

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

10003

2007 HOUSE APPROPRIATIONS

HB 1003

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1003 Overview of higher education system and related budget

House Appropriations Committee

Check here for Conference Committee

Hearing Date: January 8, 2007

Recorder Job Number: 696

Committee Clerk Signature

Holly N. Sand

Minutes: (No audio available)

Chairman Svedjan called the Full House Appropriations Committee to order at 8:30 am. Roll call was taken and majority was present.

John Q. Paulsen, President, State Board of Higher Education (1.8.07A) opened his testimony with an introduction of his colleagues and thanked the Appropriations Committee members who served on the Roundtable on Higher Education. Mr. Paulsen expressed the importance of investing in the North Dakota University System and asked the Committee to fully fund Governor Hoeven's 2007-2009 proposed budget for higher education. He also asked that the Committee move a number of items included as one-time expenditures in the governor's budget plan to permanent base funding.

Mr. Paulsen highlighted the success of the Economic Development Centers of Excellence initiative and asked for continued financial support. He also explained that the SBHE submitted one budget based on 21 percent of the state general fund, a departure from the two or more budget plan options submitted in prior sessions. In addition, Mr. Paulsen briefly discussed the document, "Achieving the Vision of the Roundtable on Higher Education, 2005-2006 as

Captured by Media" (1.8.07B).

Mr. Paulsen concluded his testimony by saying "the single most important factor that will determine the future success of our state will be its human capital," and the source of the human capital lies in the University System.

Eddie Dunn, Chancellor, North Dakota University System (1.8.07C) introduced college and university presidents and University System Office staff in attendance. Mr. Dunn briefly described the notebook, "2007 Legislator's Guide to the North Dakota University System" (1.8.07D). The book includes basic information about the University System as well as information relating to the cornerstones of the Roundtable Report. Mr. Dunn also reviewed the legislative agenda brochure titled, "An Investment in a Brighter Future for North Dakota" (1.8.07E) that describes the dual mission of the University System – "Enhancing the Quality of Education" and "Enhancing the Economy of North Dakota." Mr. Dunn went on to review the significant numbers in the budget and the justification for the Board's funding request – human capital.

Chancellor Dunn explained the 21 Percent Concept (21 percent of the state general fund) as a 1 ½ percent increase from the current level of 19.5 percent. This increase would bring the percentage back to the same level that existed when the Roundtable on Higher Education plan went into effect in 2001.

Mr. Dunn reviewed charts of the estimated state budget and the impact on major categories of state spending as they relate to an increase from 19.5 percent to 21 percent. Chancellor Dunn concluded his comments by asking for the Committee's support. There were no questions.

Roger Reierson, President, CEO – Flint Communications, Member – ND Roundtable on Higher Education, Board of Trustees – North Central Higher Learning Commission (1.8.07F), discussed the challenges North Dakota faces in remaining a leader in the nation with regards to educating our youth. He quoted several officials from across the state and around the

country on the role higher education plays in maintaining a strong economy, Mr. Reiersen stated that the North Dakota University System is critical to the economic growth of North Dakota, but additional resources are needed. He asked the Committee to support their efforts and move part of the resources to base funding so the system can plan beyond two years.

Representative Carlisle said he hopes they are looking to other areas than 4 year degrees such as truck drivers, as there is also a need for these types of workers.

Roger Reiersen indicated that they have heard similar comments and are taking them into consideration.

Written comments were provided by **Tom Shorma** (1.8.07G)

Dennis Hill, Executive Vice President and General Manager, North Dakota Association of Rural Electric Cooperatives (1.8.07H) spoke as a representative on the ND Roundtable on Higher Education in support of the legislative agenda put forth by the Board of Higher Education and the Chancellor's office. He views the ND University System as one of the state's largest vehicles to help grow the economy, but the system needs funding. Mr. Hill said the time for funding is now since the workforce is aging and the need to replace retiring workers is growing.

Robert Haskins, President, North Dakota Student Association (1.8.07I) began his testimony by listing fees he pays every semester in order to take classes at UND – fees that do not include tuition, room and board, books or transportation – fees which outpace inflation. Mr. Haskins said students enrolled in ND institutions provide more than \$700 million in economic impact to the state. At the same time, students are faced with ever increasing bills and graduate with more debt to repay.

Mr. Haskins discussed the students' displeasure with the ConnectND fee due to the continued problems with this program. The students are pleased, however, with the UND Student Wellness Center and associated fee since they reap the benefits from the investment.

Mr. Haskins brought attention to the green ribbon pins being worn by many in attendance. The Green Ribbon campaign is meant to draw attention to the need for increased funding to 21 percent of the North Dakota general fund to help institutions finance projects, increase salaries, etc. while keeping the cost of education at a reasonable level. He said one-time funding only allows the University System to temporarily fix the ConnectND problem, whereas money from base funding would allow permanent positions the ability to maintain the system.

Representative Thoreson asked what fee, if any, the faculty pay to use the Wellness Center.

Mr. Haskins answered that faculty pay more than \$600.

Representative Wald asked how UND's aeronautics program stacked up to others such as Embry Riddle. Mr. Haskins replied that Embry Riddle has much higher tuition and fees because it is considered a private school. UND does a good job of keeping flight costs down.

Representative Nelson asked how many students do not access the ConnectND system. Mr. Haskins said all students must use ConnectND.

Thomas Barnhardt, President, Council of College Facilities, introduced himself and **John Pederson, Faculty Advisor, State Board of Higher Education**. Mr. Barnhardt reiterated the point that human capital is the key to economic development and the University System is the key to human capital. They displayed a chart titled "2003-04 Average Salaries for 9/10-Month Contract Faculty at Public Two-Year Colleges, Four-Year Colleges and Universities" (1.8.07J). North Dakota is ranked last in the nation with an average faculty salary of \$46,834.

Representative Bellew asked if the numbers included benefits and the answer was that they do not. The Committee was referred to the salary section of the report titled, "Report of the

Page 5

House Appropriations Committee

Bill/Resolution No. 1003 Overview of Higher Education System and Related Budget

Hearing Date: January 8, 2007

State Board of Higher Education's Committee on Employee Compensation" (1.8.07K) which provides much analysis.

Chairman Svedjan called for a break at 9:45 am.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1003 Overview of higher education system and related budget (cont'd)

House Appropriations Committee

Check here for Conference Committee

Hearing Date: January 8, 2007

Recorder Job Number: 726

Committee Clerk Signature *Holly N. Aund*

Minutes: (No audio available)

Chairman Svedjan reconvened the meeting at 10:15 am.

Laura Glatt, Vice Chancellor, North Dakota University System gave an overview of the long-term financing plan and resource model (1.8.07L). She summarized eight major changes to the long-term finance plan that were used in developing the 2007-09 budget request. One of the biggest issues is parity/equity. The new plan funds some parity and some equity in priority order as resources permit. The priority is: 1) new and continuing salary and health insurance costs; 2) no less than 15% of the total new funding allocated to equity; 3) operating inflation; 4) any remaining funds allocated to equity.

Ms. Glatt stated that the MGT model looked at approximately 50 variables to determine those institutions that most closely resemble North Dakota universities to establish the peer campuses used for analysis.

Ms. Glatt continued her discussion with a review of the "Analysis of 2007-2009 Executive Budget Recommendation December 2006" (1.8.07M).

Representative Wald asked why there was an increase in the bond payment (1.8.07M, p. 15) and Ms. Glatt responded that it would be best to ask the Industrial Commission. She inferred that the increase was likely due to the increases the Industrial Commission faces each biennium.

Laura Glatt continued with discussions of the various charts detailed in exhibit 1.8.07M.

Various questions were asked on different line items of the charts as highlighted in yellow.

Representative Carlson asked how current costs show up in the budget with regard to Lake Region. Ms. Glatt answered that this project assumes that once built, utility costs go down and savings goes to pay third parties. He continued by asking how costs are amortized and Ms. Glatt said that she believes it has been modified to 15 years. Representative Carlson also asked how many projects have third party funding and the reply was that this is the only project with third party funding in this budget.

Representative Wald asked if there had been any deviation from policy when discussing major capital projects (1.8.07M, p. 45). Ms. Glatt said the board puts together priority rankings. Any project that poses a safety hazard has priority which is why the floor replacement is ranked first.

Representative Carlson asked why a project such as the wind energy project (1.8.07M, p. 45, line 4) has priority over classrooms. Ms. Glatt responded that it has to do with debt reduction. She would be happy to share all the criteria.

Laura Glatt returned the topic to the chart on 1.8.07M, p. 12 and explained that they are asking for a shift of \$4 million in one-time funding to base funding, a shift of \$3.7 million in one-time funding to base funding in support of ConnectND, a shift of \$420,000 in one-time funding for common information services (technology pool) and for an additional \$2.7 million in base funding in the Career and Technical Education (CTE) budget in support of workforce training.

Chairman Svedjan asked for an explanation as to the shift of \$8.1 million (line 11) and Ms. Glatt's response was twofold: 1) if funds are given as one-time funding, they cannot do the things needed and will be back every biennium with the same issues, and 2) a shift to base funding helps them get back to the original \$63 million budget request.

Michel Hillman, Vice Chancellor, North Dakota University System briefly reviewed the "2006 Accountability Measures Report, December 2006" (1.8.07N). Overall the colleges and universities that make up the North Dakota University System perform very well when compared to other states and national standards. Mr. Hillman reviewed the key cornerstones identified by the Roundtable on Higher Education pointing out significant findings.

Vice Chairman Kempenich asked if there is information available showing the percent of graduate placement. The response was that this information is available in a separate report. The number of grads is tracked for one year following graduation. Copies of this report will be made available.

Representative Carlson asked how North Dakota's contributions compared to other states' contributions. The response was that North Dakota's ranking is high. Taxpayers pay a lot as a whole, but on a per capita basis the number is low.

Representative Monson asked if tuition and fees can be split out to compare them individually against other states' numbers. Ms. Glatt responded that she knew of no study that breaks tuition and fees out separately.

Michel Hillman pointed the Committee to the "Enrollment Management/Service Plan" (1.8.07O) as another helpful resource.

Gaylon Baker, Executive Vice President of Stark Development Corporation, testified that people are needed in all areas. He gave an example of a woman he met who had 27 certificates in her file and said that without a strong system, such opportunities would not exist. Mr. Baker urged the Committee to give the University System the funding it needs.

Chairman Svedjan pointed out that the Committee has a copy of testimony from **Bob Wetsch** (1.08.07 P) but that there was not ample time for him to speak before the Committee today.

Page 4

House Appropriations Committee

Bill/Resolution No. 1003 Overview of higher education system and related budget

Hearing Date: January 8, 2007

Chairman Svedjan informed Mr. Wetsch that Representative Wald would speak with him separately.

Chairman Svedjan adjourned the meeting.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1003

House Appropriations Committee
Education and Environment Division

Check here for Conference Committee

Hearing Date: January 9, 2007

Recorder Job Number: 763

Committee Clerk Signature

Shirley Branning

Minutes:

Chairman Wald: Called the meeting to order on HB 1003, He introduced **Dr. Chapman**, President of North Dakota State University.

Dr. Chapman: (See 17 page handout #1) He introduced the students present who represented the student body president and vice president, agriculture, and NDSA. He summarized briefly the roll of a Land Grant University to include teaching, research and service. The goals for programs are itemized on p 3. He stressed the importance of the doctoral and masters' programs.

Chairman Wald: Sometimes we hear complaints about duplications in the master's degrees with other institutions or within the region. How do you respond?

Chapman We have way too few programs across the state; we are exporting our advanced degree students.

Representative Klein: Dr. Chapman, regarding a law suit with a major technology company, will that in any way affect what is going on at NDSU?

Dr. Chapman: No, it is normal business startup. There seem to be a lot of people working there.

Dante Miller, Student Body president at NDSU (See Handout # 2, HB 1003 Forest Service) provided testimony on behalf of the more than 12,000 students at NDSU in support of the governor's budget.

Representative Aarsvold: Recent studies of debt load show that North Dakota is ranked 3rd highest. Is that true of students at NDSU? How many are forced to leave because of high debt?

Miller: Debt is increasing and I hear more and more students say they have to take out student loans.

John Adams, Vice President of Business and Finance, referred to Page 9 of Handout #1 to explain the executive budget. The request is for \$14.1 million in base funding plus renovation projects bring the total to \$99 million. On page 10 representing the general fund budget which includes the tuition revenue, making the adjusted 05-07 budget, \$173.4 million and add the cost to continue the salary increases of \$3 million, health insurance increase at \$2.7 million, salary increase of 5% per year, \$4.5 million utility, departmental operating increases of \$1.7 million, variety of items including \$2.8 million totaling an increased base cost of \$24.3 million, bringing the cost increases to \$31.9 million. The State Facility Energy improvement Program at NDSU is itemized on Handout #3.

Representative Klein: Hasn't the Minard Hall renovation been an ongoing thing over the years? Which phase are we in and how many are left to go?

Adams: Yes, that is a three phased project and has been on our lists for many years, being a \$15 million project. Phase one includes facilities, roofing, infrastructure, utilities, and the \$10 million request will be in the next biennium.

Representative Aarsvold: There has been some indication that there is a private group interested in the facility to service athletic events on campus.

Adams: Yes, a private group has come forward as well as the city but the preference is to keep it on campus. (See handout #4, HB 1003)

Chapman: The proposal is for a \$51 million dollar facility.

Representative Klein: Happy to hear that the one time projects listed on P 17, that you are getting someone to closely evaluate what you are spending this money on. We need specifics.

Chairman Wald: What is your number one needed project?

Chapman: In terms of facilities, Minard is a critically important facility, it is a humanities building with a lot of instructional space.

Chairman Wald: We are running about an hour ahead of schedule, do you want to move on the next item on the agenda, the Forest Service?

Representative Martinson: One of the dilemmas we are going to face is deferred maintenance that we have been putting off, and now the governor has chosen to fund part of it, but higher ed has said put it into operating.

Chapman: There are many needs, and in terms of facilities there are major deferred maintenance issues. We are doing a lot of patching and things that eats up resources and times and only delays it. We would appreciate anything you could do to help us with our deferred maintenance.

Representative Martinson: It would be your preference to keep the budget the way the governor introduced it.

Chapman: As an institution, we are very pleased with the budget.

Chairman Wald: If you are pleased, are we giving you too much? The 5 and 5 salary increase, how close does that get you to being competitive?

Chapman: It won't make us completely competitive but it will help immensely such as health insurance, retirement plans and so on attract staff.

Adams: Looking at the governor's budget recommendation, the difference between that and the system's request is \$10 million of one-time deferred maintenance and it had a \$4 million capital asset increase as base funding. That really is deferred maintenance. The total deferred maintenance funding is about \$10 million.

Representative Klein: Emphasizes the importance of identification of needs so that the funds get used for their intended purpose.

Chairman Wald: Closed the hearing on HB 1003, NDSU.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1003

House Appropriations Committee
Education and Environment Division

[] Check here for Conference Committee

Hearing Date: January 9, 2007

Recorder Job Number: 764

Committee Clerk Signature

Shirley Blanning

Minutes:

Chairman Wald: Called the meeting to order on HB 1003, Forest Service. He introduced **Larry Kotchman**, State Forester, (See Handout # 1, HB 1003, and State Forester). He described the Forester Program at NDSU and stated that it has been a part of NDSU's program since 1906. The six projects found on page 3 and the five accountability goals found on page 4 were reviewed. He pointed out the link to the authority granted under the North Dakota Century Code in sections 4-19, 18-02, and 57-57 to meet the forestry needs in the state. The wild fire management program is an essential part of the program during years of drought as well as the tree planting program.

Chairman Wald: Goal 2 lists wild fire management, is that new?

Kotchman: We have had authority to be involved in fire suppression and protection for a number of years. More federal funding has become available to help increase rural fire protection districts and first responders. We have added new engines that are available on a request basis.

Representative Klein: Fire engines, what is the vehicle – a four wheel drive with specific equipment mounted on it? And, how many of these have you purchased?

Kotchman: We are referring to a strike team of type 6 Wild land fire engines. Three that have been required so far and plans to get two more. These were purchased with federal funds and made available by the national fire plan. Worked with the Department of Transportation, fleet services. We will get two more if federal funding remains available.

Chairman Wald: You have a bill in another committee that gives your vehicles emergency status.

Kotchman: Yes.

Chairman Wald: Where are all these vehicles housed?

Kotchman: We have them staged out of Bismarck, Mandan and Bottineau and are moved based on the severity of the fire season.

Representative Klein: When you take these out to different places are they kept at the local fire stations and maintained?

Kotchman: We've stored them at Fort Lincoln and in such places as National Guard Armories. On page 5, the 2005-2007 appropriation was briefly discussed and he thanked the committee for support.

Vice Chairman Monson: When a team is sent out, is it usually on state land and do you recoup insurance if it is on private land?

Kotchman: If a response is made, it is a decision made jointly by the governor's office and the Division of Emergency Services and the State Forester. Bills are generated for those types of services. Federal agencies are billed and they do pay for them. If it is state and private lands, bills are not generated and no costs are recovered and it becomes a deficiency appropriation.

Representative Aarsvold: You receive none of the distribution from the state insurance office from fire premiums, is that correct?

Kotchman: That is correct.

Chairman Wald: I have a bill in that would allow responding fire departments to be reimbursed for pay roll and fuel costs for \$100,000 appropriation.

Kotchman: We are aware of your bill, HB 1110, we have been asked numerous times for assistance with those bills, and we could not help them with operating expenses.

Chairman Wald: I have asked to put premium tax dollars in the insurance department. That is where the funding source would be.

Kotchman: Continuing on, on page 7 (Handout #1) he talked about the 2007-2009 budget request, focusing on improvements in health, safety, and the economy including \$3,358,731 for operations and \$188,692 in Capital Assets. He went on to explain the operations budget request and estimated income.

On Page 8 of the handout he summarized the budget adjustments.

Vice Chairman Monson: You are sharing a building with Parks and Recreation in Walhalla, are they sharing in on that cost or will you be covering the cost?

Kotchman: We are in the process of developing an agreement with the North Dakota Parks and Recreation (NDPR) to share office space and this provides space for an FTE and they will share in some of the cost, primarily for utilities

The capital assets request and the capital project needs for 2007-2009 on page 9 were reviewed. Projects such as extraordinary repairs, two storage buildings, and a share of the \$10 million NDUS maintenance increase.

Representative Klein: Those storage buildings, are they going to be replacements or new?

Kotchman: This will be new. Not replacement for existing buildings. Equipment has been stored outside.

Representative Gulleason: Has your agency been participating in the planning for the North American Red Trail in the Wallhalla, Turtle Mountain area?

Kotchman: Yes, working with the NPPR, and we are looking for a project coordinator. There is a lot of pressure across the state for recreational activities, especially for ATVs.

On page 10 he discussed the plan to build sustainable communities through forestry in the amount of \$150,000. There is a steep decline in federal funding.

The information on page 11 itemizes the critical forestry issues. Diseases, invasive insects and pathogens are the greatest threat to shade trees and other woody horticultural crops in the United States. Emerald Ash Bore is an invasive insect that has made its way to North America from Southeast Asia. It has made its way to Michigan in 1992 and has killed over 15 million ash in the state of Michigan and has moved to Ohio and Indiana.

Vice Chairman Monson: Does it affect green ash?

Kotchman: Yes, it affects all types of ash.

The budget detail on page 13 was reviewed briefly.

Chairman Wald: Asked for an explanation, on page 9, why some requests are for the forest service and some for NDSU.

Kotchman: What you are referring to is the State Board of Higher Education Request and their formula calls for a portion of the \$4 million increase on the capital assets base and the forest service share is \$10.8 thousand.

Representative Klein: What do those 45 seasonal employees do?

Kotchman: They are involved with tree production activities at Towner State Nursery

Representative Klein: In comparison to your 2005-2007 budget, what is the increase?

Chairman Wald: 23.8%, page 218 of your budget book.

Representative Aarsvold: Carbon sequestering, new energy sources and coal fired plants; are you involved with any of that?

Kotchman: Yes we are involved. The mechanics for the accounting for carbon and to get a program up for credits in carbon sequestering is challenging.

Chairman Wald: Currently you have 12.4 FTEs and you have an increase of seven, for a total of 19.5, what assignments will the new FTEs have?

Kotchman: That is primarily a reporting situation in that this last biennium the amount of FTE that was supported by general funds was the 12 number and then the additional FTE of seven was supported by other sources such as our nursery. These are combined. Not new people.

Jim Bortkouski, of MSU Bottineau prepares the budget and stated that actually there is an increase of 1.5 FTE funded by general fund increasing the total to 13.5 FTE. Further, he explained his roll in preparing the budget **ref 38.18**.

Representative Klein: So that 1.5 FTE is replacing one that was federally funded?

Kotchman: That would be correct at this point.

Chairman Wald: Hearing no further questions, this closes the hearing on HB 1003 Forest Service.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1003

House Appropriations Committee
Education and Environment Division

Check here for Conference Committee

Hearing Date: January 9, 2007

Recorder Job Number: 820

Committee Clerk Signature

Shirley Branning

Minutes:

Chairman Wald: Opened the hearing for HB 1003, Dickinson State University by introducing **Dr. Lee A Vickers.**

Dr. Lee A. Vickers, President of Dickinson State University: (See handout House Appropriations Committee Education and Environmental Division Hearing pp. 1-39).

He provided testimony that included enrollment/retention/graduation rates, Campus initiatives and challenges. He emphasized that student enrollment changes are due largely to the work force requirements in the area with the oil patch industry. This also brings about changes in the curriculum needs.

Representative Klein: Are some of the stop in and stop out going out to earn money for school?

Dr. Vickers: The oil field wages are attractive at \$23 – 28.00 an hour. If they stay away to long, they may not come back.

Representative Aarsvold: You have raw data and adjusted data on enrollment. What is the difference?

Dr. Vickers: Students who transfer to other state institutions are included in the adjusted data because they are gone from us but are still in the system. Dickinson State has 93% placement

rate staying in North Dakota. Further explanation was given of the goal to promote diversity and peace by bringing in international students. There are 24 Russian students and faculty go abroad.

The Center for Entrepreneurship and Rural Revitalization helps people flesh out ideas to see if it is feasible to pursue. Killdeer Mountain Manufacturing is one of those sites.

Raising funds has been successful with \$2m net income for four years. Hawks Point is a development for housing for people over 55, hoping to bring people back and funded by private donations. The bonds will be paid off by rentals, no state money whatsoever. Fund raising will continue for Whitney Stadium.

The challenges are to support faculty salaries, new positions, initiatives and to remain competitive nation wide.

Representative Klein: What percent of students require remedial assistance to get up to speed in math and English?

Dr. Vickers: Ball park figure is 20%.

Representative Klein: What is the Spice Network?

Dr. Vickers: It is a network that we formed; it is the same thing as IVN but for specific high schools.

Alvin Binstock, Vice President for Business Affairs. (See handout House Appropriations Committee Education and Environmental Division Hearing, Budget Issues Section)

Addressed the 2005-2007 appropriation. The building and infrastructure inventory amounts to \$50,768,416.

Representative Klein: What are auxiliary supported buildings?

Binstock: Those buildings that are supported with non general funds such as residence halls or student center operations.

Chairman Wald: What is the fee per student?

Laura Glatt: Vice Chancellor for Administrative Affairs stated that the fee varies by campus.

Dr. Vickers: Major Accomplishments were highlighted to include the proposed library expansion which will include a Roosevelt Center and to provide viewing for some Historical Society artifacts.

Chairman Wald: Any other questions, if not, we will close the hearing on Dickinson State University.

