical salary pool stand by itself. That is a copy of what was done last time, where it was used only for critical salary needs of getting the right staff and keeping them.

**IA: 35.3 Sen. St. Aubyn:** Then the other two could possibly be lumped together?

**IA: 35.5 Rep. Carlson:** That would be my thought.

**IA: 35.8 Sen. St. Aubyn:** I would have no problems with that, but I would encourage flexibility for the board in there. We can work on the language. I wouldn't have a problem with having the critical salary pool as a dedicated pool. I don't know what the rest of the Senators think.

**IA: 36.5 Sen. Krauter:** I like the function whereby 98% goes directly to the campus and the other 2% is pooled with the restoration line. If we can get the wording so it's defined that we address the equity issues, I'm concerned that we're really addressing those bottom four. But if the board knows that the intent of the legislature is to really work hard at it, then I'll be comfortable with that.

**IA: 37.3 Rep. Carlson:** In Section 17 of the bill, that "strongly encouraged" just doesn't seem to be the right words to me. I don't think it says it strong enough. I think "mandate" would be just wonderful. On one other issue I'd like to talk about today, in the bonding bills that went through we funded some things at NDSCS that were critical issues to them. That was removed by the Senate in the bonding bill. I think we should open discussion as long as the only other funding mechanism is this bill. I spoke against bonding for maintenance, so I thought it only fair that I bring it up for discussion.

**IA: 38.9 Sen. St. Aubyn:** We talked about the importance of doing that. Rep. Koppang and Sen. Thane have been talking to us at length about that. Our concern was that we didn't want to bond for maintenance. I visited with House and Senate majority leaders, and they basically indicated to me that we can go ahead and appropriate \$2 million toward the steamline repairs and roofing replacement. They've given us an amendment from Rep. Koppang and Sen. Thane for doing that. I would offer it for discussion at this point. (Amendment 98003.0311). The amendment looks like it just talks about steamline repairs, but the intent was for flexibility that they could use those dollars within their priorities.

**IA: 41.7 Sen. Bowman:** We want to make sure they dedicate this toward that. I don't want them to use it on something else and say the steamlines can make it another year. We recognize that as their #1 priority for maintenance.

**IA: 43.0 Sen. St. Aubyn:** In terms of the language I don't want to limit it to steamline repairs. It should be steamlines, roof, or electrical. Paul, wouldn't you just add this to their capital improvement line? We could put a section in that says the \$2 million is dedicated for that.

**IA: 43.7 Paul Kramer:** Yes, the intent can be put in.

**IA: 45.0 Rep. Carlson:** Does that mean it goes in the critical repairs/capital improvements, with intent language that says what it's for?

**IA: 45.2 Sen. St. Aubyn:** Yes.

**IA: 45.5 Rep. Carlson:** If we could go back to the line System-wide Restoration Pool, I'd like further explanation from the Senate on that. I'm confused why \$.178 came out of that.

**IA: 46.1 Sen. St. Aubyn:** We started out with \$1.5 million. From that we funded some of the other items. What was left after we restored some of those other areas was \$1.178 million. We funded the Skills Center, Schafer Hall at BSU.

**IA: 47.3 Rep. Carlson:** Where did the \$1.5 million come from that you started with?

**IA: 47.4 Sen. St. Aubyn:** That was a leadership recommendation of what we could proceed with.

**IA: 47.7 Rep. Wentz:** Was there any discussion of using some of that money to restore part or all of that .5% reduction across the board?

**IA: 48.0 Sen. St. Aubyn:** We elected to have the board decide. There are some other reductions in the budget that we were not able to fully restore. If they felt the best option would be across the board, they could do that. We didn't know how we could determine where those restorations should be.

**IA: 49.0 Sen. Bowman:** We thought this would be the pool where you could come in and justify the \$200,000 program at Bottineau and things like that. The board could prioritize whatever campus projects they think are important. It could be used for technology or whatever.

**IA: 49.9 Sen. St. Aubyn:** Because we do have inequities within the base to start with, the .5% sounds equitable but it really isn't. Again, that's up to the board to determine priorities.

**IA: 50.8 Rep. Carlson:** Two more clarifications. The \$500,000 was reduced from the general fund side, right? That was a wash. It was just a different funding source from within the budget. The other was the utilities. Where did that reappear?

**IA: 51.8 Sen. St. Aubyn:** We redistributed in two areas. One was proportionately a restoration of the capital improvements that were removed, and proportionately the additional operating expenses that were removed. For

example NDSU and the UND Medical School had the additional operating expenses taken out over and above the .5%. \$250,000 was restored back in the capital improvement area, and \$304,323 in the operating expense.

**1B: 1.0 Sen. St. Aubyn:** At UND under the capital improvements \$24,036 was taken out and we restored \$154,831. At NDSU \$150,000 was taken out and we restored \$95,169. In the operating, at NDSU \$250,000 was taken out and we restored \$161,874. At UND Med School \$220,000 was taken out and \$142,449 was restored. So even after you've done that, the two schools still have a net reduction that the other schools did not have.

**1B: 1.4 Rep. Carlson:** Have the technology pools always been in the board office?

**1B: 1.6 Paul Kramer:** Last session was the first time. Previously they were at NDSU and UND.

**1B: 1.7 Rep. Carlson:** They've always been in the board office?

**1B: 1.9 Sen. St. Aubyn:** The board is trying to consolidate those functions out of the board office but yet they are still operated at the campuses. We're just maintaining the same system we're currently under. It's HECN, IVN, ODIN, the computer centers at UND and NDSU. That's not a change.

**1B: 2.7 Sen. Bowman:** That's going to be part of our study. The technology and how it all ties together. So we can get a handle on where the dollars actually go in technology.

The meeting was adjourned.

1999 CONFERENCE COMMITTEE MINUTES

BILL/RESOLUTION NO. 1003

Appropriations Committee

Conference Committee

Hearing Date April 10, 1999

Tape Number	Side A	Side B	Meter #
1		x	50.0-end
2	x		0-end
2		x	0-7.0
Committee Clerk Signature <i>Cathy Davis</i>			

Minutes:

HB 1003

**Chairman Wentz** opened the meeting on HB 1003.

**1b: 50.4 Paul Kramer, Legislative Council:** Go to the amendments first, and the spreadsheet shows you the numbers. The first pool is no longer a salary and wages pool, it's now an equity and special needs pool. That is made up of \$1.178 million, plus the 2% of the general fund base salaries, which is \$3,602,322. All of the special fund salaries and the remaining 98% of the general funds was moved back to the individual institutions. The technology pool didn't change. The critical salary pool is now broken out separately. The rest of the numbers are going to be remaining exactly the same. We put \$2 million into capital improvements at Wahpeton. The other change I included was Section 19. It talks about the legislative council study of tribal colleges. It hasn't been discussed here yet, but I put it in so that you don't forget to talk about it, as it was one of the things the Senate put in.

**2a: 0.5 Rep. Wentz:** Let's take the new set of amendments and go through the sections starting with section 13 and discuss them. Is there any objection to that?

**2a: 0.7 Sen. St. Aubyn:** We went through all those originally. The only thing different is Section 19.

**2a: 0.9 Rep. Wentz:** Maybe we can go through each section and eliminate the ones we are in agreement on. Section 13 is the Skills Training Center. Is there a consensus on that?

**2a: 1.4 Rep. Carlson:** That's puts it at \$750,000 right?

**2a: 1.5 Sen. St. Aubyn:** No. The \$750,000 is an appropriation.

**2a: 1.6 Rep. Carlson:** So this is the language that says we're not going to give them anymore money after this. The \$250,000 puts them back to \$750,000.

**2a: 1.7 Sen. Krauter:** It's important that it says in there that the money will only be used for renovation.

**2a: 1.8 Rep. Wentz:** I don't believe we had any discussion remaining on Section 14. Section 15, the technology pool. Rep. Carlson you wanted to spend some more time on that one.

**2a: 2.0 Rep. Carlson:** I'm still a little bit concerned about the amount of money. We never really did get to the bottom of it. I don't object to the pool, but if I understand it that pool of \$21 million still leaves us about \$14 million of projects around the system. We really didn't get much of a handle on it.

**2a: 2.8 Sen. St. Aubyn:** We have the same concerns. One of the things I feel a lot more comfortable about is that one of the amendments to SB 2043 tied the technology to the funding. When they submit their technology budget it will say specifically how that's tied together. When OMB decidese in preparation for the governor's budget, if they reduce that from their submittal, that will tell specifically what needs to be reduced from the technology plan. From there we would do the same thing. We'd go right to the technology plan and identify that. The other \$14 million of projects per se, it's operational costs, equipment, etc. A lot of it is even computers within departments.

**2a: 4.1 Rep. Nichols:** Do all universities submit their plans and then at the board level they decide how things will be done, so it is coordinated? That's the reason for pooling and how do they go about doing that? Is that based on a plan put together by all the universities?

**2a: 4.6 Sen. St. Aubyn:** This is how it's currently funded with the technology pool. The idea is that the major parts of the technology system are not at the individual campuses. This is the HECN, ODIN, IVN, and the computer centers at NDSU and UND. Higher education wants a better handle on that.

**2a: 5.0 Rep. Carlson:** Which one is the State Library system that is going to be phased out and they need to look for a new one?

**2a: 5.1 Sen. St. Aubyn:** That's ODIN.

**2a: 5.2 Rep. Carlson:** So for now it'll still be in place. At our last meeting that was probably four years away yet.

**2a: 5.4 Sen. St. Aubyn:** It did not look like it was going to occur during the current biennium.

**2a: 5.6 Rep. Carlson:** The reason I bring it up is that at some point in time there will be a significant amount of money required for that.

**2a: 5.9 Rep. Wentz:** Section 16, the critical salary pool.

**2a: 6.0 Sen. St. Aubyn:** I don't think we were talking about the critical salary pool as being the equity thing. I think it was more to address critical salary issues within higher education. I don't know if the language should talk about equity.

**2a: 6.6 Paul Kramer, Legislative Council:** We could take out the words "equity funding", and then in the last three lines put in similar language to the governor's.

**2a: 7.4 Rep. Carlson:** I think that addresses what we talked about yesterday. When you talk about the \$35 minimum and the 2&2 they don't always match. This gives them the opportunity to do some matching. I agree equity doesn't belong in there.

**2a: 7.5 Rep. Wentz:** Section 17, the Equity and Special Needs pool.

**2a: 7.6 Rep. Carlson:** I have some comments on that. I'd be interested to see what the response from the Senate will be. I have 2% of the general fund salary base pool, plus the \$1.178 million restoration. The 2% is \$3.602 million. I'm not comfortable with the \$1.178 added in there as the restoration money. When we did our budget we took the .5% across, and that basically reinstated the .5%. When we looked at the budgets there were three or four campuses that had absolutely no reduction of any kind. One had an enhancement and the others had various levels of enhancement. I thought that was a logical way to take that across the board with the .5% in operating. I would prefer that \$3.6 being the pool and remove that \$1.178.

**2a: 8.8 Sen. St. Aubyn:** I would really resist that. There were some other reductions that were made that were not restored either. There were some reductions to the technology somewhere. There were other reductions made that have not been restored. We would have liked to restore everything, but we thought it best to leave it to the board to determine what is best in terms of restoration or other special needs. They gave us a priority, but all of a sudden the total dollars didn't cover it.

**2a: 9.7 Rep. Carlson:** That's true. Maybe there's a couple particular items that we should deal with, and then go with the .5% across the board for everybody else. I don't think it addresses equity at all if we leave the others in place. Overall in looking at the budgets we had lots of discussion about what level this funding should end up at. Should we end up at 8% increase, 5.9%, or 6.8%? But overall it was a significant increase for the system. I think the way we handled it with the .5% was equitable. To restore the \$1.178 to the pool doesn't help those people that had things taken beyond the .5%. So if we need to review those let's review them. I think we've done some good work with these pools, and we just need to pick a number that everybody's happy with because we're all on board with the concept.

**2a: 10.7 Rep. Wentz:** I have a different opinion on that \$1.178. I would like to see us go some distance toward restoring that .5% that we removed in the House. Rather than just remove the \$1.178 from the restoration fund.

**2a: 11.1 Sen. St. Aubyn:** The discussion we've had up to this point shows exactly why I think it needs to be pooled. We all have our own opinions, but is it necessarily what the board would like. The more we take out of the pool, the less chance we have to adjust equity issues. I think it's been very apparent that there are some equity issues out there that need to be addressed. Certainly we could take the \$1.178 and spread it across the offset the .5%, but it also means the inability to take those funds to help some of the institutions with equity and other special needs

grams.

**2a: 11.8 Rep. Wentz:** When you say special needs, what particularly do you have in mind?

**2a: 11.9 Sen. St. Aubyn:** I have no idea. My point is based on the equity report that we got.

other funds to augment their budget that some of the larger campuses do. The equity study doesn't take that into account. That's why I'm thinking the .5% restoration would be the most equitable. Then all the campuses would get something back.

**2a: 13.3 Sen. St. Aubyn:** Maybe that's one of the issues they take into account when the board distributes the money. Some don't have that ability. We have a constitutionally provided board whose responsibility it is to administer higher education. I really feel we need to give them some of that authority.

**2a: 13.6 Rep. Wentz:** I would agree with you if I felt that past practice had demonstrated that concern, but I think we have very much a two-tiered system in higher education. My concern is for the smaller campuses that I don't think have the same support that they should have, and the same encouragement. I don't think they are treated equitably.

**2a: 14.3 Rep. Wentz:** Let's come back to Section 17 after we ponder it for a bit. Section 18 is the Interim Study. Is there any concern there?

**2a: 14.4 Rep. Carlson:** Have we done that before or is that all new? Is that a Senate addition to the bill?

**2a: 14.6 Sen. St. Aubyn:** The last major study we had on all this was the Malon Commission during the 81-83 biennium. That was a little different than this.

**2a: 15.5 Rep. Wentz:** Section 19. That was the floor amendment and we haven't had it before us yet.

**2a: 15.7 Sen. St. Aubyn:** This was something that was offered to basically study the whole concept of the tribally controlled colleges in the state. We keep getting this every session, and we thought it was important to find out whether it is a state obligation to provide a grant program or not.

**2a: 16.4 Rep. Wentz:** Any comments on Section 19?

**2a: 16.5 Rep. Carlson:** The wording says "utility savings must be used for maintenance for capital projects expenditures". I'm confused about the wording because we took the money that was saved and we rerouted it into capital improvements and operating expenses at a couple campuses, right?

**2a: 17.0 Sen. St. Aubyn:** We built the budget based on average winters. If we have a milder winter they realize savings. Those dollars should be plugged back into maintenance.

**2a: 18.3 Rep. Nichols:** With regard to the capital project expenditures, would this be critical repair needs or things that we're way behind on?

**2a: 18.1 Sen. St. Aubyn:** Yes, it would be an addition to their existing maintenance and capital budgets. We're saying they can use those dollars for maintenance or capital improvements.

**2a: 19.7 Rep. Wentz:** Section 21, Land Board Distribution.

**2a: 19.5 Sen. St. Aubyn:** That was the language in several bills wherever the money has been distributed.

**2a: 19.5 Rep. Wentz:** Section 22 contains the language for the Midwestern Regional Higher Education compact.

**2a: 19.6 Sen. St. Aubyn:** Actually 22 and 23. 23 is actually the compact. 22 is a limiting factor that they may not include participation in the student exchange program under that.

**2a: 19.9 Rep. Wentz:** And Section 24 is the Emergency Clause.

**2a: 20.0 Sen. St. Aubyn:** That gives them a little bit more time to work on their capital improvements during the summer. They would start immediately on those.

**2a: 20.1 Rep. Wentz:** It appears from our discussion that we need some more discussion on the equity and special needs pools, Section 17.

**2a: 21.8 Rep. Carlson:** I like the concept, it's just a matter of figuring out what the right number is. We can argue over my school getting cut to much and yours didn't. We have to just kind of look at it and decide if the money is in the right place and what we should do with it. There's probably programs we didn't fund and should have. But we've got to make priorities and set them all down. I'm trying to decide if I'm comfortable with where we're going, and whether it's 2%, 2.5%, or 3%.

**2a: 22.1 Sen. St. Aubyn:** I could personally go along with the 2% pool as long as we're considering the \$1.178 as part of that. I'd be willing to go the 2% with the restoration.

**2a: 23.2 Rep. Wentz:** Is the language adequate or satisfactory?

**2a: 23.3 Rep. Carlson:** I'd also feel better if someone could read to me the way it's going to sound when it's amended.

**2a: 23.5 Paul Kramer (Read the amendment with changes as discussed)**

**2a: 24.5 Sen. St. Aubyn:** Paul, has there been language used before for critical salary pools?

**2a: 24.6 Paul Kramer:** Last session there was a pool of about \$3.2 million and I don't recall if it was critical salary pool or market and equity pool.

**2a: 25.0 Rep. Carlson:** We added \$2 million in the budget for maintenance and repairs at the science school. Didn't we want some intent language that the only thing they could use that money for was steamlines, roof repairs, I haven't seen that.

**2a: 25.4 Sen. St. Aubyn:** I believe that's in the explanation of the amendments.

**2a: 25.5 Rep. Carlson:** Is that clear enough or do we need to do more to that? I don't want them to come back with all the pictures next time and the same roofs are still leaking.

**2a: 25.9 Sen. St. Aubyn:** On page 17 of the amendments it's in the description. It really shows what the intent is.

**2a: 26.3 Rep. Nichols:** The \$200,000 the House put in for MSU Bottineau was taken out by the Senate. I think to some extent Bottineau was forgotten when they put together any of the work retraining programs that were done. I'm just wondering if there's anything we should look at for some intent here, or is this something we shouldn't address?

**2a: 27.3 Rep. Wentz:** I think it's something we should address.

**2a: 27.5 Sen. St. Aubyn:** I go back to my original philosophy on this. Like any other new program we're going to start, that should be a process developed and a decision of the board. The process is pretty extensive to get approval. There are a lot of factors to be evaluated. I think it's a bad precedent for the legislature to circumvent that process and say we're going to do this one program. It would be saying that anyone who wants a new program and can't get it through the State Board of Higher Education could go through the legislature.

**2a: 28.5 Rep. Wentz:** We discussed it at length to. It is a program that is in process. They've made one appearance before the C-Tech committee, which is the first step. Because of a mixup of some kind they didn't proceed immediately with the paperwork that was necessary to move it on to the Board of Higher Education as quickly as it should have progressed. That is in process now. Should it be approved by the Board of Higher Education, then we would need money to fund it this biennium. Bottineau is a school that has not had any new initiative for 20 years. As Rep. Nichols mentioned, they were the one campus that was not included in the workforce training initiative. They did not even have someone on the board that put together this program. We felt there was justification there in singling out the Bottineau campus for some special recognition or initiative, because the other campuses have been singled out in the workforce training program, and they are going to get regular funding for that. I think Measure 1 had an extremely demoralizing effect on the Bottineau community, and there's nothing wrong with giving them a little help with a one time initiative. I feel strongly that Bottineau needs to be recognized in some way for all of those reasons. If the board has this special pool of funding that they can use for worthwhile new initiatives that's great. I would like some assurance though that Bottineau would be one of those that would be considered. I'm not willing to just trust.

**2a: 30.7 Sen. Bowman:** It seems to me that if that's your concern, then we need to say that all projects submitted to the board have to be looked at. If you go around management to get what you want, pretty soon it all breaks down. But if you're going to build confidence in the system, then you have to trust that the initiative is worthy to be presented in front of the board. Then the board has to look at it very seriously because of the need. The money is in there to satisfy the need if it is one of their priorities.

**2a: 31.5 Rep. Wentz:** I think the system went around Bottineau in the workforce training study.

**2a: 31.6 Sen. Bowman:** Was Bottineau part of the system though? Did they present their case to get involved, and were just rejected?

**2a: 31.8 Rep. Wentz:** There were never included. There was no representative from Bottineau that was on that statewide board that put together the initiative. There were representatives from the other four regions, or two year schools, but not Bottineau! There wasn't opportunity to put forth an argument for including the school or what they can do in the program. I've been told that Bottineau will play a role in it, but I remain skeptical. That was some of the rationale we used in the House.

**2a: 32.5 Sen. St. Aubyn:** I don't think there is a direct appropriation to the other four institutions you're talking about. There's no guarantee. It's not an ongoing thing. The only thing on that particular program was that they were going to be the hub's coordinating. That does not mean that other institutions would not be players in providing services.

**2a: 33.4 Rep. Wentz:** Exactly. But the fact that they were designated as one of the hubs involved in the planning process, and one institution was not, seems to say something to me. Something needs to be said in defense of that other institution. This seems a very small way to make a gesture of support.

**2a: 34.1 Sen. St. Aubyn:** What if the funding for the other one doesn't come through or the program stops, does that mean that Bottineau's initiative should stop? I really fail to see any similarity between these. I still feel very

strongly that there is funding for board initiatives at \$3.2 million. If this program is a good program, the board is certainly going to analyze it and determine that there is merit in doing it.

**2a: 34.9 Rep. Wentz:** I'm not as trusting in that as you are.

**2a: 35.1 Sen. Krauter:** Maybe we need to look at something in these board initiatives as far as language that would give us some kind of legislative intent or consideration to the workforce training that's been done in the workforce training that's been done in the two year campuses, and identify other two year campuses that haven't received that.

**2a: 35.8 Sen. St. Aubyn:** I good portion of that, \$1.3 or \$1.4 million, was actually for the SAGE program, the computer program for administrative functions on the campus. That was a big chunk that was coming out of there.

**2a: 39.5 Rep. Carlson:** On the equity and special needs pool, we would be comfortable at the 2% and the \$1.178 added into it, making the total \$4,780,322. We would like to see some language in that pool that they address the program at Bottineau, then we would leave off the \$200,000 for the Bottineau enhancement. I would like to see a reduction on the NDSU side. They had a \$350,000 reduction in there for salaries and wages for vacant positions. I'd like that number to read \$230,000. It did not merit having that kind of reduction plus taking 2% of their salaries for this pool.

**2a: 43.0 Sen. St. Aubyn:** So you're adding to the budget?

**2a: 43.1 Rep. Carlson:** Yes, I'm adding \$120,000 to the budget. That's exactly what it would be.

**2a: 43.2 Sen. Bowman:** What are we accomplishing?

**2a: 43.3 Rep. Carlson:** If you talk about inequitable, what was done to the vacant FTEs was very inequitable. I'm not falling on my sword for this, but I don't think it was fair when we did it. In addition now we're taking 2% of the salaries for a pool which they may or may not get back.

**2a: 44.0 Sen. St. Aubyn:** I could do the same thing with the medical school. One position that was vacant and removed was a department chair, and they're in the process of hiring for that. The House made those reductions selectively, and now we're selectively picking one of them. That's part of the deal when we're pooling those dollars and the critical salaries. If the board wants to do those they have the authority to do it, but I'm uncomfortable doing it.

**2a: 45.5 Rep. Carlson:** I was uncomfortable about creating a restoration pool where you just pick \$1.5 million to enhance back to the budget, and then spread it out over the system. The concept is no different. I'm willing to say that that is ok. You didn't like the .5% we did across the board, and you put \$1.5 back in the pool. When we did our work there was some real disagreement about where those numbers should end up. I was not in agreement that one campus should be singled out when it has the same amount of FTEs as the next campus. One has 0, and one has \$350,000 reduced. I'm saying we did it wrong in the House in the first place.

**2a: 46.5 Sen. Bowman:** They don't plan on filling the position at DSU?

**2a: 47.0 Rep. Carlson:** The position was saved, the funding was removed.

**2a: 47.1 Sen. St. Aubyn:** They'll need it. They are using the money for other people to fill in for Bill Goetz.

**2a: 47.4 Rep. Carlson:** This is a biennium old. There was a little difference there.

**2a: 47.7 Sen. St. Aubyn:** Going back to the 1.1, I can see Rep. Carlson's disagreement, but this is something that potentially could help all campuses. Your one restoration, that wasn't the only one that had cuts in the salary area, you're only helping one campus. I don't see that it's comparable.

**2a: 48.3 Rep. Carlson:** There were only two campuses that had anything done to them in operating - UND and NDSU. You chose to take money to restore those because they were inequitable. I feel that you should have gone up one more line on the sheet. There are five campuses out of eleven that even addressed FTEs.

**2a: 49.1 Sen. St. Aubyn:** When we restored the operating and the capital it was from internal funds. We took it from utilities. We did that consistently across the board and we tried to redistribute it to categories in the same area. We tried to help those two institutions that had cuts in operating over and above everyone else.

**2a: 52.0 Sen. Krauter:** If we're going to start picking out one campus to start putting dollars back it doesn't really sound that fair. I'm concerned that if we're going to put \$120,000 back into one campus, then maybe we should take that \$120,000 and proportionately put it back.

**2b: 0.4 Rep. Wentz:** What do we agree on?

**2b: 0.6 Sen. St. Aubyn:** I'm puzzled a little bit because every time we have a meeting I think we're pretty close, and then there's a new little wrinkle in it. So I'm not really sure now. I really object to that concept. As far as adding language that they shall consider the Bottineau project, I probably wouldn't have a problem with it if I saw the language. I have a real problem to mandate it. From what I understood on Dickinson State, they hire adjunct staff to

maintain the position. They are still using the funding. If we're going to restore the funding level we should do it across the board proportionately.

**2b: 1.9 Rep. Carlson:** I'm not in disagreement with you over singling out one. My point is that I said from the first day saying it was not equitable. I was not going to sit here and not try to make it more equitable as we went through the process.

**2a: 2.1 Rep. Wentz:** Rep. Carlson will you accept the fact that it probably is not going to be accepted by the committee?

**2b: 2.2 Rep. Carlson:** Unless Sen. St. Aubyn has a revelation.

**2b: 2.3 Rep. Wentz:** Can we accept Section 17 with the 2% in there?

**2b: 2.5 Sen. St. Aubyn:** I can. So we're actually going to have the technology pool, the critical salary pool, and the other pool for equity and special needs.

**2b: 3.3 Rep. Wentz:** Is the language ok in Section 17? Do we want to give them a bit more flexibility?

**2b: 3.6 Rep. Carlson:** I like the strong language there.

**2b: 3.8 Rep. Wentz:** Do we want to add anything to the language to give them some flexibility and also funding special system initiatives that might arrive?

**2b: 4.0 Sen. St. Aubyn:** I think the language is there because it talks about special academic program needs.

**2b: 4.2 Rep. Wentz:** Do you think that's broad enough?

**2b: 4.4 Larry Isaak, Chancellor of NDUS:** I think this special academic program needs is broad enough. We still have the initiative pool and the critical salary pool, so I think we can work with that.

**2! 5.0 Rep. Wentz:** Sen. St. Aubyn, you are willing to look at language that would strongly encourage but not mandate the Bottineau project?

**2b: 5.3 Sen. St. Aubyn:** Yes. But if we limit it to Section 17 that means that it's the only funding source they could use. You'd be better off in the long run to leave it somewhere else so they're not limited to that. So if the board elects to use the board initiatives pools or this they still have the dollars available. You could even put it in there that they could use either pool.

**2b: 6.0 Paul Kramer:** What I would end up doing is adding a new section saying that either pool could be used for this.

The meeting was adjou...ed.

# 1999 CONFERENCE COMMITTEE MINUTES

## BILL/RESOLUTION NO. 1003

Appropriations Committee

Conference Committee

Hearing Date April 12, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-35.0
Committee Clerk Signature <i>Casey Davis</i>			

Minutes:

**Chairman Wentz** opened the meeting on HB 1003.

**1a: 0.4 Paul Kramer, Legislative Council:** The changes from the last set of amendments to this set are on page 6, Section 16, the critical salary pool. That is the section where we changed the wording so it is now market and equity. Section 17 we left in tact. Section 18 is a new section. It is the Minot State Bottineau technology initiative. What we put in there is that the Board of Higher Education is strongly encouraged to consider allocating \$200,000 from either the equity and special needs pool or the board initiatives fund. Those are the only changes made to the last set of amendments.

**1a: 1.2 Sen. St. Aubyn:** On Section 16, it seems like it needs "for" market and equity.

**1a: 1.3 Sen. Bowman:** It reads real hard.

**1a: 1.6 Paul Kramer:** (Will change wording to make it more clear).

**1a: 2.7 Sen. St. Aubyn:** Laura Glatt had sent some amendments. Do you have those?

**1a: 3.0 Rep. Carlson:** It talks about the fact that the NDUS, the med school and the Forest Service should be excluded from that line basically. That was about \$490,000.

**1a: 3.5 Paul Kramer:** They want to take the 2% for those three entities out of the pool and put it back into the three entities. If you do that we'll also need to change the reference in Section 17.

**1a: 4.0 Rep. Carlson:** Why would the Medical Center be out of that?

**1a: 4.4 Sen. St. Aubyn:** They are not on a specific formula budget that the others have adopted. They don't operate the same. They have a capped enrollment and a lot of other factors.

**1a: 4.7 Rep. Wentz:** Would that address your concern Laura?

**1a: 4.8 Laura Glatt, NDUS:** Yes it would, thank you.

**1a: 4.9 Rep. Carlson:** I have another question about Section 14. Maybe Sen. St. Aubyn could explain the language and what is meant by all that.

**1a: 5.0 Sen. St. Aubyn:** It was an amendment offered to the subcommittee working on this, basically asking the board to carefully look at accredited programs and to direct campuses offering similar programs to cooperate jointly in offering them. Accreditation is very expensive to attain, and once you attain it you have to maintain it.

**1a: 6.0 Rep. Carlson:** My concern is that NDSU in the last several years has been looking at a business program. I'm not sure if I'm in favor or against that, but I want to know if the language limits them from exploring the concept. I think it limits them. If you think NDSU wants to have an extension of UND's business school, I think we're all kidding ourselves that it would happen. I don't disagree with the concept, but it's so broad that if a growing college wants to do something it's not good language. I read it as being restrictive for a growing college to continue to grow.

**1a: 6.9 Sen. St. Aubyn:** It really doesn't. All it asks them to do is to consider all the factors in going for an accredited program. It's not saying that they can't. It doesn't limit them in any way, shape, or form. Actually the Chancellor reviewed this and made several changes to it.

**1a: 7.4 Rep. Nichols:** Do they have a standard procedure they look at with regard to these types of things? I would think they'd have some type of procedure right now.

**1a: 7.7 Laura Glatt:** When a campus submits a new program request to the board, there are a number of areas they must respond to in their proposal including cost, compatibility, quality, enrollment. One of the central questions is whether there is another institution offering the program. We have a matrix whereby if another institution is offering the program, we ask the campus to look at whether or not they can jointly offer it. If they give a documented set of reasons why it is not feasible, then we go on to the next step of seriously considering allowing them to start the program.

**1a: 10.0 Rep. Carlson:** I'm not in favor of proliferating a bunch of programs around the state.

**1a: 10.7 Rep. West:** Paul, could you tell me the dollars in the critical salary pool and the equity and special needs pool?

**1a: 10.8 Paul Krauter:** The critical salary pool is \$2,230,092. The equity and special needs pool is \$4,780,322. That's the one that will be reduced with the funds sent back to the three entities.

**1a: 11.9 Rep. Carlson:** A large chunk of that has gone to SAGE?

**1a: 12.1 Laura Glatt:** We are going to have to invest in our current system. We would take the \$1.5 million and invest it in the current system. That money essentially isn't available for other initiatives.

**1a: 12.7 Sen. St. Aubyn:** I was under the understanding that we were going to start part of SAGE with the \$1.5 million. How are we ever going to get to \$22 million for SAGE?

**1a: 13.0 Laura Glatt:** Our opinion is that it's not going to happen any time soon. The dilemma we have is that we have a highly integrated system right now. That makes replacement very difficult. You have to replace the whole thing at once. A scale-down approach is not viable. A phase-in approach is not viable. We're really concerned about the reliability of the program.

**1a: 14.8 Sen. Bowman:** If you recognize that you're not going to be able to go along with this program, isn't it in our budget for technology to service those areas? Or were you counting on getting the \$1 million from this new program to put in there? How did you come up with that to begin with? If you know you're going to have to fix something that be in ongoing technology budget.

**1a: 15.4 Laura Glatt:** In our budget request we requested the \$1.5 million that we had saved, and a general fund appropriation of \$6.5 million. That project would be funded over the next 4 bienniums. The executive recommendation didn't fund the \$6.5 in general funds. All we have is the \$1.5 we saved on our own.

**1a: 17.6 Sen. Bowman:** Do you have an analysis of where the \$1.5 million is going to go? That seems like quite a lot of money to patch a couple of computers or programs or whatever you have to fix.

**1a: 18.0 Laura Glatt:** We do have the fundamental reliability problem. The other thing we need to address is that our current system was developed years ago. We don't have the ability for our students to gain access to our information system. A student that wants to go out on the web and register can't. They cannot go on the web and get their grades. That's what they want. Especially those students that never set foot on the campus.

**1a: 20.1 Sen. Krauter:** The part that gets frustrating is when you see board initiatives you think it's new things. Now you find out that out of the \$2.2 million, \$1.5 is basically for maintenance of computer technology. So should that be in board initiatives or operating.

**1a: 20.5 Sen. St. Aubyn:** I concur with what Sen. Krauter said to a degree. That was really a modification from what they submitted. The governor captured those dollars and said they were to use for board initiatives.

**1a: 21.1 Sen. Krauter:** The frustration is that it went through the Senate chamber and we didn't catch it. We could've made the change. It went through the House chamber and it didn't happen. Now all of a sudden we realize that the \$2.2 is really only \$700,000. I understand what the governor and the board did, but it's frustrating as we come to the conference committee.

**1a: 22.8 Sen. St. Aubyn:** I would move that the Senate recede from its amendments, and amend with these conference committee amendments, including the changes we suggested on Section 16 and the adjustments on the equity and special needs pool.

**1a: 23.0 Rep. Carlson:** Second.

**1a: 26.1 Rep. Carlson:** In Section 17 we need to make sure we all understand what the pool will be used for. Do we need a broad definition?

In: 36.9 Sen. St. Aubyn: They're going to need the flexibility.

In: 30.5 Sen. Bowman: They would have the flexibility with this to look at equity *and* special programs, right?

In: 30.7 Laura Glatt: Yes. The broader interpretation would allow that.

In: 32.1 Rep. Carlson: I'm ok with that.

In: 32.5 A roll call vote was taken and the motion carried unanimously.

**PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1003**

That the Senate recede from its amendments as printed on pages 1169-1183 and 1271 and 1272 of the House Journal and pages 1009-1022 and 1034 and 1035 of the Senate Journal and that Engrossed House Bill No. 1003 be amended as follows:

Page 1, line 2, after "system" insert "; to provide for legislative council studies; to create and enact a new chapter to title 15 of the North Dakota Century Code, relating to the adoption of the midwestern regional higher education compact; and to declare an emergency"

Page 1, replace lines 12 through 24 with:

**NORTH DAKOTA UNIVERSITY SYSTEM**

Equity and special needs pool	\$4,290,128
Technology pool	21,948,467
Critical salary pool	<u>2,630,992</u>
General fund appropriation	\$28,869,567

Subdivision 2.

**NORTH DAKOTA UNIVERSITY SYSTEM OFFICE**

Salaries and wages	\$2,194,131
Operating expenses	760,709
Equipment	26,000
Student financial assistance grants	4,450,281
Information technology management	215,255
Professional student exchange program	1,310,716
Disabled student services	26,560
Technical administration	197,627
Contingency and capital improvements emergency fund	398,000
Scholars program	706,230
Native American scholarships	204,082
Title II	534,000
Competitive research program	1,971,100
Prairie public broadcasting	992,513
Board initiatives	<u>2,296,000</u>
Total operating funds	\$16,283,204
Less estimated income	<u>4,933,900</u>
General fund appropriation	\$11,349,304

Subdivision 3.

**BISMARCK STATE COLLEGE**

Salaries and wages	\$16,406,677
Operating expenses	4,893,212
Equipment	367,187
Capital improvements	<u>958,835</u>
Total operating funds	\$22,625,911
Less estimated income	<u>7,789,776</u>
General fund appropriation	\$14,836,135
Local funds appropriation	\$11,370,000
Total all funds appropriation	\$33,995,911

Subdivision 4.

**UNIVERSITY OF NORTH DAKOTA - LAKE REGION**

Salaries and wages	\$4,374,197
Operating expenses	1,338,042
Equipment	150,338
Capital improvements	<u>1,094,318</u>
Total operating funds	\$6,956,895
Less estimated income	<u>1,948,806</u>
General fund appropriation	\$5,008,089
Local funds appropriation	\$6,403,766
Total all funds appropriation	\$13,360,661

Subdivision 5.  
UNIVERSITY OF NORTH DAKOTA - WILLISTON

Salaries and wages	\$5,280,022
Operating expenses	1,521,116
Equipment	249,596
Capital improvements	<u>88,790</u>
Total operating funds	\$7,139,524
Less estimated income	<u>2,300,265</u>
General fund appropriation	\$4,839,259
Local funds appropriation	\$1,653,000
Total all funds appropriation	\$8,792,524

Subdivision 6.  
UNIVERSITY OF NORTH DAKOTA

Salaries and wages	\$98,902,879
Operating expenses	27,655,286
Equipment	1,520,260
Capital improvements	4,917,136
Special initiatives pool	<u>1,462,223</u>
Total operating funds	\$134,457,784
Less estimated income	<u>52,633,093</u>
General fund appropriation	\$81,824,691
Local funds appropriation	\$282,733,609
Total all funds appropriation	\$417,191,393

Subdivision 7.  
NORTH DAKOTA STATE UNIVERSITY

Salaries and wages	\$85,829,387
Operating expenses	21,576,515
Equipment	1,867,800
Capital improvements	8,652,531
Skills training center	<u>1,535,000</u>
Total operating funds	\$119,461,233
Less estimated income	<u>55,903,914</u>
General fund appropriation	\$63,557,319
Local funds appropriation	\$111,620,179
Total all funds appropriation	\$231,081,412

Subdivision 8.  
NORTH DAKOTA STATE COLLEGE OF SCIENCE

Salaries and wages	\$23,706,342
Operating expenses	6,605,363
Equipment	1,494,368
Capital improvements	<u>2,635,885</u>
Total operating funds	\$34,441,958
Less estimated income	<u>9,485,836</u>
General fund appropriation	\$24,956,122
Local funds appropriation	\$15,580,000
Total all funds appropriation	\$50,021,958

**Subdivision 9.****DICKINSON STATE UNIVERSITY**

Salaries and wages	\$14,074,351
Operating expenses	4,074,932
Equipment	390,000
Capital improvements	693,962
Total operating funds	\$19,233,275
Less estimated income	6,146,576
General fund appropriation	\$13,086,699
Local funds appropriation	\$8,221,397
Total all funds appropriation	\$27,454,672

**Subdivision 10.****MAYVILLE STATE UNIVERSITY**

Salaries and wages	\$8,142,255
Operating expenses	2,211,150
Equipment	170,500
Capital improvements	931,671
Total operating funds	\$11,455,576
Less estimated income	2,908,718
General fund appropriation	\$8,546,858
Local funds appropriation	\$7,400,000
Total all funds appropriation	\$18,855,576

**Subdivision 11.****MINOT STATE UNIVERSITY**

Salaries and wages	\$28,733,664
Operating expenses	6,043,525
Equipment	917,929
Capital improvements	1,050,466
Total operating funds	\$36,745,584
Less estimated income	11,501,851
General fund appropriation	\$25,243,733
Local funds appropriation	\$19,003,936
Total all funds appropriation	\$55,749,520

**Subdivision 12.****VALLEY CITY STATE UNIVERSITY**

Salaries and wages	\$11,009,411
Operating expenses	2,842,167
Equipment	323,100
Capital improvements	812,334
Center for innovation in instruction	299,583
Special initiatives	68,714
Total operating funds	\$15,355,309
Less estimated income	3,893,786
General fund appropriation	\$11,461,523
Local funds appropriation	\$8,820,000
Total all funds appropriation	\$24,175,309

**Subdivision 13.****MINOT STATE UNIVERSITY - BOTTINEAU**

Salaries and wages	\$3,930,059
Operating expenses	1,063,035
Equipment	147,500
Capital improvements	218,130
Total operating funds	\$5,358,724
Less estimated income	1,424,817
General fund appropriation	\$3,933,907

Local funds appropriation  
Total all funds appropriation

\$2,124,428  
\$7,483,150

Subdivision 14.

NORTH DAKOTA FOREST SERVICE

Salaries and wages	\$1,770,118
Operating expenses	423,601
Equipment	65,011
Capital improvements	79,541
Grants to centennial trees	<u>147,486</u>
Total operating funds	\$2,485,757
Less estimated income	<u>859,006</u>
General fund appropriation	\$1,626,751
Local funds appropriation	\$1,336,082
Total all funds appropriation	\$3,821,839

Subdivision 15.

UNIVERSITY OF NORTH DAKOTA MEDICAL CENTER

Salaries and wages	\$32,021,200
Operating expenses	7,502,327
Equipment	<u>547,915</u>
Total operating funds	\$40,071,442
Less estimated income	<u>10,812,782</u>
General fund appropriation	\$29,258,660
Local funds appropriation	\$47,592,145
Total all funds appropriation	\$87,663,587
Grand total general fund appropriation H.B. 1003	\$328,398,637
Grand total estimated income appropriation H.B. 1003	\$172,543,121
Grand total local funds appropriation H.B. 1003	\$523,858,541
Grand total all funds appropriation H.B. 1003	\$1,024,800,308

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 31

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 3

Page 7, line 5, replace "critical salary pool" with "board initiatives"

Page 7, line 6, replace the first "1" with "2"

Page 7, line 7, replace the first "1" with "2" and replace "14" with "15"

Page 7, line 10, replace "critical salary pool" with "board initiatives"

Page 8, line 9, after "approve" insert "the"

Page 8, line 12, remove "appropriations"

Page 8, line 13, replace the first "1" with "2"

Page 8, line 14, replace "3" with "32"

Page 8, line 19, after the first "to" insert "the"

Page 8, line 21, replace "FUNDS" with "FUND APPROPRIATIONS"

Page 8, line 22, replace "funds" with "fund dollars"

Page 8, remove lines 28 through 30

Page 9, remove lines 1 and 2

Page 9, line 9, after "funds" insert ", in addition to the minimum local match of \$200,000,"

Page 9, line 13, after "funds" insert ", in addition to the minimum local match of \$495,000,"

Page 9, remove lines 16 through 20

Page 9, line 29, replace "11" with "9"

Page 10, remove lines 8 through 10

Page 10, after line 15, insert:

**"SECTION 13. NDSU/NDSCS SKILLS TRAINING CENTER.** The general fund moneys provided by the 1999 legislative assembly for the skills training center may only be used for renovations to the skills training center. Any general fund moneys provided for the skills training center for the 1999-2001 biennium are intended to be the final direct general fund support provided by the legislative assembly, and no direct general fund support may be provided for the operations of or renovations or additions to the skills training center after the 1999-2001 biennium.

**SECTION 14. PROGRAM COORDINATION AND ACCREDITATION.** The legislative assembly urges the state board of higher education to carefully review requests by state institutions of higher education applying for accreditation of programs that have already been accredited at other state institutions. The board should consider student access and quality issues as well as costs when reviewing such requests. Whenever such a request is made or accreditation is granted, the board is encouraged to direct the campuses offering similar programs to cooperate in jointly offering the similar programs by using the staffs and resources of the other campuses. Also, the legislative assembly expresses its strong support for the board to continue implementing policies and procedures to ensure coordination and cooperation between campuses where similar programs are offered.

**SECTION 15. TECHNOLOGY POOL.** The technology pool amount in subdivision 1 of section 1 must be used for the benefit of the institutions and entities in

subdivisions 2 through 15 of section 1 as determined by the board of higher education. Technology funding allocations are to be made based on historic funding, the higher education computer network strategic plan, base funding for higher education computer network computer center operations, and base funding for interactive video network and on-line Dakota information network operations.

**SECTION 16. CRITICAL SALARY POOL.** The critical salary pool amount in subdivision 1 of section 1 must be used for the benefit of the institutions and entities in subdivisions 2 through 15 of section 1 as determined by the board of higher education. When making allocations from the critical salary pool in subdivision 1 of section 1, the state board of higher education shall allocate funds to address additional salary increases beyond legislative appropriations, for market and equity issues.

**SECTION 17. EQUITY AND SPECIAL NEEDS POOL.** The equity and special needs pool in subdivision 1 of section 1 must be used for the benefit of the institutions and entities in subdivisions 3 through 13 of section 1 as determined by the board of higher education. When making allocations from the equity and special needs pool in subdivision 1 of section 1, the board of higher education shall allocate the funds to address equity funding issues and special academic program needs of the entities under its control.

**SECTION 18. MINOT STATE UNIVERSITY - BOTTINEAU INFORMATION TECHNOLOGY INITIATIVE.** The board of higher education is strongly encouraged to consider allocating \$200,000 from either the equity and special needs pool or the board initiatives funding to Minot state university - Bottineau for Minot state university - Bottineau's information technology initiative.

**SECTION 19. LEGISLATIVE COUNCIL INTERIM STUDY OF HIGHER EDUCATION FUNDING.** The legislative council shall consider studying higher education funding during the 1999-2000 interim. If conducted, the study should solicit input from the governor, board of higher education, executive branch, university system campuses, and representatives of business and industry. The study should address the expectations of the North Dakota university system in meeting the state's needs in the twenty-first century, the funding methodology needed to meet these expectations and needs, and an accountability system and reporting methodology for the university system. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-seventh legislative assembly.

**SECTION 20. LEGISLATIVE COUNCIL STUDY - TRIBAL COLLEGES.** The legislative council shall consider studying the tribally controlled colleges in this state and the United Tribes technical college, including a review of funding sources and the number of Indian and non-Indian students attending each college, for the purpose of determining the desirability and feasibility of a grant program to assist the colleges in providing education to students who are less than one-quarter Indian. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-seventh legislative assembly.

**SECTION 21. UTILITY SAVINGS.** Any utility savings realized during the 1999-2001 biennium by the entities listed in section 1 of this Act must be used for maintenance or capital project expenditures.

**SECTION 22. LAND BOARD DISTRIBUTIONS.** Notwithstanding the provisions of section 15-03-05.2, during the 1999-2001 biennium, the board of university and school lands shall distribute to the appropriate entities in section 1 of this Act all income from permanent funds managed for the benefit of those institutions.

**SECTION 23. PARTICIPATION IN MIDWESTERN REGIONAL HIGHER EDUCATION COMPACT STUDENT EXCHANGE PROGRAM.** Notwithstanding section 24 of this Act, it is the intent of the fifty-sixth legislative assembly that during the

1999-2001 biennium North Dakota's membership in the midwestern regional higher education compact may not include participation in the compact's student exchange program. The legislative council shall consider including a review of North Dakota's participation in the student exchange program portion of the midwestern regional higher education compact in the study provided for in section 19 of this Act.

**SECTION 24.** A new chapter to title 15 of the North Dakota Century Code is created and enacted as follows:

**Midwestern regional higher education compact.** The midwestern regional higher education compact is adopted as follows:

#### Article I. Purpose

The purpose of the midwestern higher education compact is to provide greater higher education opportunities and services in the midwestern region, with the aim of furthering regional access to, research in, and choice of higher education for the citizens residing in the states that are parties to this compact.

#### Article II. The Commission

1. The compacting states create the midwestern higher education commission, hereinafter called the commission. The commission is a body corporate of each compacting state. The commission has all the responsibilities, powers, and duties set forth in this chapter, including the power to sue and be sued, and any additional powers conferred upon it by subsequent action of the respective legislative assemblies of the compacting states in accordance with the terms of this compact.
2. The commission consists of the following five resident members from each state: the governor or the governor's designee who serves during the tenure of office of the governor; two legislators, one from each house, except for Nebraska, which may appoint two legislators from its legislative assembly, who serve two-year terms and are appointed by the appropriate appointing authority in each house of the legislative assembly; and two other at large members, at least one of whom is to be selected from the field of higher education. The at large members are to be appointed as provided by the laws of the appointing state. One of the two at large members initially appointed in each state serves a two-year term. The other, and any regularly appointed successor to either at large member, serves a four-year term. All vacancies are to be filled in accordance with the laws of the appointing states. Any commissioner appointed to fill a vacancy serves until the end of the incomplete term.
3. The commission shall select annually, from among its members, a chairman, a vice chairman, and a treasurer.
4. The commission shall appoint an executive director who serves at its pleasure and who is secretary to the commission. The treasurer, the executive director, and other personnel as the commission determines must be bonded in the amounts required by the commission.
5. The commission shall meet at least once each calendar year. The chairman may call additional meetings and upon the request of a majority of the commission members of three or more compacting states, shall call additional meetings. The commission shall give public notice of all meetings. All meetings must be open to the public.

6. Each compacting state represented at any meeting of the commission is entitled to one vote. A majority of the compacting states constitute a quorum for the transaction of business, unless a larger quorum is required by the bylaws of the commission.

### Article III. Powers and Duties of the Commission

1. The commission shall adopt bylaws governing its management and operations.
2. Notwithstanding the laws of any compacting state, the commission shall provide for the personnel policies and programs of the compact in its bylaws.
3. The commission shall submit a budget to the governor and legislative assembly of each compacting state at the time and for the period required by each state. The budget must contain recommendations regarding the amount to be appropriated by each compacting state.
4. The commission shall report annually to the legislative assemblies and governors of the compacting states, to the midwestern governors' conference, and to the midwestern legislative conference of the council of state governments regarding the activities of the commission during the preceding year. The reports must include any recommendations that have been adopted by the commission.
5. The commission may borrow, accept, or contract for the services of personnel from any state or from the United States, or from any subdivision or agency thereof, from any interstate agency, or from any person.
6. The commission may accept for any of its purposes and functions under the compact donations and grants of money, equipment, supplies, materials, and services, conditional or otherwise, from any state or the United States or from any subdivision or agency thereof, from an interstate agency, or from any person, and may receive, use, and dispose of the same.
7. The commission may enter agreements with any other interstate education organization or agency, with institutions of higher education located in nonmember states, and with any of the various states to provide adequate programs and services in higher education for the citizens of the respective compacting states. After negotiations with interested institutions and interstate organizations or agencies, the commission shall determine the cost of providing the programs and services in higher education for use in these agreements.
8. The commission may establish and maintain offices in one or more of the compacting states.
9. The commission may establish committees and hire staff as necessary to carry out its functions.
10. The commission may provide for actual and necessary expenses for the attendance of its members at official meetings of the commission or of its designated committees.

### Article IV. Activities of the Commission

1. The commission shall collect data on the long-range effects of the compact on higher education. By the end of the fourth year from the effective date of the compact and every two years thereafter, the commission shall review its accomplishments and make recommendations to the governors and legislative assemblies of the compacting states regarding continuance of the compact.
2. The commission shall study higher education issues that are of particular concern to the midwestern region. The commission also shall study the need for higher education programs and services in the compacting states and the resources for meeting those needs. The commission shall prepare reports, on its research, for presentation to the governors and legislative assemblies of the compacting states, as well as to other interested parties. In conducting the studies, the commission may confer with any national or regional planning body. The commission may draft and recommend to the governors and legislative assemblies of the various compacting states suggested legislation addressing issues in higher education.
3. The commission shall study the need for the provision of adequate programs and services in higher education, such as undergraduate, graduate, or professional student exchanges in the region. If a need for exchange in a field is apparent, the commission may enter agreements with any institution of higher education and with any compacting state to provide programs and services in higher education for the citizens of the respective compacting states. After negotiating with interested institutions and the compacting states, the commission shall determine the cost of providing the programs and services in higher education for use in its agreements. The contracting states shall contribute funds not otherwise provided, as determined by the commission, to carry out the agreements. The commission may also serve as the administrative and fiscal agent in carrying out agreements for higher education programs and services.
4. The commission shall serve as a clearinghouse for information regarding higher education activities among institutions and agencies.
5. The commission may provide services and research in any other area of regional concern.

#### Article V. Finance

1. The compacting states will appropriate the amount necessary to finance the general operations of the commission, not otherwise provided for, when authorized by their respective legislative assemblies. The amount must be apportioned equally among the compacting states.
2. The commission may not incur any obligations prior to the passage of appropriations adequate to meet the same; nor may the commission pledge the credit of any of the compacting states, except by and with the authority of the compacting state.
3. The commission shall keep accurate accounts of its receipts and disbursements. The receipts and disbursements of the commission are subject to the audit and accounting procedures established under its bylaws. All receipts and disbursements handled by the commission must be audited yearly by a certified or licensed public accountant and the report of the audit must be included in and become part of the annual report of the commission.

4. The accounts of the commission must be open at any reasonable time for inspection by duly authorized representatives of the compacting states and by persons authorized by the commission.

#### Article VI. Eligible Parties and Entry Into Force

1. The states of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin are eligible to become parties to this compact. Additional states may be eligible if approved by a majority of the compacting states.
2. This compact becomes effective, as to any eligible party state, when its legislative assembly enacts the compact into law.
3. An amendment to the compact becomes effective upon its enactment by the legislative assemblies of all compacting states.

#### Article VII. Withdrawal, Default, and Termination

1. A compacting state may withdraw from the compact by enacting a statute repealing the compact, but the withdrawal may not become effective until two years after the enactment of such statute. A withdrawing state is liable for any obligation that it incurred on account of its party status, up to the effective date of withdrawal, except that if the withdrawing state has specifically undertaken or committed itself to any performance of an obligation extending beyond the effective date of withdrawal, it remains liable to the extent of the obligation.
2. If a compacting state at any time defaults in the performance of its obligations, assumed or imposed, in accordance with this compact, all rights, privileges, and benefits conferred by this compact or by agreements made under the compact are suspended from the effective date of the default, as fixed by the commission. The commission shall stipulate the conditions and maximum time for compliance under which the defaulting state may resume its regular status. Unless the default is remedied under the stipulations and within the time period set by the commission, the compact may be terminated with respect to the defaulting state by affirmative vote of a majority of the other member states. A defaulting state may be reinstated by performing all acts and obligations required by the commission.

#### Article VIII. Severability and Construction

The provisions of this compact are severable, and if any phrase, clause, sentence, or provision of this compact is declared to be contrary to the constitution of any compacting state or of the United States or its applicability to any person or circumstance is held invalid, the validity of the remainder of the compact and its applicability to any person or circumstance may not be affected. If the compact is found to be contrary to the constitution of any compacting state, the compact remains in full force and effect as to the remaining states and in full force and effect as to the state affected as to all severable matters. The provisions of the compact must be liberally construed to effectuate the purpose of the compact.

#### Midwestern higher education commission - Terms - Vacancies.

1. The members of the midwestern higher education commission representing this state are:

- a. The governor or the governor's designee.
  - b. One member of the senate and one member of the house of representatives, appointed by the chairman of the legislative council.
  - c. Two at large members, one of whom must be knowledgeable about the field of higher education, appointed by the governor.
2. The term of each legislative appointee is two years. One initial at large member must be appointed for a term of two years and the other for a term of four years. Thereafter, the term of each at large member is four years.
  3. If a member vacates the position to which the member was appointed, the position must be filled for the remainder of the unexpired term in the same manner as that position was filled initially.

**SECTION 25. EMERGENCY.** The capital improvements line items contained in subdivisions 2 through 14 of section 1 of this Act are declared to be emergency measures, and those funds are available immediately upon filing of this Act with the secretary of state. Sections 9 and 10 of this Act are declared to be emergency measures.

Renumber accordingly

*and the Skills training center line  
contained in subdivision 7 of section  
1 of this Act*

**STATEMENT OF PURPOSE OF AMENDMENT:**

DEPARTMENT 215 - NORTH DAKOTA UNIVERSITY SYSTEM

CONFERENCE COMMITTEE - This amendment provides for the following changes:

General fund:

	SYSTEM POOLS	UNIVERSITY SYSTEM OFFICE	BISMARCK STATE COLLEGE	UND-LAKE REGION	UND- WILLISTON	UNIVERSITY OF NORTH DAKOTA
Executive budget		\$28,858,525	\$14,512,720	\$4,950,031	\$4,771,162	\$93,355,802
House changes		(15,078,228)	464,155	120,099	148,694	2,128,429
House version	\$0	\$13,780,297	\$14,976,875	\$5,070,130	\$4,919,848	\$95,484,231
Conference Committee changes:		\$200,000				
Restore EPSCoR funding			\$72,000			
Provide funding to complete Schaler Hall hallway renovation project						
Correct other funds portion of Med School pay plan error			(27,701)	(\$2,441)	(\$19,778)	(\$435,553)
Utility reductions						
Remove information technology initiative added by the House						154,831
Restore a portion of the capital improvement funds removed by the House						
Restore a portion of the specific operating expense reductions made by the House						
Restore all of the Skills Center funding removed by the House	\$1,178,000					
Provide for a systemwide equity and special needs pool	21,948,467					(12,291,515)
Funding transferred to the system technology pool	2,630,992	(2,630,992)				
Funding transferred to the critical salary pool	3,112,128		(185,039)	(59,600)	(60,811)	(944,281)
Funding transferred to the systemwide equity and special needs pool						
Add funding for electrical distribution, steamline distribution, and roof replacement projects						(141,022)
Funding source change for increased land department revenue distributions						
Total Conference Committee changes	<u>\$28,869,587</u>	<u>(\$2,430,992)</u>	<u>(\$140,740)</u>	<u>(\$62,041)</u>	<u>(\$80,567)</u>	<u>(\$13,657,540)</u>
Conference Committee version (general fund)	\$28,869,587	\$11,349,304	\$14,836,135	\$5,008,089	\$4,839,259	\$81,824,691

	NORTH DAKOTA STATE UNIVERSITY	STATE COLLEGE OF SCIENCE	DICKINSON STATE UNIVERSITY	MAYVILLE STATE UNIVERSITY	MINOT STATE UNIVERSITY	VALLEY CITY STATE UNIVERSITY
Executive budget	\$72,401,732	\$22,682,030	\$13,032,290	\$8,461,665	\$24,852,277	\$11,371,267
House changes	1,331,086	649,784	215,047	223,528	748,978	282,372
House version	\$73,732,798	\$23,331,794	\$13,254,340	\$8,685,194	\$25,601,253	\$11,653,639
<b>Conference Committee changes:</b>						
Restore EPSCoR funding						
Provide funding to complete Schaller Hall hallway renovation project						
Correct other funds portion of Med School pay plan error						
Utility reductions	(\$65,450)	(\$2,364)		(\$1,038)		
Remove information technology initiative added by the House						
Restore a portion of the capital improvement funds removed by the House	95,169					
Restore a portion of the specific operating expense reductions made by the House	161,874					
Restore all of the Skills Center funding removed by the House	250,000					
Provide for a systemwide equity and special needs pool						
Funding transferred to the system technology pool	(\$656,952)					
Funding transferred to the critical salary pool						
Funding transferred to a systemwide equity and special needs pool	(754,346)	(290,214)	(\$161,791)	(106,807)	(\$351,670)	(\$145,217)
Add funding for electrical distribution, steamline distribution, and roof replacement projects		2,000,000				
Funding source change for increased land department revenue distributions	(205,774)	(83,094)	(5,850)	(30,491)	(5,850)	(27,199)
<b>Total Conference Committee changes</b>	<b>(\$1,015,479)</b>	<b>\$1,624,326</b>	<b>(\$167,641)</b>	<b>(\$138,336)</b>	<b>(\$357,520)</b>	<b>(\$172,416)</b>
Conference Committee version (general fund)	\$63,557,319	\$24,956,122	\$13,086,699	\$8,546,858	\$25,243,733	\$11,481,223

	MSU- BOTTINEAU	FOREST SERVICE	UND SCHOOL OF MEDICINE AND HEALTH SCIENCES	TOTAL
Executive budget	\$3,872,632	\$1,573,548	\$20,223,882	\$322,024,847
House changes	319,477	33,203	892,349	(7,521,480)
House version	\$4,192,109	\$1,606,751	\$29,116,231	\$325,403,787
Conference Committee changes:				
Restore EPSCoR funding				\$200,000
Provide funding to complete Schaefer Hall hallway renovation project				72,000
Correct other funds portion of Med School pay plan error				(554,323)
Utility reductions				(200,000)
Remove information technology initiative added by the House	(\$200,000)			250,000
Restore a portion of the capital improvement funds removed by the House			\$142,449	304,323
Restore a portion of the specific operating expense reductions made by the House				250,000
Restore all of the Skills Center funding removed by the House				1,178,000
Provide for a systemwide equity and special needs pool				
Funding transferred to the system technology pool				
Funding transferred to the critical salary pool				
Funding transferred to the systemwide equity and special needs pool	(\$2,352)			2,000,000
Add funding for electrical distribution, steamline distribution, and roof replacement projects				(505,130)
Funding source change for increased land department revenue distributions	(5,850)			
Total Conference Committee changes	<u>(\$258,202)</u>	<u>          </u>	<u>\$142,449</u>	<u>\$2,994,870</u>
Conference Committee version (general fund)	\$3,933,907	\$1,626,751	\$29,258,680	\$328,398,637

Other funds:

	SYSTEM POOLS	UNIVERSITY SYSTEM OFFICE	BISMARCK STATE COLLEGE	UND-LAKE REGION	UND- WILLISTON	UNIVERSITY OF NORTH DAKOTA
Executive budget House changes		\$4,933,900	\$7,789,778	\$1,948,806	\$2,300,285	\$53,482,071
House version	50	\$4,933,900	\$19,159,778	\$8,403,788	\$3,653,265	\$78,739,899
Conference Committee changes:						
Restore EPSCoR funding						
Provide funding to complete Schafer Hall hallway renovation project						
Correct other funds portion of Mod School pay plan error						
Utility reductions						
Remove information technology initiative added by the House						
Restore a portion of the capital improvement funds removed by the House						
Restore a portion of the specific operating expense reductions made by the House						
Restore all of the Stotts Center funding removed by the House						
Provide for a systemwide equity and special needs pool						
Funding transferred to the system technology pool						
Funding transferred to the critical salary pool						
Funding transferred to the systemwide equity and special needs pool						
Add funding for electrical distribution, steamline distribution, and roof replacement projects						141,022
Funding source change for increased land department revenue distributions						
Total Conference Committee changes	\$0	\$0	\$0	\$0	\$0	\$141,022
Conference Committee version (other funds)	\$0	\$4,933,900	\$19,159,778	\$8,352,572	\$3,953,265	\$335,368,702

	NORTH DAKOTA STATE UNIVERSITY	STATE COLLEGE OF SCIENCE	DICKINSON STATE UNIVERSITY	MAYVILLE STATE UNIVERSITY	MINOT STATE UNIVERSITY	VALLEY CITY STATE UNIVERSITY
Executive budget	\$55,698,903	\$9,018,742	\$8,340,728	\$2,878,227	\$11,880,734	\$3,808,987
House changes	111,619,416	15,954,000	6,021,297	7,400,000	19,819,293	8,820,000
House version	\$167,318,319	\$24,972,742	\$14,362,123	\$10,278,227	\$30,498,937	\$12,628,987
<b>Conference Committee changes:</b>						
Restore EPSCoR funding						
Provide funding to complete Scheler Hall hallway renovation project						
Correct other funds portion of Med School pay plan error						
Utility reductions						
Remove information technology initiative added by the House						
Restore a portion of the capital improvement funds removed by the House						
Restore a portion of the specific operating expense reductions made by the House						
Restore all of the Stults Center funding removed by the House						
Provide for a systemwide equity and special needs pool						
Funding transferred to the system technology pool						
Funding transferred to the critical salary pool						
Funding transferred to the systemwide equity and special needs pool						
Add funding for electrical distribution, steamline distribution, and roof replacement projects	205,774	83,094	5,850	30,491	5,850	27,199
Funding source change for increased land department revenue distributions						
<b>Total Conference Committee changes</b>	<u>\$205,774</u>	<u>\$83,094</u>	<u>\$5,850</u>	<u>\$30,491</u>	<u>\$5,850</u>	<u>\$27,199</u>
Conference Committee version (other funds)	\$167,524,093	\$25,065,836	\$14,367,973	\$10,308,718	\$30,505,787	\$12,713,786

	MSU- BOTTINEAU	FOREST SERVICE	UND SCHOOL OF MEDICINE AND HEALTH SCIENCES	TOTAL
Executive budget	\$1,418,967	\$859,006	\$59,472,012	\$226,690,722
House changes	2,152,561	1,336,082	(545,582)	499,747,452
House version	\$3,571,528	\$2,195,088	\$58,926,430	\$896,448,174
Conference Committee changes:				
Restore EPSCoR funding				
Provide funding to complete Schaler Hall hallway renovation project				
Correct other funds portion of Med School pay plan error			(8521,503)	(8521,503)
Utility reductions				
Remove information technology initiative added by the House	(838,135)			(28,135)
Restore a portion of the capital improvement funds removed by the House				
Restore a portion of the specific operating expense reductions made by the House				
Restore all of the Skills Center funding removed by the House				
Provide for a systemwide equity and special needs pool				
Funding transferred to the system technology pool				
Funding transferred to the critical salary pool				
Funding transferred to the systemwide equity and special needs pool				
Add funding for electrical distribution, steamline distribution, and roof replacement projects				
Funding source change for increased land department revenue distributions	5,850			505,130
Total Conference Committee changes	<u>(822,285)</u>	<u>80</u>	<u>(8521,503)</u>	<u>(844,508)</u>
Conference Committee version (other funds)	\$3,549,243	\$2,195,088	\$58,404,927	\$896,401,666

Total funds:

	SYSTEM POOLS	UNIVERSITY SYSTEM OFFICE	BISMARCK STATE COLLEGE	UND-LAKE REGION	UND- WILLISTON	UNIVERSITY OF NORTH DAKOTA
Executive budget		\$33,790,425	\$22,302,498	\$8,898,837	\$7,071,427	\$140,847,873
House changes		(15,078,229)	11,834,155	6,523,883	1,801,894	280,890,038
House version	\$0	\$18,714,196	\$34,136,651	\$15,422,720	\$8,873,321	\$430,707,911
Conference Committee changes:						
Restore EPSCoR funding		\$200,000				
Provide funding to complete Schaller Hall hallway renovation project			\$72,000			
Correct other funds portion of Med School pay plan error						
Utility reductions			(27,701)	(52,441)	(519,776)	(5435,553)
Remove information technology initiative added by the House						
Restore a portion of the capital improvement funds removed by the House						154,831
Restore a portion of the specific operating expense reductions made by the House						
Restore all of the Skut's Center funding removed by the House						
Provide for a systemwide equity and special needs pool	\$1,178,000					
Funding transferred to the system technology pool	21,948,467					(12,291,515)
Funding transferred to the critical salary pool	2,630,992	(2,630,992)				
Funding transferred to the systemwide equity and special needs pool	3,112,128		(185,039)	(59,600)	(60,811)	(944,281)
Add funding for electrical distribution, steamline distribution, and roof replacement projects						
Funding source change for increased land department revenue distributions						
Total Conference, Committee changes	<u>\$28,869,587</u>	<u>(\$2,430,992)</u>	<u>(\$140,740)</u>	<u>(\$62,041)</u>	<u>(\$60,587)</u>	<u>(\$13,516,518)</u>
Conference Committee version (total funds)	\$28,869,587	\$16,283,204	\$33,995,911	\$13,360,681	\$8,792,524	\$417,191,393

	NORTH DAKOTA STATE UNIVERSITY	STATE COLLEGE OF SCIENCE	DICKINSON STATE UNIVERSITY	MAYVILLE STATE UNIVERSITY	MINOT STATE UNIVERSITY	VALLEY CITY STATE UNIVERSITY
Executive budget	\$128,100,635	\$31,700,772	\$21,380,819	\$11,339,869	\$36,533,011	\$15,236,154
House changes	112,850,482	16,613,794	8,236,444	7,621,528	19,566,179	9,082,372
House version	\$241,051,117	\$48,314,538	\$27,616,483	\$18,961,421	\$56,101,190	\$24,320,526
Conference Committee changes:						
Restore EPSCoR funding						
Provide funding to complete Schuler Hall hallway renovation project						
Correct other funds portion of Med School pay plan error						
Utility reductions	(\$85,450)	(\$2,364)		(\$1,038)		
Remove information technology initiative added by the House						
Restore a portion of the capital improvement funds removed by the House	95,169					
Restore a portion of the specific operating expense reductions made by the House	161,874					
Restore all of the Skulls Center funding removed by the House	250,000					
Provide for a systemwide equity and special needs pool						
Funding transferred to the system technology pool	(9,656,952)					
Funding transferred to the critical salary pool						
Funding transferred to the systemwide equity and special needs pool	(754,346)	(290,214)	(161,791)	(106,807)	(351,670)	(145,217)
Add funding for electrical distribution, steamline distribution, and roof replacement projects		2,000,000				
Funding source change for increased land department revenue distributions						
Total Conference Committee changes	<u>(\$9,969,705)</u>	<u>\$1,707,422</u>	<u>(\$161,791)</u>	<u>(\$107,845)</u>	<u>(\$351,670)</u>	<u>(\$145,217)</u>
Conference Committee version (total funds)	\$231,081,412	\$50,021,958	\$27,454,672	\$18,853,576	\$55,749,520	\$24,175,309

	MSU- BOTTINEAU	FOREST SERVICE	UND SCHOOL OF MEDICINE AND HEALTH SCIENCES	TOTAL
Executive budget	\$5,291,589	\$2,432,554	\$87,895,874	\$359,623,569
House changes	2,472,038	1,389,285	348,767	462,226,172
House version	\$7,763,627	\$3,821,839	\$88,042,641	\$1,021,849,941
Conference Committee changes:				
Restore EPSCoR funding				\$200,000
Provide funding to complete Schuler Hall hallway renovation project				72,000
Correct other funds portion of Med School pay plan error			(\$521,503)	(521,503)
Utility reductions				(55,123)
Remove information technology initiative action by the House	(\$228,135)			(228,135)
Restore a portion of the capital improvement funds removed by the House				250,000
Restore a portion of the specific operating expense reductions made by the House			142,449	304,323
Restore all of the Skills Center funding removed by the House				250,000
Provide for a systemwide equity and special needs pool				1,178,000
Funding transferred to the system technology pool				
Funding transferred to the critical salary pool				
Funding transferred to the systemwide equity and special needs pool	(52,352)			
Add funding for electrical distribution, steamline distribution, and roof replacement projects				2,000,000
Funding source change for increased land department revenue distributions				
Total Conference Committee changes	<u>(\$280,487)</u>	<u>_____</u>	<u>(\$379,054)</u>	<u>\$2,950,362</u>
Conference Committee version (total funds)	\$7,483,150	\$3,821,839	\$87,663,587	\$1,024,800,303

This amendment also:

- Adds a section providing that funding for the NDSU/NDCS Skills Training Center may not be used for the operations of the center and that no general fund support will be provided for the center after the 1999-2001 biennium.
- Adds a section urging the Board of Higher Education to review accreditation of new programs which are already accredited at another institution.
- Adds sections providing directive regarding the allocations to be made from the technology pool, equity and special needs pool, and the critical salary pool.
- Adds a section encouraging the Board of Higher Education to allocate \$200,000 from either the equity and special needs pool or the board initiatives funding to Minot State University - Bottineau for its information technology initiative.

- Adds a section providing for a Legislative Council study of the funding of higher education.
- Adds a section providing for a Legislative Council study of tribally controlled colleges.
- Adds a section directing that any utility savings be used for repair or maintenance items.
- Adds a section providing for additional distributions by the Land Board to the institutions.
- Adds sections providing for the state to join the Midwestern Regional Higher Education Compact.
- Adds a section providing that North Dakota may not participate in the Midwestern Regional Higher Education Compact student exchange program during the 1999-2001 biennium.

Date: 4/29  
Roll Call Vote #: 1

1999 CONFERENCE COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1003

House Appropriations

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number 0

Action Taken Senate recede and amend w/0313 including lang. change  
discuss

Motion Made By Sen. St. Aubyn Seconded By Rep. Carlson

Representatives	Yes	No	Senators	Yes	No
WENTZ	X		ST. AUBYN	X	
CARLSON	X		BOWMAN	X	
NICHOLS	X		KRAUTER	X	

Reps. (Yes) 3 No 0

Sen. (Yes) 3 (No) 0

Floor Assignment \_\_\_\_\_

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

# SB 2300

Senator Tim Flakoll

District 44

Chairman Freborg and members of the Senate Education committee. For the record I am Senator Tim Flakoll of District 44.

Started in 2006 and ending this past December, the North Dakota Commission on Education Improvement has led to tremendous advancements in K12 education in our state. Those same positive impacts to the quality and equitable delivery to students from all corners of the state can be transferred to higher education.

First a little comparative information between K-12 and higher education.

The nine plaintiff districts which brought the K-12 lawsuit represent about 5% of all districts in the state. Their students are funded at an average of **70.8% of the state-wide average** prior to equity funding adjustments.

Conversely, the bottom 5% of students in higher education are funded at an average of about **39% of their peers**.

SB 2300, is at its core about what is doing what is best for students regardless of what corner of the state they come from or what state supported campus they

#3 SB2300

attend in North Dakota. It is about making the **best use of**, and **getting the most out** of the dollars we invest in higher education in the state.

SB 2300 allows us to move from the current funding scheme which is based on historic funding and has no basis in cost to deliver or productivity. The current system does not recognize nor properly respond to actual costs to deliver a program. As an example, the diesel mechanics program at Wahpeton or nursing programs at a number of campuses cost more than other majors or programs that can have larger class sizes or do not require labs which can make them less expensive to deliver.

SB 2300 allows us to have intense and productive efforts to look past a funding system based on historic funding and to one that could react more properly to those various costs and what is best for the student. This is would mirror what we have effectively done with K-12 in North Dakota.

Currently the state of North Dakota pays 39% of the cost of education at our system campuses. I sure there is a shared goal in this committee to make sure that we make the very best use of those state funds, as well as the 61% of the cost of higher education that comes from students and other non-state funds.

SB2300 allows us to work on a more student-focused, outcome based funding and delivery system.

I will provide a summary (handout on blue paper) of the current level of funding by campus and equity dollars per campus that is scheduled for this session. Look at the inconsistencies that exist.

#3 SB2300

**Examples of equity payments:**

Campus B is a 90% of peers and gets \$36.49/student for equity and,

Campus C is at 87% of peers and gets \$102.44/student for equity funding.

Similarly,

Campus D is at 79% of peers and receives \$164.69/student while,

Campus E at 3% less at 76% receives \$29.67/student.

Finally let's compare campuses H and I who are both at exactly the same 51%. One campus receives \$112.61 compared to the \$81.11 in "equity" payments for the other campus.

Some may think what do I care? I have no campus in my district. There is more than one reason but one answer should be obvious.... each one of you as legislators have students who were raised in your districts, who pay taxes and vote who attend campuses across the state of North Dakota. I think we have a shared responsibility to insure that we live up to our Constitutional obligation to provide for a "uniform system of education" for each one of those 31,000 North Dakota residents who attend college in North Dakota.

**See handout on "In-State Enrollment by County of Origin."**

If we were a business that or CEO of a billion dollar company we would want to make sure that we were making wise investments that produced the results we

#3 SB2300

desire. Why should not government and education engage in a similar due diligence?

Equity has been an issue that has been given lip service since the day I set foot in the Senate Chambers. But I am reminded of a Peanuts cartoon that has played since I was a child. That cartoon is of Lucy pulling the ball away just in the nick of time so that Charlie Brown can't kick it. Similarly we have heard talk of equity but little genuine activity behind that talk. But the issue remains like Charlie Brown who is told by Lucy..... trust me this time I will not pull the ball away..... but every time... every year she pulls the ball away.... just like what has been done with equity.

### Handout - Peanuts Cartoon

Let me give you one example of a changing education landscape. Higher education is going through a transformational period where on-line learning is growing and we need to look a how can appropriately and efficiently deliver e-learning and associated physical plant needs. It is estimated that by the year 2020 there will be 40% of our students taking classes on-line. It would seem that based on that transformation that we would not need as much physical plant space to meet those needs.

We need SB2300 to provide the workproduct that can be brought to the next legislative session to improve higher education. In the end the Legislature will still have the final say, much like we have with the work of the K-12 Commission on Education Improvement. Mr. Chairman, North Dakota has one of the most efficient systems of higher education in the country, but there is still more work that we can do and I ask for your vote to support this work. **Handout on Delta Cost project**

Chairman Freborg that concludes my testimony and I would be happy to stand for any questions.

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**North Dakota University System**

**Current % Peer Funding and Calculated Annual Amount of Equity Increase Per FTE,  
Included in 2011-13 Executive Recommendation**

Prepared at the Request of Sen. Flakoll, December 27, 2010

(1)	(2)	(3)
	<b>Current % Peer Funding, Based on 2009-11 Legislative Appropriations</b>	<b>Calculated Annual Amount of 11-13 Equity Increase/FTE, Included in Executive</b>
Campus A	95%	\$87.72
Campus B	90%	\$36.49
Campus C	87%	\$102.44
Campus D	79%	\$164.69
Campus E	76%	\$29.67
Campus F	75%	\$142.45
Campus G	55%	\$126.00
Campus H	51%	\$112.61
Campus I	51%	\$81.11
Campus J	48%	\$123.11
Campus K	39%	\$184.88

Adapted from official NDUS data.

Campus names have been removed to allow a more fair appraisal

C:\Users\flakoll\Documents\New equity per student calc for Flakoll - campus names not listed.xlsx

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**Table 13A**  
**IN-STATE ENROLLMENT BY COUNTY OF ORIGIN**  
**Fall 2006 through Fall 2010**

Counties	2006	2007	2008	2009	2010	Counties
Unspecified	276	39	16	38	91	Unspecified
Adams	80	271	69	75	77	Adams
Barnes	450	258	481	447	441	Barnes
Benson	220	230	221	199	190	Benson
Billings	15	12	16	25	32	Billings
Bottineau	343	363	344	340	337	Bottineau
Bowman	162	153	144	167	156	Bowman
Burke	73	77	60	71	72	Burke
Burleigh	3,795	3,919	3,991	3,997	4,105	Burleigh
Cass	4,843	4,990	5,273	5,736	5,980	Cass
Cavalier	237	228	215	229	190	Cavalier
Dickey	151	147	149	156	167	Dickey
Divide	90	72	74	76	74	Divide
Dunn	152	164	145	140	148	Dunn
Eddy	109	117	114	126	122	Eddy
Emmons	166	184	177	183	183	Emmons
Foster	184	164	150	152	161	Foster
Golden Valley	72	76	62	74	79	Golden Valley
Grand Forks	3,631	3,740	4,010	4,034	4,313	Grand Forks
Grant	92	84	83	70	72	Grant
Griggs	118	106	93	78	86	Griggs
Hettinger	163	133	134	141	129	Hettinger
Kidder	110	95	97	115	106	Kidder
LaMoure	189	176	194	177	189	LaMoure
Logan	80	65	78	70	58	Logan
McHenry	302	280	284	296	274	McHenry
McIntosh	93	105	92	86	103	McIntosh
McKenzie	208	174	172	142	159	McKenzie
McLean	460	451	445	410	379	McLean
Mercer	563	542	505	470	461	Mercer
Morton	1,137	1,196	1,225	1,175	1,255	Morton
Mountrail	305	240	230	237	218	Mountrail
Nelson	185	157	158	152	165	Nelson
Oliver	74	62	69	62	72	Oliver
Pembina	271	229	241	196	239	Pembina
Pierce	197	208	187	231	235	Pierce
Ramsey	656	626	653	695	663	Ramsey
Ransom	190	185	189	192	200	Ransom
Renville	131	115	112	139	150	Renville
Richland	820	764	834	794	821	Richland
Rolette	415	372	335	318	295	Rolette
Sargent	197	198	200	204	216	Sargent
Sheridan	72	53	54	58	50	Sheridan
Sioux	61	54	38	47	32	Sioux
Slope	15	7	9	4	6	Slope
Stark	1,272	1,313	1,353	1,435	1,366	Stark
Steele	64	55	49	51	55	Steele
Stutsman	792	715	795	796	841	Stutsman
Towner	139	102	98	77	90	Towner
Traill	430	429	410	411	443	Traill
Walsh	389	412	424	444	428	Walsh
Ward	2,750	2,697	2,852	2,880	3,060	Ward
Wells	226	211	215	228	227	Wells
Williams	843	765	823	937	905	Williams
<b>Total</b>	<b>29,058</b>	<b>28,580</b>	<b>29,441</b>	<b>30,083</b>	<b>30,966</b>	<b>Total</b>
Percentage change from one year to next		-1.6%	3.0%	2.2%	2.9%	

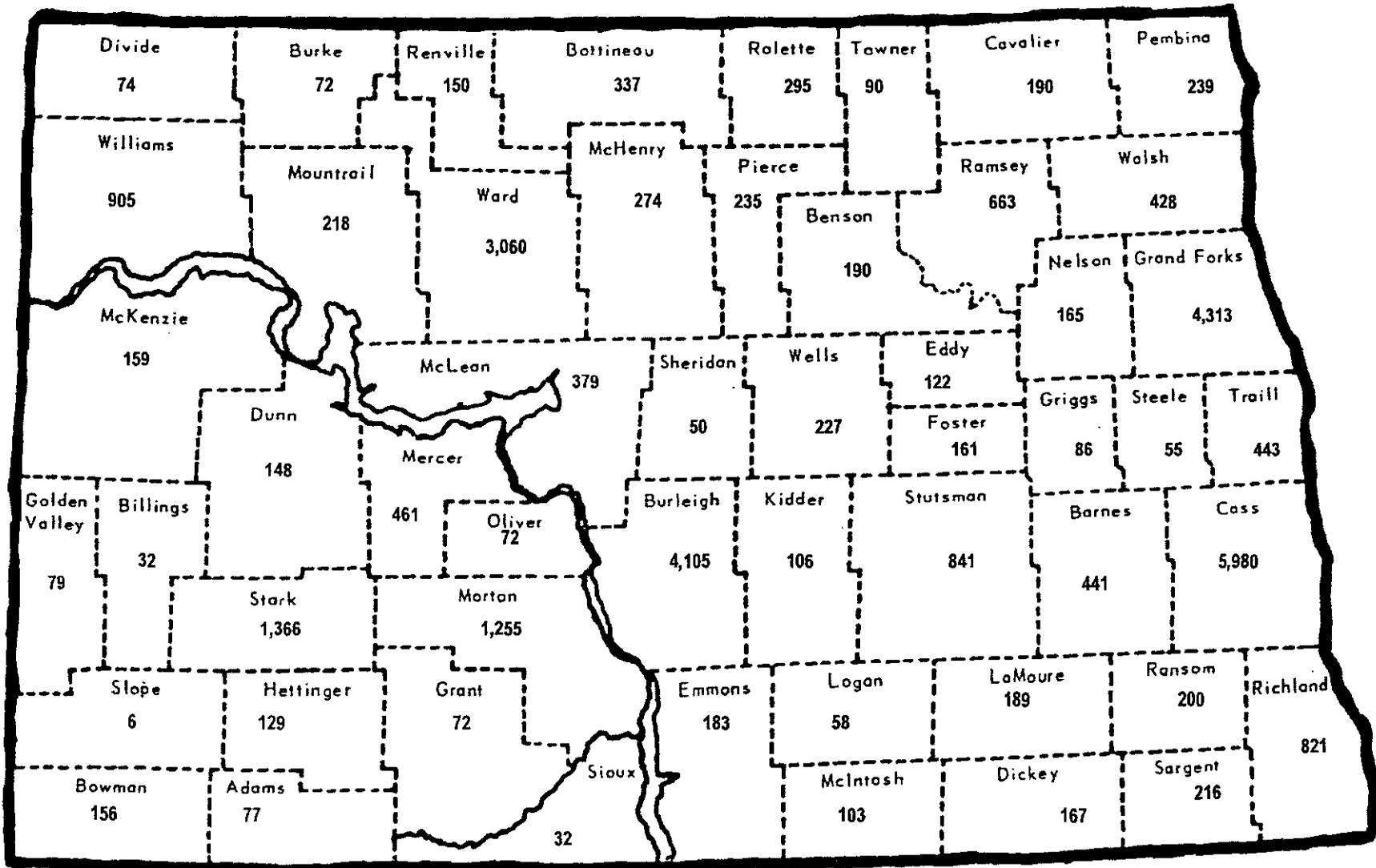
County of Origin: Students' home address

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**Figure 1**  
**IN-STATE ENROLLMENT BY COUNTY OF ORIGIN**  
**Fall 2010**

#S SB2300

23

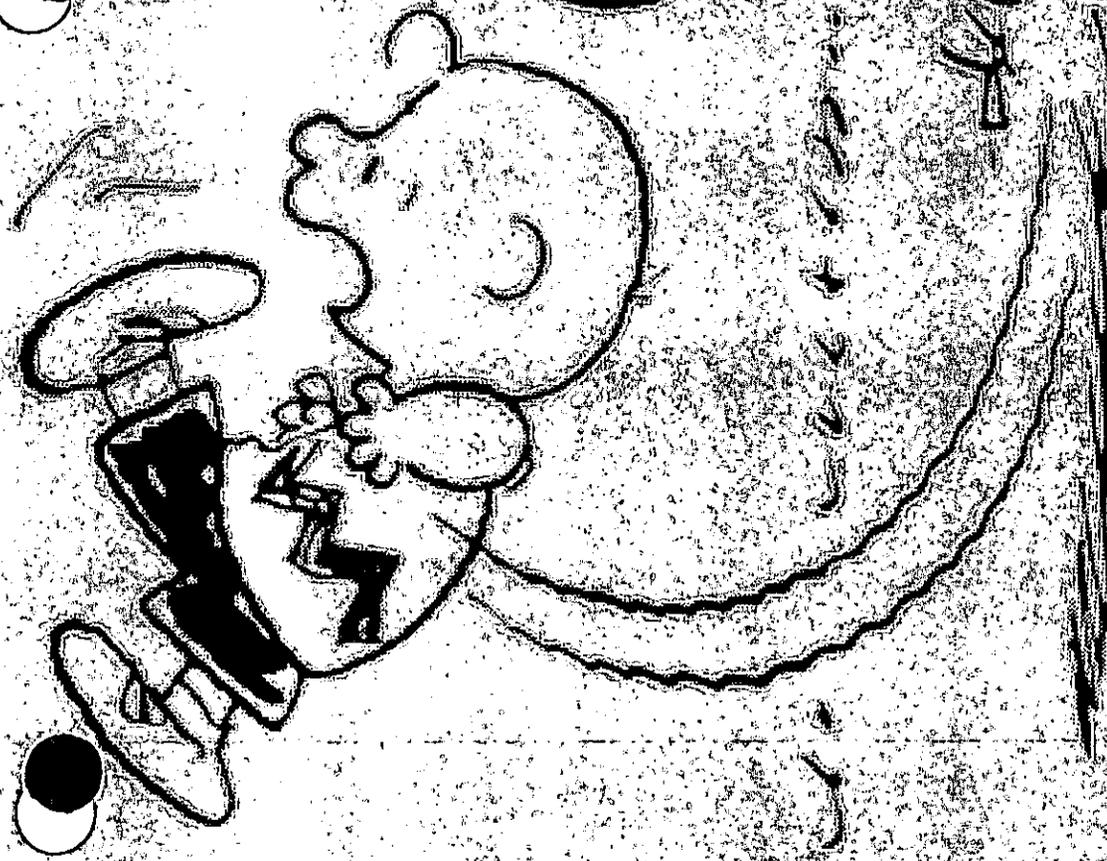


Total headcount = 30,966

The county of residency is unknown for 91 North Dakota students.

Total in-state enrollment includes students who attend Jamestown College and the University of Mary.

AAUGH!



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## The Delta Cost Project: A Perspective on Higher Education in North Dakota

November 2009

*In July 2009, the Delta Cost Project released a white paper titled *The Dreaded P Word: An Examination of Productivity in Public Postsecondary Education*. This report presents a new market-based methodology for estimating productivity in state public higher education systems and compares results across the states.*

*Funded by the Lumina Foundation for Education and authored by Patrick Kelly, senior associate at NCHEMS, the study relates state and student spending on higher education to the market value of degrees and credentials produced. According to a news release: **The market-based productivity estimates show that the costs per credential are lowest in Florida, Colorado, Washington, Utah and North Dakota; these states convert resources into credentials that have value in their marketplaces.***

### Additional References to North Dakota:

- "The highest proportions of STEM credentials are provided in North and South Dakota ... " (p. 17)
- "... Colorado, North Dakota, Washington, Minnesota, and New Hampshire are among the best-educated states and exhibit high levels of productivity." (p.23)
- "Despite producing a relatively large number of degrees with low levels of resources, North Dakota and West Virginia lose a substantial number of graduates to other states that have more vibrant economies." (p.23)
- "... from 1995 to 2000, Indiana was a net exporter of more than 1,400 engineers. South Dakota experienced a net loss of nearly 500 engineers, and the same was true in North Dakota (a net loss of more than 400 engineers). These three states rank very well among states in STEM production and, therefore, the larger issue they face is the creation of an economy that can employ their graduates." (p.17) Summarized another way, "...the productivity of the public postsecondary education system is less an issue than the ability of the state to

create and sustain an economy that can retain the graduates they produce." (p.11)

Also of note, the average salary of adults who hold bachelor's degrees in each state was given a weight of 1.00. A bachelor's degree in a STEM field in North Dakota earned a weight of 1.29, indicating that a working-age adult who holds a bachelor's degree in a STEM field earned a salary 29 percent higher than the average. Having an associate's degree in a STEM field in North Dakota earned a weight of 1.57, the highest associate degree weight in the study. This indicates that, on average in North Dakota, working-age adults who have associate degrees in STEM fields earn higher salaries than bachelor's degree recipients or STEM bachelor's degree recipients. (p.30)

According to the report, this market-based methodology is useful at a state-policy level, both to look at spending in comparison to the market value of the degrees and credentials produced and to compare overall productivity to the performance of postsecondary education in other states. Unlike other measures, this new method takes the two-and four-year transfer mission into account; a state that has a successful transfer function will show higher productivity in the production of bachelor's degrees. (p. 27) (The SBHE has implemented comprehensive policies promoting seamless transfer.) The report also

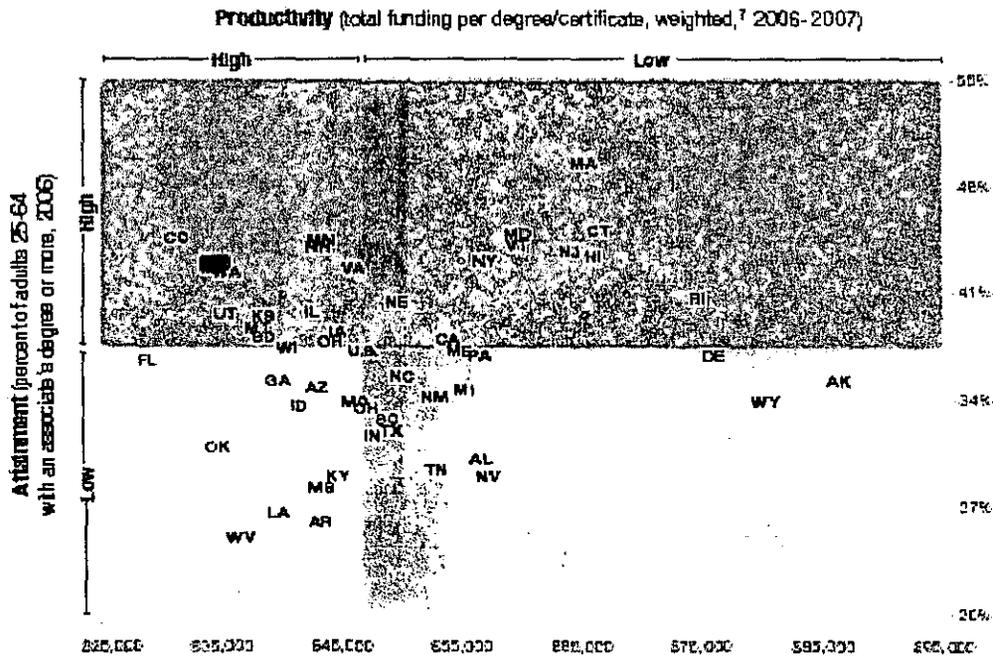
suggests that the agenda for policymakers in states with high productivity and few resources should focus on targeted investments and the production of degrees in high-demand fields. (p. 26.)

Finally, the report suggests that, "Graduation rates are not particularly good measures for gauging the overall productivity of state systems" and suggests that, "Certificates and degrees awarded as a percent of the number of students enrolled" would be a better measure.

To read the full report, go to: [http://deltacostproject.org/resources/pdf/Kelly07-09\\_WP.pdf](http://deltacostproject.org/resources/pdf/Kelly07-09_WP.pdf)

The closer a state is to the upper left-hand corner of Figure 1, the lower its cost and higher its productivity. The closer a state is to the lower right-hand corner, the higher its cost and lower its productivity. Since North Dakota is the second closest state to the upper left hand corner, behind only Colorado, it could be argued that North Dakota has the second most productive university system in the country, given the resources available. (Colorado higher education is undergoing a major funding transition which likely results in its high productivity ranking. The long-term impact of this funding transition has yet to be determined.)

Productivity vs. educational attainment of the adult population







Chairman Freborg and members of the committee, my name is William Woodworth. I am currently the Legislative Lobbyist for the North Dakota Student Association. We support SB 2300 which would create a North Dakota commission on higher education funding. Students feel that the current equity and parity formulas for the North Dakota University System do not provide an equitable solution. According to the March 2006 study submitted by MGT of America, Inc. to the North Dakota Legislative Council, "No solution will make every institution happy." The Executive Budget proposal also has called for funding for a study to develop an improved equity formula. We are also proposing an amendment to the bill to change the student membership on the commission from nonvoting to voting, as we feel students should have a greater say in the determination of their respective institutions' funding. In the end, students will be the most affected by any spending formula. Furthermore, we feel as proposed, the legislation will benefit the students as a whole by providing a more equitable funding solution for higher education. For these reasons, the North Dakota Student Association urges this committee to give SB 2300 a do pass recommendation with the proposed amendment. Thank you for your time.

William Woodworth

North Dakota Student Association, Legislative Lobbyist

#8 SB 2300

Robert Vallie

Executive Commissioner: Governmental Relations and Inter-Collegiate Affairs

NDSU Student Government

Testimony concerning SB 2300

February 9, 2011

Mr. Chairman and members of the Senate Education Committee:

Today is a good day. Today is an important day for you, for me and for everyone who will make use of our institutions of higher education now and into the future. Today is the first step towards finding a better way for higher education to be funded that ensures accountability, alleviate some of the concerns of our institutions of higher education and develop a higher education system of the new millennium.

Now I've been in my current position serving the students of North Dakota State University for the last eight months I have taken a crash course in becoming an "expert" in the workings both inside and outside of the North Dakota University System. What I have found in that time is that over the last several decades the higher education system in this state has really come into its own in the last few decades. An educational system that offers a quality education with a wide variety of options at a reasonable price, with eleven institutions across the state and one's support by the good people of North Dakota. It has been with that support and that commitment with our North Dakota values that has made this system as the best in the nation. However within that time as I'm sure you are all aware to allow this system to flourish it has required a great cost. With double digit increases in percentage in overall funding to our institutions and concerns as to the success of our system has lead to concerns by all parties as to both the sustainability of this funding and for some the want of cutting funds from higher education. No matter which way it can be sliced it does create serious concerns for us as students and that some kind of action is necessary.

For us as students of North Dakota State University we feel that passage of such legislation will be the first step of many by this government to attempt to find a better method of funding not based on simply giving the same base funding plus extra but to move to methods that deal with success and performance of our institutions through criterion that allows us to recognize achievement of students and faculty in terms of retention, graduation on time and other factors and to build it in such a way that allows us to build our funding model to ensure that accountability expected by the good people of this state, that helps to create an atmosphere of higher achievement, to recognize what things are working in our state institutions and also to begin to address those concerns within our institutions and how we all can better work to solve them.

Mr. Chairman, members of the committee, in the last twelve years our state has seen major changes in our system of higher education. In 1999 we saw the creation of the roundtable in order for all parties to

#9 SB2300

address the needs of our state and how higher education, industry, can government could work to address the needs of our state and what changes were needed to succeed. In the first decade of this millennium we saw the development of the use of technology to support traditional classroom learning as well as bring education to a point where anyone anywhere can gain access to it and challenged us to find better ways of learning. Now in the beginning of this decade with this legislation and others moving through our system of government we now have the ability to find a funding model or models to allow higher education to succeed and allow students to succeed. For everything there must be change and for us as students of North Dakota State University we appreciate and thank this government for recognizing that need to change and for allowing us as students the ability to be on the ground floor of that change in this piece of legislation and in others you will see and have seen this session. Mr. Chairman and members of the committee we as students of North Dakota State University support the passage of Senate Bill 2300 in the hopes of creating that positive change for the future of higher education and to help contribute wholeheartedly to this process with our insight and knowledge in creating not only an efficient and effective system but one that is seen for the benefits it contributes to this state and future generations of North Dakotans who will be students. Mr. Chairman and members of the committee the students of NDSU support that belief in change and with your support and the support of this government that today will always be remembered as good day.

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State Capitol - 600 E Boulevard Ave Dept. 215  
Bismarck ND 58505-0230  
Phone: 701.328.2960 Fax: 701.328.2961  
E-mail: NDUS.office@ndus.edu Web: ndus.edu

TO: Chairman Layton Freborg and members of the Senate Education Committee

FROM: William Goetz, Chancellor

DATE: February 10, 2011

RE: North Dakota University System Strategic Plan

In response to my testimony on SB 2300, I am providing you with a copy of the 2009-13 NDUS Strategic Plan. If committee members have questions, do not hesitate to give me a call at 328-2963.

Attachment

g:\terry\1100\11ses\memo to senate education 2-11-11.docx

#10



State Capitol - 600 E Boulevard Ave - Dept. 215  
Bismarck ND 58505-0230  
Phone: 701.328.2960 Fax: 701.328.2961  
E-mail: ndus.office@ndus.edu Web: ndus.edu

I am pleased to share with you a copy of the North Dakota University System's Strategic Plan. This is a forward-looking plan that focuses on creating a dynamic future for North Dakota through a highly educated population. This Strategic Plan was developed in accordance with North Dakota *Century Code 15-10-14.2*:

*"The state board of higher education shall adopt a strategic planning process and develop a strategic plan to define and prioritize university system goals and objectives. The Board shall provide an annual performance and accountability report regarding performance and progress toward the goals outlined in the university system's strategic plan and accountability measures."*

As a result of its July 2009 retreat, the State Board of Higher Education expressed the need to develop a compelling new strategic plan for the University System. Board members emphasized the importance of defining clear and concise goals with related objectives that are specific, measurable, and actionable.

The attached document outlines the resulting vision, four goals, and measurable objectives associated with each goal. These goals emerged through a convergence of common themes from the Board's 2009 retreat, the work of the Higher Education Roundtable (October 2008), Legislative Interim Higher Education Committees (2007-08, 2009-10), NDUS Strategy Forum (June 2009), Presidential group meetings (May and June 2009), and the Chancellor's Cabinet retreat (June 2009). The common themes reflected by the four goals are: *access, funding/affordability, economic development, and flexibility and responsiveness*. They are united by the overarching theme of *increasing the educational attainment of the state*.

Progress toward each of these goals will be assessed through specific objectives. The majority of these stated objectives are directly linked to the required accountability measures outlined in SB 2038 adopted during the 2009 legislative session. The major policy areas addressed by each of the goals also are listed as an indication of the concrete initiatives the State Board of Higher Education believes are critical areas of focus.

A strategic plan is a living, evolving document that must respond to inevitable changes in the environment if it is to remain current and viable. The State Board of Higher Education will annually assess this strategic plan to evaluate progress toward the objectives, determine whether any changes are required, and develop action steps for the year.

Thank you for your support of North Dakota public higher education.

Sincerely,

William Goetz  
Chancellor

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2009-13

# NDUS Strategic Plan and Objectives

*Our Vision: Leading the nation in educational attainment through access, innovation and excellence*

## Roundtable Cornerstone: **Education Excellence**

THE OBJECTIVE: North Dakota will rank #1 in the nation in the education of our population.

## Roundtable Cornerstone: **Accessible System**

**Goal 1: The North Dakota University System is accessible, a view held by all North Dakotans.**

Objectives, 2009-13

- 1.1 Increase the percentage of recent North Dakota high school graduates enrolled in NDUS institutions by 5 percentage points
- 1.2 Increase the percentage of North Dakota's total young adult population (25-34) enrolled in NDUS institutions for credit to 6 percent
- 1.3 Increase the percentage of North Dakota's total population (35-44) enrolled in NDUS institutions for credit to 2 percent
- 1.4 Increase the total number of certificates, associate, and baccalaureate degrees awarded by 4 percent
- 1.5 Increase the total number of graduate and professional degrees awarded by 3 percent
- 1.6 The percentage of family income in North Dakota needed to pay for community college after deducting grant aid will decrease to the national average.

### **Policy Focus Areas:**

- Improve preparation for college
- Promote college awareness
- Better serve working adults
- Increase outreach to underrepresented students
- Expand access to on-line delivery
- Expand flexible program delivery
- Enhance student support services
- Improve student retention and completion

## Roundtable Cornerstone: **Funding**

**Goal 2: North Dakotans recognize that the North Dakota University System is affordable at a level that can be sustained.**

Objectives, 2009-13

- 2.1 North Dakota will rank in the top 20 percent of states in per capita support for higher education, a level that is both achievable and sustainable.
- 2.2 North Dakota will rank in the top 10 percent of the most productive states in total funding per degree/certificate awarded.
- 2.3 The Strategic Plan guides allocation of resources to achieve the vision.

### **Policy Focus Areas:**

- Maintain affordability
- Support productivity improvements
- Leverage technology to increase efficiencies

#10 SB2300

## Roundtable Cornerstone: **Economic Development Connection**

**Goal 3: The North Dakota University System increases the overall vitality of the state through exceptional education, research, training, and service.**

Objectives, 2009-13

- 3.1 Increase completions in targeted, high potential programs (agriculture, energy, health care, life sciences, advanced technology) by \_\_\_\_ percent
- 3.2 Increase the number of certificates and associate degrees awarded in vocational and technical fields at community colleges by 5 percent
- 3.3 North Dakota will rank first in the nation for the percentage of degrees and certificates awarded in Science, Technology, Engineering and Math (STEM) fields.
- 3.4 NDUS students will perform at or above the national average on all nationally recognized examinations.
- 3.5 NDUS students will exceed the national average first-time pass rates on all professional licensure examinations.
- 3.6 UND and NDSU research activities will, at a minimum, demonstrate overall progress on several research criteria based on an external evaluation including collaborations in and outside of North Dakota, patents, proposals, publications, and new faculty hires.
- 3.7 The Centers of Excellence will, at a minimum, meet expectations according to the criteria established by the Centers of Excellence Commission for the annual review.
- 3.8 NDUS alumni and students will report levels of satisfaction with preparation in their selected major, acquisition of specific skills, and technology knowledge and abilities that exceed the national average.
- 3.9 Employers will report high/increased levels of satisfaction with the preparation of recently hired NDUS graduates benchmarked against historical trends.
- 3.10 Increase the number of businesses served by TrainND workforce training by at least 4 percent
- 3.11 Demonstrate progress in knowledge transfer and commercialization through increased performance in the majority of defined metrics (IP licenses, licensing income, agreements, etc.)
- 3.12 Increase the number of NDUS students involved in the statewide network of entrepreneurial resources and activity in partnership with the Department of Commerce and other certified entrepreneurial centers throughout the state

### **Policy Focus Areas:**

- Ensure educational quality
- Maximize economic impact
- Promote career and technical programs
- Increase workforce training
- Promote STEM careers
- Expand research related to state needs
- Maintain student and employer satisfaction

## Roundtable Cornerstone: **Flexible and Responsive System**

**Goal 4: The eleven institutions comprising the North Dakota University System work together to achieve the vision effectively.**

Objectives, 2009-13

- 4.1 The NDUS will report the number of students who successfully transfer into a degree program at another NDUS institution.
- 4.2 North Dakota University System institutions will benchmark the number of student credit hours delivered to students attending another NDUS institution against historical data.
- 4.3 Integrate the role of each NDUS institution within the overall system mission and strategic plan
- 4.4 Increase awareness of the System and its institutions through a common, consistent message
- 4.5 Increase SBHE opportunity for discussion of strategic policy topics

### **Policy Focus Areas:**

- Proactively serve state needs
- Seek stakeholder input
- Incentivize collaboration
- Focus on vision for the future
- Ensure seamless transfer
- Increase technological efficiencies
- Assess general education core
- Use Strategic Plan as a guide
- Clarify institutional missions
- Foster open communication

**From:** Dustin Gawrylow [dgawrylow@ndtaxpayers.com]  
**To:** Monday, February 14, 2011 3:30 PM  
**Subject:** NDLA, S EDU  
**Attachments:** Senate Bill 2300 - Testimony  
clip002c.jpg  
**Importance:** High



**Subject: Higher Ed Funding Commission**

**Bill: SB2300**

**Testimony Provided By: Dustin Gawrylow**

**Lobbyist #160**

**Presented To: Senate Education Committee**

**February 9th, 2011**

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Mr. Chairman, Members of the Committee,

The issue of fixing higher education has been a long standing dilemma for the state of North Dakota.

As the following excerpt shows, North Dakota has long faced challenges regarding its higher education system.

From Robinson's History of North Dakota on Page 496 it says:

"In 1933 the legislature cut the appropriations for all institutions of higher education for the biennium to \$1.6 million (they were \$4 million in 1931)... the depression convinced many people in North Dakota it had more colleges than it could support. In 1933 the legislature ordered the Board of Administration to eliminate all unnecessary duplication of courses"; in 1935 it called for "a thorough study of the feasibility of either consolidation or closing of some of these institutions." In 1936 the Tax Survey Commission found fault with the colleges' tendency to expand their program and pointed out that North Dakota had more state-supported colleges than thirty-three other states. It concluded, however, that duplication was like the weather: everybody talked about it, nobody did anything."

Recently we have heard in several hearings this session that the university system must maintain a "critical mass" of student enrollment to ensure the viability of programs. Never mentioned in

this discussion is how the duplication of programs actually dilutes and reduces the viability of those very programs.

Part of any proposed commission for higher education funding must be a discussion of what is being funded, double-funded, and triple-funded.

There are several bills being considered by the state legislature that address long standing concerns related to the North Dakota University System that literally go back to the 1930's. Unfortunately, anytime these issues come up, those looking to alter the status quo are immediately labeled as xenophobic, despite the clear economic basis for the discussion.

Here are just a few of the bills the legislature is looking at (listed by order of least aggressive to most aggressive):

1. House Bill 1369 would require the University System to develop a long-term, sustainable budget plan. It would also require that a report to the legislature be developed to quantify the costs and benefits to the state and taxpayers regarding the practice of subsidizing non-resident students.
2. House Bill 1470 would return legislative approval of tuition rates. Rather than tasking the legislature with the micromanagement of tuition rates, it would place the legislature in an "advise and consent" role with the University System on the issue of tuition.
3. House Bill 1445 addresses the subsidization of non-resident students by creating a "claw back" provision to require the University System to return funding to the legislature based on how much it costs the state to educate those students, minus what they actually pay in tuition. This provision allows for the universities to use state funding as a credit line until they recoup the funds from the non-resident students (excluding Minnesota).
4. House Bills 1444 takes the most aggressive approach and outright forbids the subsidization of non-resident students by creating a minimum tuition rate for all non-resident students (excluding Minnesota).

The North Dakota Taxpayers' Association fully supports and has lobbied the legislature to pass both House Bill 1369 and 1470 for the sake of gathering more information and creating a higher level of elected accountability for the price of tuition. We have also urged legislators to look at the potential need to make changes to the policies governing the University System by at least studying the issues addressed in House Bills 1444 and 1445.

Governor Dalrymple has suggested the creation of yet another commission to address the funding model for the University System. Apparently, this new commission will be able to do at the Board of Higher Education, the Higher Education Roundtable, the Legislative Interim Commission on Education, and the legislature itself could not do.

The governor's suggested commission is nothing more than a further expansion of the bureaucracy. We would call on the governor to eliminate some of the other mechanisms assigned to manage the University System if he truly believes this new commission can get the job done.

More government bureaucracy should not be the first choice of the legislature, especially when that added layer is to be made up of only people who represent interests that will demand more and more spending. This is not the proper route to take.

Thank you.

# TESTIMONY ATTACHMENT I

## SB 2300

### Senator Tim Flakoll

District 44

Chairman Kelsch and members of the House Education committee. For the record I am Senator Tim Flakoll of District 44.

SB 2300, is at its core about what is doing what is best for students regardless of what corner of the state they come from or what state supported campus they attend in North Dakota or their academic area of interest. It is about making the **best use of**, and **getting the most out** of the dollars we invest in higher education in the state.

SB 2300 allows us to move from the current funding scheme which is based on historic funding levels and has no basis in cost to deliver or productivity. The current system does not recognize nor properly respond to actual costs to deliver a program. As an example, the diesel mechanics program at Wahpeton or nursing programs at a number of campuses cost more than other majors or programs that can have larger class sizes or do not require labs which can make them less expensive to deliver.

The bill sets up a working group of six elected officials, five of which are legislators and mix them with finance experts and a proper representation and balance of education representatives with the clear and focused objective of producing a better and more transparent method of funding education. This work would mirror what we have effectively done with K-12 in North Dakota.

I would also like you to note on page 2 (Section 2) lines 20 – 25 the requirement that for any vote to pass it must have a majority of the committee vote in support of it, but it must also have **three out of five legislators** (60%) serving on the committee to vote in support of the question for it to be adopted.

Currently the state of North Dakota pays 39% of the cost of education at our system campuses. I sure there is a shared goal in this committee to make sure that we make the very best use of those state funds, as well as the 61% of the cost of higher education that comes from students and other non-state funds.

SB2300 allows us to work on a more student-focused, outcome based funding and delivery system.

If we were a business or CEO of a billion dollar company we would want to make sure that we were making wise investments that produced the results we desire. Why should not government and education engage in a similar due diligence?

Some may think “what do I care? I have no campus in my district.” There is more than one reason but one answer should be obvious..... each one of you as legislators have students who were raised in your districts, who pay taxes and vote who attend campuses across the state of North Dakota. I think we have a shared responsibility to insure that we live up to our Constitutional obligation to provide for a “uniform system of education” for each one of those 31,000 North Dakota residents who attend college in North Dakota. We have a responsibility to make sure that we make the best use of all funds that are invested in higher education.

**Handout on “In-State Enrollment by County of Origin.”** – Blue and salmon colored sheets

Madam Chairman – when we first started the work of the K-12 Commission on Education Improvement people said it would “never work.” Well it did work and we have a very good funding system and one that reacts properly to academic and site specific needs. Today you might also hear from people who say they don’t know if we can improve how we fund higher education. But Madam Chairman, we can and we must reform higher education funding.

I should also note that the Senate applied amendments that sunset the work of the group on December 31, 2014 so they need to get in, get the work done and move on.

Madam Chairman that concludes my testimony and I would be happy to stand for any questions.

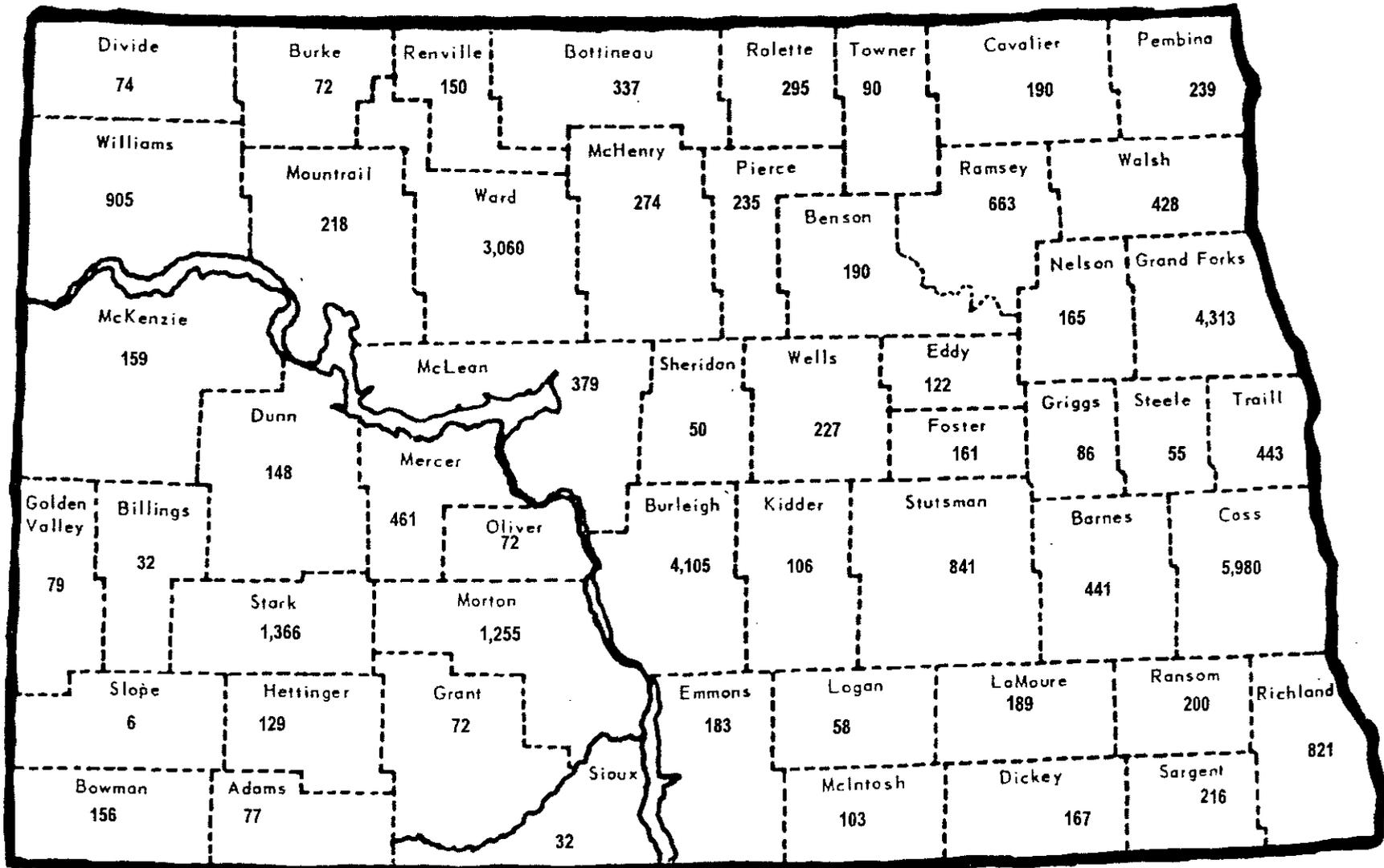
**### End ###**

**Table 13A**  
**IN-STATE ENROLLMENT BY COUNTY OF ORIGIN**  
**Fall 2006 through Fall 2010**

Counties	2006	2007	2008	2009	2010	Counties
Unspecified	276	39	16	38	91	Unspecified
Adams	80	271	169	75	77	Adams
Barnes	450	258	481	447	441	Barnes
Benson	220	230	221	199	190	Benson
Billings	15	12	16	25	32	Billings
Bottineau	343	363	344	340	337	Bottineau
Bowman	162	153	144	167	156	Bowman
Burke	73	77	60	71	72	Burke
Burleigh	3,795	3,919	3,991	3,997	4,105	Burleigh
Cass	4,843	4,990	5,273	5,736	5,980	Cass
Cavalier	237	228	215	229	190	Cavalier
Dickey	151	147	149	156	167	Dickey
Divide	90	72	74	76	74	Divide
Dunn	152	164	145	140	148	Dunn
Eddy	109	117	114	126	122	Eddy
Emmons	166	184	177	183	183	Emmons
Foster	184	164	150	152	161	Foster
Golden Valley	72	76	62	74	79	Golden Valley
Grand Forks	3,631	3,740	4,010	4,034	4,313	Grand Forks
Grant	92	84	83	70	72	Grant
Griggs	118	106	93	78	86	Griggs
Hettinger	163	133	134	141	129	Hettinger
Kidder	110	95	97	115	106	Kidder
LaMoure	189	176	194	177	189	LaMoure
Logan	80	65	78	70	58	Logan
McHenry	302	280	284	296	274	McHenry
McIntosh	93	105	92	86	103	McIntosh
McKenzie	208	174	172	142	159	McKenzie
McLean	460	451	445	410	379	McLean
Mercer	563	542	505	470	461	Mercer
Morton	1,137	1,196	1,225	1,175	1,255	Morton
Mountrail	305	240	230	237	218	Mountrail
Nelson	185	157	158	152	165	Nelson
Oliver	74	62	69	62	72	Oliver
Pembina	271	229	241	196	239	Pembina
Pierce	197	208	187	231	235	Pierce
Ramsey	656	626	653	695	663	Ramsey
Ransom	190	185	189	192	200	Ransom
Renville	131	115	112	139	150	Renville
Richland	820	764	834	794	821	Richland
Rolette	415	372	335	318	295	Rolette
Sargent	197	198	200	204	216	Sargent
Sheridan	72	53	54	58	50	Sheridan
Sioux	61	54	38	47	32	Sioux
Slope	15	7	9	4	6	Slope
Stark	1,272	1,313	1,353	1,435	1,366	Stark
Steele	64	55	49	51	55	Steele
Stutsman	792	715	795	796	841	Stutsman
Towner	139	102	98	77	90	Towner
Trail	430	429	410	411	443	Trail
Walsh	389	412	424	444	428	Walsh
Ward	2,750	2,697	2,852	2,880	3,060	Ward
Wells	226	211	215	228	227	Wells
Williams	843	765	823	937	905	Williams
<b>Total</b>	<b>29,058</b>	<b>28,580</b>	<b>29,441</b>	<b>30,083</b>	<b>30,966</b>	<b>Total</b>
Percentage change from one year to next		-1.6%	3.0%	2.2%	2.9%	

County of Origin: Students' home address

**Fig. 1**  
**IN-STATE ENROLLMENT BY COUNTY OF ORIGIN**  
**Fall 2010**



23

**Total headcount = 30,966**

**The county of residency is unknown for 91 North Dakota students.**

**Total in-state enrollment includes students who attend Jamestown College and the University of Mary.**

# TESTIMONY ATTACHMENT 2

Robert Vallie

Executive Commissioner: Governmental Relations and Inter-Collegiate Affairs

NDSU Student Government

Testimony concerning Senate Bill 2300

March 22, 2011

Chairman Kelsch and members of the House Education Committee:

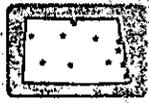
Today is a good day. Today is an important day for you, for me and for everyone who will make use of our institutions of higher education now and into the future. Today is the first step towards finding a better way for higher education to be funded that ensures accountability, alleviate some of the concerns of our institutions of higher education and develop a higher education system of the new millennium.

Now I've been in my current position serving the students of North Dakota State University for the last eight months I have taken a crash course in becoming an "expert" in the workings both inside and outside of the North Dakota University System. What I have found in that time is that over the last several decades the higher education system in this state has really come into its own in the last few decades. An educational system that offers a quality education with a wide variety of options at a reasonable price, with eleven institutions across the state and one's support by the good people of North Dakota. It has been with that support and that commitment with our North Dakota values that has made this system as the best in the nation. However within that time as I'm sure you are all aware to allow this system to flourish it has required a great cost. With double digit increases in percentage in overall funding to our institutions and concerns as to the success of our system has lead to concerns by all parties as to both the sustainability of this funding and for some the want of cutting funds from higher education. No matter which way it can be sliced it does create serious concerns for us as students and that some kind of action is necessary.

For us as students of North Dakota State University we feel that passage of such legislation will be the first step of many by this government to attempt to find a better method of funding not based on simply giving the same base funding plus extra but to move to methods that deal with success and performance of our institutions through criterion that allows us to recognize achievement of students and faculty in terms of retention, graduation on time and other factors and to build it in such a way that allows us to build our funding model to ensure that accountability expected by the good people of this state, that helps to create an atmosphere of higher achievement, to recognize what things are working in our state institutions and also to begin to address those concerns within our institutions and how we all can better work to solve them.

Madam Chair, members of the committee, in the last twelve years our state has seen major changes in our system of higher education. In 1999 we saw the creation of the roundtable in order for all parties to

address the needs of our state and how higher education, industry, can government could work to address the needs of our state and what changes were needed to succeed. In the first decade of this millennium we saw the development of the use of technology to support traditional classroom learning as well as bring education to a point where anyone anywhere can gain access to it and challenged us to find better ways of learning. Now in the beginning of this decade with this legislation and others moving through our system of government we now have the ability to find a funding model or models to allow higher education to succeed and allow students to succeed. For everything there must be change and for us as students of North Dakota State University we appreciate and thank this government for recognizing that need to change and for allowing us as students the ability to be on the ground floor of that change in this piece of legislation and in others you will see and have seen this session. Madam Chair and members of the committee we as students of North Dakota State University support the passage of Senate Bill 2300 in the hopes of creating that positive change for the future of higher education and to help contribute wholeheartedly to this process with our insight and knowledge in creating not only an efficient and effective system but one that is seen for the benefits it contributes to this state and future generations of North Dakotans who will be students. Madam Chair and members of the committee the students of NDSU support that belief in change and with your support and the support of this government that today will always be remembered as good day.



**NDSA**

The Voice of the Students

Chairman Kelsch and members of the committee, my name is William Woodworth. I am currently the Legislative Lobbyist for the North Dakota Student Association. We support SB 2300 which would create a North Dakota commission on higher education funding. Students feel that the current equity and parity formulas for the North Dakota University System do not provide an equitable solution. According to the March 2006 study submitted by MGT of America, Inc. to the North Dakota Legislative Council, "No solution will make every institution happy." The Executive Budget proposal also has called for funding for a study to develop an improved equity formula. We are also proposing an amendment to the bill to change the student membership on the commission from nonvoting to voting, as we feel students should have a greater say in the determination of their respective institutions' funding. In the end, students will be the most affected by any spending formula. Furthermore, we feel as proposed, the legislation will benefit the students as a whole by providing a more equitable funding solution for higher education. For these reasons, the North Dakota Student Association urges this committee to give SB 2300 a do pass recommendation with the proposed amendment. Thank you for your time.

William Woodworth

North Dakota Student Association, Legislative Lobbyist



State Capitol – 600 E Boulevard Ave – Dept. 215  
Bismarck ND 58505-0230  
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E-mail: ndus.office@ndus.edu Web: ndus.edu

March 22, 2011

House Education Committee Members,

This letter is in support of Senate Bill 2300, creating a Commission on Higher Education Funding. It is with great appreciation that the Governor has taken an interest and a leadership role to bring an alternative funding mechanism to the table for our campuses and university system. This Commission is an opportunity to look at our system in a unique way and ask ourselves what the state of North Dakota can do to make the most dynamic education system possible with the resources available.

The success of the K-12 Commission on Education Improvement fiscal and policy changes have provided a dramatic change in the way K-12 is funded in addition to increased public support for K-12 funding. This model and experience can be transferred to review alternative ways of funding higher education to achieve greater transparency and positive outcomes of higher education.

Policymakers and the general public have been looking for innovative ways to fund higher education due to the changes in education delivery and learning. The cost of educating an online student versus a lab sciences student varies drastically, and it is time to acknowledge these cost differences to understand the true price of education. The days of treating all students similarly are over, and we have an elite opportunity to address the system as a whole.

Again, I ask for your favorable consideration for Senate Bill 2300 and would be happy to answer any questions or provide any follow-up information. The support of the Governor, the legislative branch and the University System will make a difference to bring about greater accountability, and cost efficiency while achieving quality education and student success.

Sincerely,

A handwritten signature in black ink that reads 'William D. Goetz'.

William Goetz  
Chancellor

g:\terry\1100\11se\letter of support for sb2300 3-22-11.docx