Representative Mark Sanford, Chairman, called the meeting to order at 11:35 a.m. (CDT).

**Members present:** Representatives Mark Sanford, Tracy Boe, Bob Martinson; Senators Ray Holmberg, Karen K. Krebsbach, Larry J. Robinson; Citizen Members Bruce A. Bollinger, Rebecca Collins, Tammy Dolan, Jed Shivers, Brent Winiger

**Others present:** Senator Donald Schaible, Mott, member of the Legislative Management Representative Richard G. Holman, Mayville; Dennis Johnson, Devils Lake; and Gary Paur, Gilby Brady A. Larson, Legislative Council, Bismarck

See Appendix A for additional persons present.

It was moved by Senator Robinson, seconded by Mr. Shivers, and carried on a voice vote that the minutes of the July 18, 2019, meeting be approved as distributed.

Chairman Sanford commented regarding his plan for the committee's work on the higher education funding formula. He said the committee will meet again in September before the Budget Section meeting.

Ms. Tammy Dolan, Vice Chancellor for Administrative Affairs and Chief Financial Officer, North Dakota University System, presented information (Appendix B) from a survey of institutions relating to the higher education funding formula. She said the survey asked for institution feedback on each component of the higher education funding formula. She said the majority of institutions were supportive of the formula; however, certain concerns include:

- The formula does not provide funding for program startup or expansion costs;
- The instructional program factor uses the national classification of instructional programs (CIP) code to differentiate between academic programs, which may not adequately reflect differences in costs between certain courses;
- The formula does not differentiate between online and face-to-face courses;
- The credit completion factor may penalize institutions that are growing;
- The formula does not account for geographic differences in cost of living;
- The minimum amount payable factor was allowed to expire; and
- Systemwide programs provided by a single campus may not be adequately funded through the formula.

In response to a question from Chairman Sanford, Ms. Dolan said the institutional size factor is a critical factor in the formula for the North Dakota State College of Science (NDSCS).

Mr. Bruce A. Bollinger, Vice President for Finance and Administration, North Dakota State University, said NDSCS had significantly more space per completed credit-hour than any other campus due to the types of programs offered at the college.

In response to a question from Representative Martinson, Mr. Bollinger said the institutional size factor was necessary to ensure the formula did not harm NDSCS.

In response to a question from Chairman Sanford, the Legislative Council staff said the Legislative Assembly can address inflation with increases to the base funding rate.

In response to a question from Senator Holmberg, Ms. Dolan said she would provide additional information to the committee regarding systemwide programs provided by an individual campus.
Chairman Sanford said any proposed performance funding to target certain workforce needs should be temporary, rather than a permanent portion of the formula. He said the Legislative Assembly should consider addressing inflation through the formula, rather than just salary and benefits adjustments. He asked the University System to provide the committee with a proposal to reduce the negative impacts of the credit completion factor on growing institutions.

Ms. Dolan presented information (Appendix C) regarding changes to the CIP code and the use of the CIP code in the higher education funding formula. She said institutions will not use the new CIP code to classify courses until 2020 and the changes to the code will not affect funding through the higher education funding formula until 2023. She said one change to the CIP code that will affect the funding formula is a shift of several veterinary program CIP codes from the health sciences discipline cluster to the agriculture cluster, which would result in reduced funding for certain institutions.

In response to a question from Senator Holmberg, Ms. Dolan said the University System is reviewing the changes made to veterinary programs in the CIP code and their effect on funding for each campus under the current formula.

In response to a question from Chairman Sanford, Ms. Dolan said the University System's review of instructional program costs at each institution is a complex process, and she was not sure if the cost information would be available for the September meeting.

In response to a question from Chairman Sanford, Ms. Dolan said the University System office and institutions have not yet thoroughly discussed the capital building fund program and she was not prepared to comment on how the program will work at the campus level.

Senator Holmberg suggested the University System be asked to review potential formula changes to replace the institutional size factor.

Chairman Sanford said the University System's priority for the next meeting should be the preparation of instructional program cost information.

Senator Holmberg said that formula changes proposed by the committee should not negatively affect an institution.

No further business appearing, Chairman Sanford adjourned the meeting at 12:35 p.m. (CDT).

Alex J. Cronquist  
Senior Fiscal Analyst  

ATTACH:3