

FISCAL NOTE
Requested by Legislative Council
12/20/2016

Bill/Resolution No.: SB 2035

- 1 A. **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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$2,398,619			
Appropriations			\$2,398,619			

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

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

Senate Bill 2035 removes the sunset clause on NDCC 15-18.2-06, thereby permanently establishing a minimum amount payable for the higher education funding formula at 96% of the previous biennium's general fund state aid.

- 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.*

The statutory higher education funding formula provides monies from the state general fund to institutions of higher education for ongoing operational costs. The appropriation varies from biennium to biennium based on changes in actual student credit hour production, which is weighted by three factors: instructional program classification, credit completion volume and institutional size. The 96% minimum amount payable establishes funding floor for the general fund appropriation, which serves to limit funding decreases as credit production drops and limit increases as credit production increases. This provides additional time for institutions to respond to the change in funding level.

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.*

A \$2,398,619 general fund appropriation was included in the Executive Recommendation for Dickinson State University. Funds will be utilized for salaries, benefits and other operational expenses at the university. DSU is the only institution that experienced credit production decreases in excess of 4% since the 2015-17 biennium, which triggers the minimum amount payable section.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

A \$2,398,619 general fund appropriation was included in the Executive Recommendation for Dickinson State University. Funds will be utilized for salaries, benefits and other operational expenses at the university. DSU is the only institution that experienced credit production decreases in excess of 4% since the 2015-17 biennium, which triggers the minimum amount payable section.

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Agency: ND University System

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Date Prepared: 12/21/2016

2017 SENATE APPROPRIATIONS

SB 2035

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2035
1/23/2017
JOB # 27209

- Subcommittee
 Conference Committee

Committee Clerk Signature

Carie Winings *for Alvin D. ...*

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 15.18.2-06 of the North Dakota Century Code, relating to the minimum amount payable through the higher education funding formula; and to declare an emergency.

Minutes:

#1. Tammy Dolan Testimony

Chairman Holmberg called the Committee back to order on SB 2035 at 11:00 am. All committee members were present. Brady Larson, Legislative Council and Stephanie Gullickson, OMB were also present. We have the Chairman of the Higher Education Committee and a resident of Grand Forks, Representative Sanford.

(.42-4.05) Representative Mark Sanford, District 17 South Grand Forks, I was Chair of the Higher Education Interim Committee when we met on this. What this bill does is removes the sunset clause on the minimum amount payable called the old harmless clause in the Higher Education Funding Formula. It provides that an institution may not receive less than 96% of their amount received to the formula for credit hour production during the previous biennium. The interim committee had several meeting on campus and our first one was at Dickinson State. So this goes back 18 months almost and at that meeting the main topic was how was Dickinson handling the circumstance that they had, the challenges that they faced. And to say the least, we were impressed with the report that we got. Way back then they were struggling with this issue. When we met with me they reported 73 FTE's had already been reduced. They also reported that they had programs that had both a BS and a BA degree and what they had done is said which one is the strongest, which one can we retain? So they had made full program cuts in either the BA or BS degree program at that point in time. So, to me, to our committee, this demonstrated that they realized they had a big challenge, they were not backing away from it and they made significant efforts to bring everything in line. Now, on top of that comes our circumstance we have before us with the budget and the revenue issues that we have. So that is added to the expectation for Dickinson State to take and deal with this short fall, which is very, very severe in their particular case. I mention all this because this clause really, with limited institutions is there to protect somebody when they have one of these issues. Might have had a flood, somebody else could have another kind of disaster. We've got two or three of our institutions that have some financial issues. This is kind of a life support that it protects the assets that we have

invested in each of these campuses. For this reason, the committee was highly supportive of continuing this and extending it not on a biennium to biennium basis but make it a permanent piece of the funding formula. My partner is Tammy Dolan.

Chairman Holmberg: As I understand, this only affects Dickinson.

Representative Sanford: That is correct.

Chairman Holmberg: How close is Dickinson to being weaned off this issue.

Representative Sanford: About \$2.4 million.

Chairman Holmberg: Are they on track to increase their completed course work and get more from the state?

Representative Sanford: Yes. The most recent report that our interim committee received at the final meeting indicated that they had made progress in enrollment, the weighted credits awarded, and issues surrounding their foundation.

Chairman Holmberg: Governor Burgum has proposed reducing the funding mechanism down to 80%. Does this insulate Dickinson from any additional cuts by saying they can only have the 96%. Would they be different from all the other campuses in that regard and would it change the dollar amount?

Representative Sanford: I believe that is an interpretation. The definition of what they would have received last biennium. When you are dealing with the allotment and these reductions, clearly that is on the last biennium. What Governor Burgum is asking us for is this biennium. That is an interpretation that has to be made.

Chairman Holmberg: Someone might ask when the bill goes on the floor, are you insulating one school from the Burgum changes, we have to get the answer.

Tammy Dolan, Chief Financial Officer for the NDUS: See Attachment #1 for testimony in favor of SB 2035.

(13:03) Chairman Holmberg: There is always the temptation on the part of the legislature for the bills like this to be folded into the main budget bill because it is part of that. Do you want to talk about the necessity of this to be an independent bill with an emergency clause, because the bill itself will go to the same subcommittee that has higher ed.? The subcommittee for this bill are myself as chair; Senator Krebsbach, and Senator Robinson.

Tammy Dolan: I cannot recall why the emergency clause is on there, but the funding does effect the appropriation for the next biennium and I think it would make sense if that is the committee's desire to merge it into the appropriation bill. I think either way would be fine unless legislative council has a different recollection as to why the bill was drafted that way.

Chairman Holmberg: Asked Brady for any comments on the discussion.

Brady Larson, Legislative Council: the emergency clause was placed on this bill because the section would expire on June 30th, 2017 and the bill would not have gone in effect until August 1st. If this was rolled in to the appropriations bill, I would recommend putting an emergency clause on the section to make sure that it does become effective prior to the end of the biennium.

Chairman Holmberg: Then you always have to do the strategy as to whether or not the university system budget is going to go a 2/3 vote.

V. Chairman Bowman: The president said they would have to cut the nursing program. Is there enough in here to hold that program whole or will they still have to cut that?

Ms. Dolan: I would rather ask Dr. Mitzel to answer that question.

Senator Robinson: Would you clarify for the sake of the committee the funding formula is based on the enrollment for what time period?

Ms. Dolan: If you look on Page 2, the top of the page, you will see how the credit hour production impacts the current appropriation. In the very last column you will see that it is the 2013-2015 adjusted credit hours. The appropriation for the 2017-2019 biennium is based on the 2013-2015 adjusted student credit hours. There is a delay in time frame there. This time period was the lowest credit production that Dickinson has seen in the last few years and my understand is that is on the up rise now.

Senator Robinson: We went through higher education last week and heard from a number of institutions that had record enrollment so it is confusing to hear that we have challenges. It is important to keep in mind that this particular time period that is used for this computation is a bit dated, but it is what it is.

Senator Wanzek: I know where we are removing the sunset clause but we are also eliminating the language fiscal year to biennium. The way I am looking at it is if 96% and there are two years in the biennium, that would be potential 8% reduction in a biennium, where now by changing that language it is a 4% reduction?

Tammy Dolan: The statute was written that way. It always has the per year language in it. In practice it's been implemented as a biennium, because the higher education institutions don't receive an annual appropriation, they receive a biennial appropriation. That was a correction that was done in actual practice.

(18:57) President Mitzel, Dickinson State University: I also want to ask for a do pass on SB 2035. When I spoke to you last Monday, I told you that 1386 enrollment. We have been dropping from the fall of 2012 through the present year. The last year we grew about 5%. It was about a 12% turnaround. The appropriation comes from 2013-2015 which still has us being reduced in appropriations. It comes at a time when we are really trying to plan for increase. I am fairly aggressively looking at a 8-10% increase in campus enrollment. We are getting much better retainment as well as new students on the campus. The loss of the funding at this time, stops a fair bit of the momentum that we have been able to build over the past year since putting people into place and beginning to conduct our outreach. By the

end of the 2017-2019 biennium I hope to be about 1800 students and my overall plan is to get to 2000 students. If as a state, we believe Dickinson should be higher, then I am very happy to look at that as well. Our current footprint allows for 2000 students. We could get larger if we decide to look at expanding the campus a bit. If 2000 is too big, we could drift down to 1900. We have a brand new foundation put in place this year. With respect to student scholarships that brought in close to \$4 million in its first year. Most of the scholarships were small. We are trying to reconnect the region to DSU in a positive way. Over all we brought in slightly under \$5 million in its first year of existence. That is fairly incredible. We have rebuilt our regions, we have a new foundation in place, but the question arose on whether this would make us cut the Nursing Program. When I spoke last Monday that was based on the budget put forward by Governor Dalrymple and that would not save nursing. The budget already had that factored in.

Chairman Holmberg: Those are the decisions that you will make at the campus level. As far as what programs will go forward. As a committee we will receive the information on the impact of that on the funding formula. Not only the subcommittee, but the full committee will have access to that. But at VCU or Mayville if they take another 5%, they will be the ones that will be put to the board as to how they will handle that. I am guessing that we will want the campuses to start looking at it. I think many campuses are looking at the formula already.

Senator Mathern: I have a question regarding building your student base. Do you have quite a student draw from Montana? What is our tuition deal with Montana?

Dr. Mitzel: Most are from North Dakota but our second highest draw is from Montana. In 2016, 67% of our student body was from North Dakota, 72% of our graduating seniors were from North Dakota, but 82% of our graduating seniors remained in the North Dakota region. I am not exactly what is going to happen with our Montana students depending on what changes. Right now we are at 1½ with MT. We have a little bit of reciprocity, but not what we get with Minnesota. That may or may not change with some of the bills going forward.

Senator Mathern: You charge 1/1/2 times North Dakota tuition?

Dr. Mitzel: That is correct.

Chairman Holmberg: When the House looked at those bills, the NDUS furnished them with further information about percentage of students that stay in North Dakota and that is part of the equation as to whether it was a good investment or not. Those bills are all in the House I believe.

Senator Robinson: I want to make a comment. I was on the interim committee and I thought we had a very good visit to Dickinson State about 18 months ago. If you have any appreciation for where the campus was and where they are now, you have to credit the community of Dickinson and the current leadership. They have come a long way in a short period of time. It takes time to heal the wounds and put things back in place. I am supportive of this and we don't know who will need this help next. This is not just for Dickinson state; it could impact any institution in the system. You never know what is going to happen tomorrow.

Senator Kilzer: Does this support by Tammy Dolan mean that the state board of Higher Education supports this bill?

Chairman Holmberg: Yes, and it is in the budgets of both Governor Dalrymple and Governor Burgum. If this bill were to pass it would not change the budget status report because the money is already counted.

Senator Kilzer: Is this listed as an operating expense not a one-time funding?

Dr. Mitzel: The hold harmless had a sunset clause for the 2015-1017 biennium, and it would go away at the end of 2017. This bill would put it in place in a permanent fashion.

(29:17) Chairman Holmberg: Any campus might fall below the 96%. If this went into law, it would impact right now but two years from now, Dickinson might have crawled out of the hole and it might impact Williston again. We had a lot of discussion in the interim committee about this. The subcommittee will take over and as part of that they will discuss if it is better to have it within Higher Education or a free standing bill.

Senator Dever: If it was in the budget, would the emergency clause be necessary.

Chairman Holmberg: It would have to have the emergency clause on the section.

Senator Dever: I thought the need for the emergency clause was because budgets go into effect July 1st but bills go into effect August 1st.

Chairman Holmberg: You can do it either way. It is what makes the most sense. It's always debatable. The hearing was closed on SB 2035.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2035
2/10/2017
JOB # 28229

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A DO PASS on SB 2035 relating to the higher education funding formula

Minutes:

Chairman Holmberg: called the Committee to order on SB 2035 at 11:00 in the Harvest Room. All committee members were present except Senator Wanzek: Alex Cronquist, Legislative Council and Becky Deichert, OMB were also present.

Senator Robinson: We heard about 3 weeks ago. All it does is remove a sunset in the formula. This is a pretty simple bill for Dickinson state.

Chairman Holmberg: The funding is in SB 2003. It doesn't impact any of the Burgum budget.

Senator Robinson: moved a do pass on the bill. 2nd by Senator Mathern.

Senator Robinson: I referenced Dickinson State but this has potential for every school in the system. we never know when we will be in this situation. It's a good bill. Rep Sanford shared this in the interim committee.

Senator Gary Lee: Just looking at the bill is this similarly in K-12. Is that what we are trying to solve here?

Senator Robinson: I think yes. Dickinson went through a down turn in enrollment. They have seen an increase but they are not there Without this they would take a significant hit financially.

Senator Gary Lee: Something we may want to remember when K -12 comes over.

Chairman Holmberg: Call the roll on a Do Pass on SB 2035.

A Roll Call vote was taken. Yea: 12; Nay: 1; Absent: 1. Senator Robinson will carry the bill. The hearing was closed on SB 2035.

Date: 2-10-17
 Roll Call Vote #: 1

**2017 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2035**

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Robinson Seconded By Mathern

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Mathern	✓	
Vice Chair Krebsbach	✓		Senator Grabinger	✓	
Vice Chair Bowman	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Wanzek	A				
Senator Kilzer		✓			
Senator Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Robinson

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

REPORT OF STANDING COMMITTEE

SB 2035: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS
(12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). SB 2035 was placed on the
Eleventh order on the calendar.

2017 HOUSE APPROPRIATIONS

SB 2035

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division Roughrider Room, State Capitol

SB 2035
3/13/2017
29069

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

To amend and reenact section 15-18.2-06 of the North Dakota Century Code, relating to the minimum amount payable through the higher education funding formula; and to declare an emergency. (Hold harmless)

Minutes:

Attachment 1-2

Chairman Monson: called the meeting to order on SB 2035. The clerk will take the roll; all present. We have today the hearing on S B 2035 which is for any "hold harmless" in the formula for any institutions that see a large drop in the revenue.

Rep. Sanford: Essentially the formula originally, when we switched over to the current formula, did have a "hold harmless" clause in it which says that no institution would get less than 96% of the calculation that they are entitled to. It has been part of the formula. It had a influence at the institutions at Williston and Dickinson and this current session, Dickinson would be the one effected by it. The cost of it is \$2,309,326 and pertains to Dickinson State University at this time.

Chairman Monson: Did the Senate change this at all?

Rep. Sanford: All the Senate did was renew it.

Chairman Monson: If I am reading this right, there is a change. There would have been a 96% threshold in the first year of 2014-15; 96% in our reduced number. By changing it to biennium, that means there would be only one 96% cut. Am I misinterpreting this?

Rep. Sanford. That is correct. In the past I think we did a calculation.

Brady Mueller: Legislative Council Staff, North Dakota Legislative Branch: When the higher education funding formula was developed, it was similar to the K12 funding formula which was on a pro-academic year basis. So that is why we see the wording physical year. However, in practice it is because the legislature appropriates the funding. This is just changing it to what is actually being done.

Chairman Monson: The way I did interpret it was probably the way it should have been interpreted.

Brady Mueller: Mr. Chairman, you are correct.

Chairman Monson: It was practiced the way you interpreted it but not the way it was written. This could affect many institutions in any given time; at this time it is Dickinson State University. Are there any questions on SB 2035? Hearing none, we continue.

Rep. Sanford: In the past, Williston State College has received the Hold Harmless. And Dickinson, this is not its first time to be Held Harmless. Ms. Dolan is here to testify in favor of SB 2035.

Tammy Dolan: Chief Financial Officer of the University System: (Attachment 1) 7:20-13:15 I am here to testify in support of SB 2035 which states If the minimum amount payable was not paid their cut would be 32%. I ask for a Do Pass on SB 2035 and am available for questions.

Rep. Martinson: I've never liked the funding formula. We passed it and I remember saying Dickinson is going to suffer from this. Either we have a formula or we don't. I am not going to support the Sunset clause. I'm not going to support this bill. It should've been in the appropriations for higher education. I'm frustrated with this formula that works for some and not others. There is no way we can say that Dickinson won't be back in two years.

Rep Sanford: In two years, is Dickinson production numbers, has that stabilized as we go back and look at the 2013-15 production numbers that we are using?

Tammy Dolan: It does appear that their credit numbers have stabilized.

Rep. Sanford: If it has stabilized they would not qualify for hold harmless next biennium.

Tammy Dolan: If their credits have stabilized to the point that their funding does not decrease more than 4%, they would not see the minimum amount in this section.

Vice Chairman Streyle: So why wouldn't we just kill this bill at a onetime appropriation of Dickinson State budget in 2003? Then that solves the problem, the formula is not tweaked any more, there is no minimum and we move on.

Tami Dolan: This bill was proposed to provide that stability to an institution if there is a significant drop in their credit production. If Dickinson is helped this time, that would not help to provide stability to any other institution going in this direction; you would lose that stability that the institutions have now knowing that this comes into play if need be.

Chairman Monson: Did I hear you say that possibly no institution including Dickinson is going to need this "hold harmless" in the next biennium?

Tami Dolan: Yes, if credit production for all the institutions were to not decrease significantly, more than 4% reduction for the biennium, no one would receive any funding under this

minimum amount clause. But I still feel that we need to keep this in the bill in the event that does happen at some point in the future.

Chairman Monson: It looks to me that you are calling it on page 2 of your testimony with SB 2035 minimum amount in the amount of \$2.3 million for the previous biennium.

Tami Dolan: 20:40 That is the credit production from the 2013 to 2015 Biennium. If you look at the bottom of page 3 of handout. Wahpeton would have had a decrease of \$500,000 more; that would have exceeded 4% reduction.

Chairman Monson: This is based on last year so they will get the \$2,300,000 whether we pass this or not? This bill is to take care of anything down the road.

Ms. Dolan: I am here to testify in favor of SB 2035: It applies to this 2017-19 appropriation. Without this section, because it expires June 30, 2017, they would not receive the \$2,300,000 because it will not be in existence going forward.

Rep. Sanford: They need to have this so they don't apply if they are short a lesser amount. Obviously we don't want anyone in this circumstance. In Williston, the problem was people could make more in the oil field so they didn't go to school. Now they are back. We do have to have some defined bogey. This bill is short term. It is frustrating to have to do it, but I think we need to do it. The amount is defined in law if that's the part that bothers folks, we can say that if it reaches the 96%, you can request the deficiency appropriation. It is not much of a planning tool. The value of something like this is taking the uncertainty out of it and also in light of having a deficiency, they can request additional funding.

Vice Chairman Streyle: I think the main problem for both of these was the president s they had at that time in addition to the funding formula. Dickinson State Univ has an excellent President now and Williston has a good Interim President and both are doing better

Chairman Monson: We've been doing "hold Harmless" in the past, even for K-12. It isn't perfect, but it was on an annual basis. I think this formula is a huge improvement in comparison to what it used to be at. Having Hold Harmless clauses buys us time to see if it totally loses its wheels or does it just need to be propped up a little bit. Are there people that would like to testify?

Mark Hagerott: Chancellor: I was not here when the formula was made. It does help to stabilize things. We tried to reduce the notification time considerable so we can absorb the up and down shocks.

Katie Mastel: North Dakota student: I'm here in support of SB 2035 (Attachment 2) 31:00-31:30 We are here to testify for the approval of SB 2035, the Hold Harmless clause included. It gives quality education a priority.

President Mitzel: Dickinson State University: We have grown by about 7% this year. We have an aggressive approach to help grow enrollment. We are increasing the number of students on campus and have room for growth. I'm in favor of SB 2035, having that 96% allows the

Chairman Monson: Any questions? Hearing none, we continue.

President Mitzel: I have a few questions regarding how this helped Dickinson State University. DSU has been in existence for a hundred years. My wish would be for everything, I know that can't happen. I don't have the table in front of me if we had less than \$2.3 million I would request about \$6 million on top of the \$2.3 million. Hold Harmless gives us an opportunity to do what we can do As we go forward we have issues that can happen within this institution. Having that 96% to Hold Harmless can help us correct whatever has happened and we can go forward in a positive manner.

Rep. Martinson: So if we give you the \$2.3 million, that's all you need?
We have to deal with actualities after you are gone, what's the bottom line number.

President Mitzel: I wasn't here when things spiraled downward so quickly. "Hold harmless" gives administration time to rebuild the foundation to ensure that we are strong going forward. The bottom line number is hard to give. We would have to have a column of what can be cut at certain levels. Once we have cut the 2.5 we are getting into the core institution.

Rep. Martinson: We have to have a bottom line. When we begin discussions on this, we are not going to use a lot of ifs.

President Mitzel: When we get beyond the \$2.5 million of cuts overall, we still have to cut into the essence of what is our educational system. If we were offered 8.75%, we would request about 6% for this biennium. I think we have nice four-year plan at DSU and if we could get that number this biennium, we would not have to come back next biennium at all. That would get us the planning we need.

Rep. Schmidt: I can understand "hold harmless" for natural disasters such as floods, but not for terrible administration. The taxpayers are paying for this failure and I don't approve of it.

Vice Chairman Streyle: I think it is a new day and we need to figure this out.

Rep. Schmidt: How do we know this won't happen again?

Rep. Boe: I hear that we are looking for a level path to the future. I do not want to put some kind of cap on growth. This safety net we put under them has to have the past 5, 7, 10 years addressed because it will just keep jumping all over. If we average that amount and take a % of that that could their safety net.

Chairman Monson: So you are saying what do we want to do with this? If we take a 4% cut each year it would probably be the same effect as a 5 year average.

Rep. Boe: If you're going to take a percentage of their reimbursement, that percentage has to be a percentage of the prior five years, I don't know what the number is, but if you just take last year's numbers, it wouldn't help. If you take the average amount of the five years, take a percentage of that amount, and let that be the safety net.

Chairman Monson: If the University continues to underperform, seeing growth in students or seeing growth credits, this will continue in a 4% cut for a long time. It would probably be same effect as a five or six-year average. When you see a really big cut, or drop, I don't know how it would go.

Rep. Boe: What if I enrolled 1,600 online students out of some foreign country to bring my cost reimbursement up for the University, and next year, when I don't have those students, you've got to give me 94%.

Rep. Sanford: What we have now is reality. I don't think most of us were here when the formula was put into place. The model was started with presidents coming in and overwhelming the legislature with charm and personal finesse. That was followed up by an enrollment-based model but far from pure. It was still under the influence of individual presidents and their capacity to wow the legislature or have the right block of legislators who would just sway the day so to speak. The formula may not be perfect. If there is something wrong with it, maybe this is the time to get this studied. I don't think we can reinvent the formula here in the next short while. If that has to be the case, let us take a look at it, let's fix it and let's make it better. We have a circumstance; we have a very valuable institution. To the best of their knowledge, all they can do at this point in time was count on the law that was in place; the formula was in place even though there is a sunset on this from the planners standpoint, all they could do is look out and say, "Well, this is what it is". Now we hope this is what it is down the road. We can't fix this overnight. We have a very valuable institution that all they could do was We have the responsibility to take care of this. We can't figure out a formula in the next two weeks. We can fix this with the formula or with the budget. The amount of money in the formula of \$2.7 is not going to fix the problem.

Chairman Monson: Any questions? Any testifiers in support of SB 2035?

Jared Melville: vice president of the ND Student Organization. When this model was introduced, it was considered fair to everyone and was assumed that the "hold harmless" clause would provide protection for institutions, you will be supporting the future of the state. It helps address short term higher education problems. The student association supports S B 2035 and continue to uphold it's "harmless" clause. We thank the body for its time. And now we will stand for any questions at this time.

Chairman Monson: Any questions for Jared? We will close the hearing for SB 2035?

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division
Roughrider Room, State Capitol

SB2035
3/16/2017
29287

- Subcommittee
 Conference Committee

Virginia L Mock

Explanation or reason for introduction of bill/resolution:

To amend and reenact section 15-18.2-06 of the North Dakota Century Code, relating to the minimum amount payable through the higher education funding formula; and to declare an emergency.

Minutes:

Chairman Monson: called the meeting to order on higher ed. We have 3 bills, SB 2035, SB 2036 and SB 2054 that were dropped in on us. Yesterday we came to agreement that the pieces we would like to keep on these will be put in SB 2003. Let's take up the 2035, the hold harmless bill. We refer to Dickinson when we talk about this but it is for anyone of the campuses that fall through the cracks

Rep Schatz: I want to keep SB 2035 hold harmless.

Rep Schmidt: made a motion to DO NOT PASS SB2035.

Rep Martinson: seconded the motion. I talked to Representatives Lefor and Steiner and told them that we might be killing these bills but not to worry about DSC because we'll put that in SB2003. They were ok with that. They just want the money. I agree that everything should be in one bill.

Rep Sanford: I think it should be in one bill, also. It has been part of the formula and should be. I'll vote for the motion but on the caveat that it has the hold harmless clause Lots of changes are happening all through this system so I think Hold Harmless is an important part of the system.

Chairman Monson: With these cuts there are possibilities that some will need to use this next time. We will see if the formula works when we come back next biennium. I think the formula works, maybe not perfectly.

Rep Sanford: If the amount of credits is the definition of the formula then it is a one-way formula. Sometimes a decision has to be made to strengthen what you have to make it better. That is a reason to have hold harmless. Also all of this system is facing great change

and some may have to make tough decisions. They may need hold harmless to enable them to do that.

Rep Martinson: The idea of the formula is to have a formula. It's supposed to say if your enrollment goes down, you go down. If we tell them they will never get less than their getting and will be held harmless, that's not a formula.

Chairman Monson: I disagree. They will have huge cuts and they may have to let programs go and they may need this next biennium. If we need it to put a package there for Dickinson, it's there. To me this safety net at 96% is part of the formula. Now if we go beyond the 96% then it is not a formula. Any other discussion on the DO NOT PASS for SB 2035? Clerk will take the roll. A roll call vote was taken. Yea: 7 Nay: 0 Absent: 0 DO NOT PASS carries. Representative Sanford will carry. 13:14

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2035
March 31st 2017
29871

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the minimum amount payable through the higher education funding formula;

Minutes:

Representative Sanford: The hold harmless clause has been a standalone piece and it's been sunsetted each of the sessions so it comes up again. Committee reviewed this and recommends a Do Not Pass, the one that would have been affected by it this time was Dickinson State. Thinking has been that this should not be a permanent run on this particular section of the formula.

Representative Sanford I will move for a motion of Do Not Pass

Representative Martinson: Second

Chairman Delzer: Discussion?

A Roll Call vote was taken. Yea: 17 Nay: 1 Absent: 3

Representative Streyle will carry the bill

Carrier was changed from Representative Martinson to Representative Streyle after the meeting had concluded.

Date: 3-16-2017
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2035**

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep Schmidt Seconded By Rep Martinson

Representatives	Yes	No	Representatives	Yes	No
Chairman Monson	✓		Rep Boe	✓	
Vice Chairman Streyle	✓				
Rep Martinson	✓				
Rep Sanford	✓				
Rep Schatz	✓				
Rep Schmidt	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Representative Sanford

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

Date: 3/31/2017
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2035**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Representative Sanford Seconded By Representative Martinson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich		X	Representative Streyle	X	
Representative: Boehning	X		Representative Vigesaa	X	
Representative: Brabandt	X				
Representative Brandenburg	A				
Representative Kading	A		Representative Boe	X	
Representative Kreidt	X		Representative Delmore	X	
Representative Martinson	X		Representative Holman	X	
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson	X				
Representative Pollert	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	A				

Total (Yes) 17 No 1

Absent 3

Floor Assignment Representative Streyle

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

MOTION CARRIES

REPORT OF STANDING COMMITTEE

SB 2035: Appropriations Committee (Rep. Delzer, Chairman) recommends **DO NOT PASS** (17 YEAS, 1 NAYS, 3 ABSENT AND NOT VOTING). SB 2035 was placed on the Fourteenth order on the calendar.

2017 TESTIMONY

SB 2035

SB 2035

1-23-17

#1
P1

Senate Bill 2035

Senate Appropriations Committee

January 23, 2017

Tammy Dolan, Chief Financial Officer

701.328.4116 | tammy.dolan@ndus.edu

Chair Holmberg and Committee Members: My name is Tammy Dolan and I am here today to testify in support of Senate Bill 2035. The bill would remove the sunset clause on NDCC 15-18.2-06, thereby permanently establishing a minimum amount payable for the higher education funding formula at 96% of the previous biennium's general fund state aid.

In a historic move that improved both the transparency and equity of North Dakota higher education funding, the 2013 North Dakota Legislative Assembly established a cost-based funding model for higher education institutions that provides a fixed dollar amount per completed adjusted student credit hour. The formula creates a state general fund appropriation that is used by institutions to cover a portion of ongoing operational costs. The appropriation varies from biennium to biennium based on changes in actual student credit hour production, which is weighted by three factors: instructional program classification, credit completion volume and institutional size.

The 96% minimum amount payable in NDCC 15-18.2-06 establishes a funding floor for the general fund appropriation, which serves to slow funding decreases as credit production drops. This provides additional time for an institution to plan and reduce operational costs in response to the lower appropriation. Over time, unless credit production begins to increase, the institution's appropriation will continue to decrease.

The following table shows the changes in completed student credit hours between the 2011-13 and 2013-15 biennia.

Institution	2011-2013 Adjusted SCH	2013-2015 SCH	Weighted SCH (Instructional Program Factor)	Credit Completion Factor	Institutional Size Factor	2013-2015 Adjusted SCH
BSC	318,432	161,077	299,018	1.10	1.00	328,920
DCB	75,764	26,552	45,700	1.80	1.00	82,260
LRSC	130,465	59,925	91,011	1.50	1.00	136,517
NDSCS	389,385	122,322	221,864	1.00	1.70	377,169
WSC	89,210	31,708	52,862	1.70	1.00	89,865
DSU	244,256	63,493	146,289	1.40	1.00	204,805
MASU	155,960	44,090	102,432	1.60	1.00	163,891
MISU	454,284	152,640	415,631	1.10	1.00	457,194
VCSU	237,303	58,692	156,646	1.50	1.00	234,969
NDSU	2,167,389	711,017	2,211,355	1.00	1.00	2,211,355
UND	3,090,436	701,649	3,257,601	1.00	1.00	3,257,601
TOTALS	7,352,884	2,133,164	7,000,409			7,544,545

The 2013-15 Adjusted SCH total 7,544,545 and form the basis upon which the 2017-19 general fund appropriation is formed. The next table shows the general fund appropriation included in SB2063, former Governor Dalrymple's executive recommendation, for the higher education institutions.

	2015-17 Ongoing General Fund (GF) Base	Reduction to 85% 2015-17 GF Base	Statutory Credit Production Adjustment	SB2063 Section 5 - Minimum Amount Payable 96%	2017-19 Ongoing GF Base	Change from 2015-17
BSC	\$ 36,580,826	\$ (5,546,082)	\$ 1,084,275		\$ 32,119,019	\$ (4,461,807) -12.2%
DCB	\$ 8,703,616	\$ (1,342,534)	\$ 671,607		\$ 8,032,689	\$ (670,927) -7.7%
LRSC	\$ 14,987,556	\$ (2,282,361)	\$ 625,641		\$ 13,330,836	\$ (1,656,720) -11.1%
NDSCS	\$ 44,731,764	\$ (6,638,125)	\$ (1,263,105)		\$ 36,830,534	\$ (7,901,230) -17.7%
WSC	\$ 10,248,265	\$ (1,540,654)	\$ 67,745		\$ 8,775,356	\$ (1,472,909) -14.4%
DSU	\$ 26,215,931	\$ (3,721,394)	\$ (3,810,214)	\$ 2,398,619	\$ 21,082,942	\$ (5,132,989) -19.6%
MASU	\$ 16,739,145	\$ (2,554,011)	\$ 766,659		\$ 14,951,793	\$ (1,787,352) -10.7%
MISU	\$ 48,758,181	\$ (7,330,950)	\$ 282,587		\$ 41,709,818	\$ (7,048,363) -14.5%
VCSU	\$ 25,469,668	\$ (3,808,751)	\$ (224,696)		\$ 21,436,221	\$ (4,033,447) -15.8%
NDSU	\$ 157,410,540	\$ (23,768,273)	\$ 2,886,790		\$ 136,529,057	\$ (20,881,483) -13.3%
UND	\$ 166,418,054	\$ (28,466,897)	\$ 6,254,992		\$ 144,206,149	\$ (22,211,905) -13.3%
UND SMHS	\$ 58,190,440	\$ (5,819,044)	\$ 4,546,741		\$ 56,918,137	\$ (1,272,303) -2.2%
Total	\$ 614,453,986	\$ (92,819,076)	\$ 11,889,022	\$ 2,398,619	\$ 535,922,551	\$ (78,531,435) -12.8%

Three institutions, NDSCS, DSU and VCSU, experienced SCH production losses impacting the 2017-19 appropriation. The decreases at NDSCS and VCSU did not exceed 4 percent of the current biennium's base funding, so the institutions would not receive the support payment. DSU's credit

production decreased more significantly. The executive recommendation included \$2.4 million to limit funding losses to 4 percent as a result of credit production. The executive recommendation also reduced base funding for all institutions by 15 percent, bringing the total funding decrease to \$5.1 million, or 19.6 percent, for DSU. Without the minimum amount payable funding, DSU's base budget reduction would be \$7.5 million, for a 28.7% decrease from the current biennium.

All NDUS institutions experience changes in credit production from biennium to biennium. Periodically, as the result of floods, energy development or other external circumstances, these changes can be significant. Institutions need time to plan and adjust operating costs, many of which are fixed costs, to the new, lower budget provided through the statutory funding formula. As a result, the changes in SB2035 are critical to not just one institution, but the entire higher education system.

I ask for a **Do Pass on SB2035** and am available to answer your questions.

Thank you.

Senate Bill 2035

House Appropriations Committee
Education and Environment Division
March 13, 2017
Tammy Dolan, Chief Financial Officer
701.328.4116 | tammy.dolan@ndus.edu

Chair Monson and Committee Members: My name is Tammy Dolan, and I am here today to testify in support of Senate Bill 2035. The bill would remove the sunset clause on NDCC 15-18.2-06, thereby permanently establishing a minimum amount payable for the higher education funding formula at 96% of the previous biennium's general fund state aid.

In a historic move that improved both the transparency and equity of North Dakota higher education funding, the 2013 North Dakota Legislative Assembly established a cost-based funding model for higher education institutions that provides a fixed dollar amount per completed adjusted student credit hour. The formula creates a state general fund appropriation that is used by institutions to cover a portion of ongoing operational costs. The appropriation varies from biennium to biennium based on changes in actual student credit hour production, which is weighted by three factors: instructional program classification, credit completion volume and institutional size.

The 96% minimum amount payable in NDCC 15-18.2-06 establishes funding floor for the general fund appropriation, which serves to slow funding decreases as credit production drops. This provides additional time for an institution to plan and reduce operational costs in response to the lower appropriation. Over time, unless credit production begins to increase, the institution's appropriation will continue to decrease.

The funding floor relates solely to credit production changes. Any budget reductions due to changes in the statutory funding rate are in addition to the credit production changes.

The following table shows the changes in completed student credit hours between the 2011-13 and 2013-15 biennia.

Institution	2011-2013 Adjusted SCH	2013-2015 SCH	Weighted SCH (Instructional Program Factor)	Credit Completion Factor	Institutional Size Factor	2013-2015 Adjusted SCH
BSC	318,432	161,077	299,018	1.10	1.00	328,920
DCB	75,764	26,552	45,700	1.80	1.00	82,260
LRSC	130,465	59,925	91,011	1.50	1.00	136,517
NDSCS	389,385	122,322	221,864	1.00	1.70	377,169
WSC	89,210	31,708	52,862	1.70	1.00	89,865
DSU	244,256	63,493	146,289	1.40	1.00	204,805
MASU	155,960	44,090	102,432	1.60	1.00	163,891
MISU	454,284	152,640	415,631	1.10	1.00	457,194
VCSU	237,303	58,692	156,646	1.50	1.00	234,969
NDSU	2,167,389	711,017	2,211,355	1.00	1.00	2,211,355
UND	3,090,436	701,649	3,257,601	1.00	1.00	3,257,601
TOTALS	7,352,884	2,133,164	7,000,409			7,544,545

The 2013-15 Adjusted SCH totals form the basis upon which the 2017-19 general fund appropriation is formed. The next table shows the general fund appropriation currently included in Engrossed SB2003 for the higher education institutions.

	2015-17 Ongoing General Fund (GF) Base	Reduction to 80% 2015-17 GF Base	Statutory Credit Production Adjustment	Add Health Insurance and 0% Salary Increase	SB2035 - Minimum Amount Payable 96%	2017-19 Ongoing GF Base	Change from 2015-17
BSC	\$ 36,580,826	\$ (7,437,371)	\$ 1,084,275	\$ 401,993		\$ 30,629,723	\$ (5,951,103) -16.3%
DCB	\$ 8,703,616	\$ (1,815,529)	\$ 671,607	\$ 100,535		\$ 7,660,229	\$ (1,043,387) -12.0%
LRSC	\$ 14,987,556	\$ (3,067,331)	\$ 625,641	\$ 166,845		\$ 12,712,711	\$ (2,274,845) -15.2%
NDSCS	\$ 44,731,764	\$ (8,806,846)	\$ (1,263,105)	\$ 460,961		\$ 35,122,774	\$ (9,608,990) -21.5%
WSC	\$ 10,248,265	\$ (2,057,380)	\$ 67,745	\$ 109,830		\$ 8,368,460	\$ (1,879,805) -18.3%
DSU	\$ 26,215,931	\$ (4,821,194)	\$ (3,810,214)	\$ 239,686	\$ 2,309,626	\$ 20,133,835	\$ (6,082,096) -23.2%
MASU	\$ 16,739,145	\$ (3,434,106)	\$ 766,659	\$ 191,804		\$ 14,263,502	\$ (2,475,643) -14.8%
MISU	\$ 48,758,181	\$ (9,786,083)	\$ 282,587	\$ 535,061		\$ 39,789,746	\$ (8,968,435) -18.4%
VCSU	\$ 25,469,668	\$ (5,070,534)	\$ (224,696)	\$ 274,988		\$ 20,449,426	\$ (5,020,242) -19.7%
NDSU	\$ 157,410,540	\$ (31,817,604)	\$ 2,886,790	\$ 1,305,935		\$ 129,785,661	\$ (27,624,879) -17.5%
UND	\$ 166,418,054	\$ (40,324,565)	\$ 6,254,992	\$ 1,923,805		\$ 134,272,286	\$ (32,145,768) -19.3%
UND SMHS	\$ 58,190,440	\$ (5,819,046)	\$ 4,546,741			\$ 56,918,135	\$ (1,272,305) -2.2%
Total	\$ 614,453,986	\$(124,257,589)	\$ 11,889,022	\$ 5,711,443	\$ 2,309,626	\$ 510,106,488	\$ (104,347,498) -17.0%

Three institutions, NDSCS, DSU and VCSU, experienced SCH production losses impacting the 2017-19 appropriation. The decreases at NDSCS and VCSU did not exceed 4 percent of the current biennium's base funding, so the institutions would not receive the support payment. DSU's credit production decreased more significantly. Engrossed SB2003 includes \$2.3 million to limit funding losses to 4 percent as a result of credit production. Engrossed SB2003 also reduces base funding for all institutions by 20 percent, bringing the total funding decrease to \$6.1 million, or 23.2 percent, for DSU. Without the minimum amount payable funding, DSU's base budget reduction would be \$8.4 million, for a 32.0% decrease from the current biennium.

All NDUS institutions experience changes in credit production from biennium to biennium. Periodically, as the result of floods, energy development or other external circumstances, these changes can be significant. Institutions need time to plan and adjust operating costs, many of which are fixed costs, to the new, lower budget provided through the statutory funding formula. As a result, the changes in SB2035 are critical to not just one institution, but the entire higher education system.

I ask for a **Do Pass on SB2035** and am available to answer your questions.

Thank you.

SB 2035 Support

Katie Mastel: NDSU Student Government

Chairman Monson, members of the committee, for the record my name is Katie Mastel and I am here on behalf of NDSU Students to testify in support of Senate Bill 2035. We as students find the current Funding Formula adequate and fair and thus support it as is.

The Funding Formula rewards success and thus pushes NDSU as well as our peer institutions to the highest academic excellence possible. With this, the focus in our institutions is on the students and their academic achievements making quality education a priority.

Though the Formula is complex, understandably, we think it is incredible that it has such support throughout all of the institutions and firmly believe that in itself speaks volumes.

This Formula is what we would consider fair for all institutions putting the funding where it is most deserved. For these reasons we as students advocate for the extension of the current Funding Formula.

Thank you for your continued support for Higher Education, and making education a priority for our state. We as students, once again urge you to maintain the Funding Formula as is, and thus support Senate Bill 2035. Thank you and I will stand for any questions at this time.