

**FISCAL NOTE**  
**Requested by Legislative Council**  
**12/21/2018**

Bill/Resolution No.: HB 1030

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$710,879		\$710,879	
<b>Appropriations</b>			\$710,879		\$710,879	

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 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).*

House Bill 1030 changes the expiration date from June 30, 2019 to June 30, 2021 for the higher education funding formula's minimum amount payable clause.

- 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 the 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 a funding floor for the general fund appropriation, which serves to limit funding decreases as credit production drops. This provides additional time for institutions to respond to the change in funding levels.

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 \$710,879 general fund appropriation is required for Minot State University. Funds will be utilized for salaries, benefits, and other operational expenses at the university. MiSU is the only institution that experienced credit production decreases in excess of 4% since the 2017-19 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 \$710,879 general fund appropriation is required for Minot State University. Funds will be utilized for salaries, benefits, and other operational expenses at the university. MiSU is the only institution that experienced credit production decreases in excess of 4% since the 2017-19 biennium, which triggers the minimum amount payable section.

**Name:** Tammy Dolan

**Agency:** NDUS

**Telephone:** 701-328-4116

**Date Prepared:** 12/27/2018

**2019 HOUSE EDUCATION**

**HB 1030**

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Education Committee**  
Coteau Room, State Capitol

HB 1030  
1/9/2019  
30618

- Subcommittee  
 Conference Committee

Committee Clerk: Bev Monroe by Donna Whetham
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## **Explanation or reason for introduction of bill/resolution:**

Relating to the minimum amount payable through the higher education funding formula; and to declare an emergency.

## **Minutes:**

Attachment 1.
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**Chairman- Mark S. Owens:** opened the hearing on HB 1030.

**Rep Sanford:** In support of HB 1030. The purpose of this clause has been to ensure programs and assets we have as a state in each of these institutions by protecting the amount of general fund money they will get through the formula in case they have some downside where their credits would go down significantly and they would have a crash in terms of their working revenue. We imagined it would be rare and we wouldn't have one disaster after another. But since 2013 this has been used every time and for very, very good reasons. Such as Dickinson State relative to credits. They went from 2400 students to 1400 students in one biennium. This hold harmless formula is used to cushion the blow over several biennia. It had a significant effect on the Williston area too. They are now not getting any help. The third example is the flood in Minot State. A lot of the student housing was affected. For Minot State it is about a \$710,000 deal to hold harmless. In essence if the formula says that if this event hadn't happened for you, you would only get 92% of the money and the formula will give you the 96% of the money. It has proven to be a useful tool in some unusual circumstances that really aren't the fault of the institution.

**Rep. Longmuir:** Is the emergency clause because of the Minot State situation that they won't get their funding without the emergency clause?

**Rep Sanford:** That is the one that would be affected this time, yes.

**Tammy Dolan, Vice Chancellor for Administrative Affairs:** In support of HB 1030. Explained the higher education funding formula. (See Attachment 1) 8:20-16:30.

**Rep. Heinert:** Can you tell me how long we give the colleges to catch up, is there something in statute that explains that?

**Tammy Dolan:** It is over a two year period and this just calculates their biennial appropriation.

**Rep. Heinert:** Why do we have on the Fiscal note two biennia listed at the \$710,000?

**Tammy Dolan:** If that \$710,000 is appropriated it becomes part of their base budget. Then it would automatically go forward the next biennium, unless their credit production goes down again and then it would be reduced at that time. This formula is the way that all of the state funds for base appropriations are distributed. It becomes part of that base level budget that is in the appropriation bill.

**Rep. Johnson:** What starts the deficiency payment, Minot is at 4%, and a couple institutions are at 3%, what level do they have to be to get some help?

**Tammy Dolan:** It is once their credit production exceeds the 4% reduction, once that amount drops by 4% or higher, that is when the minimum amount payable starts. Anything up to 4% is built into their budget immediately.

**Rep. Sanford:** One of the reasons this has been a biennium to biennium appropriation, is that it does put heat on because you won't get this forever. You have to work hard, recruit and work to get their budget in line. We want the Higher Education committee to work together. The key thing is that it is being reviewed and that there is legislative comments being made on the side.

**Chairman- Mark S. Owens:** Any more support, opposition or neutral testimony on HB 1030. Seeing none.

Hearing closed.

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Education Committee**  
Coteau A Room, State Capitol

HB 1030  
1/15/2019  
30620 (47:17-52:10)

- Subcommittee  
 Conference Committee

Committee Clerk: Bev Monroe by Donna Whetham

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

Relating to the minimum amount payable through the higher education funding formula; and to declare an emergency.

## **Minutes:**

**Chairman Owens:** Opened the hearing on HB 1030. This is from the Higher Education committee, this is basically a law that is in existence that is scheduled to sunset in June and they are looking to extend another two years. I believe the Higher Education Committee requested the sunset be eliminated as an amendment.

**Rep. D. Johnson:** I may be a good idea but I would encourage you to along with Rep. Sanford that those institutions and managing budgets has a deficiency fund out there for a reason. I would resist that amendment. **Moved a Do Pass** on the bill as it stands and rerefer to Appropriations.

**Vice Chairman Schreiber-Beck:** Seconded.

**Rep. M. Johnson:** I am curious with an appropriation do we pass it out and then it goes to Appropriations?

**Chairman Owens:** Yes, it will be referred to Appropriations.

**Roll Call Vote: Yes 14 No 0 Absent 0. Motion passed on HB1030. Rereferred to Appropriations.**

**Rep. D Johnson:** will carry the bill.

Hearing closed on HB 1030.

Date: 1-9-19  
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. HB1030

House Education 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. D. Johnson Seconded By Vice Chairman Schreiber-Beck

Representatives	Yes	No	Representatives	Yes	No
Chairman M. Owens	✓		Rep. Guggisberg	✓	
V. Chair. Schreiber-Beck	✓		Rep. Hager	✓	
Rep. Heinert	✓				
Rep. Hoverson	✓				
Rep. D. Johnson	✓				
Rep. M. Johnson	✓				
Rep. Johnston	✓				
Rep. Longmuir	✓				
Rep. Marschall	✓				
Rep. Pyle	✓				
Rep. Strinden	✓				
Rep. Zubke	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Dennis Johnson

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

**REPORT OF STANDING COMMITTEE**

**HB 1030: Education Committee (Rep. Owens, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1030 was rereferred to the Appropriations Committee.**

**2019 HOUSE APPROPRIATIONS**

**HB 1030**

# 2019 HOUSE STANDING COMMITTEE MINUTES

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

HB 1030  
1/24/2019  
31417

- Subcommittee  
 Conference Committee

Committee Clerk Signature Parker Oswald

## 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:

Attachments 1-2

**Chairman Representative David Monson:** Opens meeting and attendance is taken.

**Chairman Representative David Monson:** Gives an overview of HB 1030.

**(1:10) Representative Mark Sanford:** HB 1030 is a continuation of a practice we have had in place since the higher education formula was put in place.

**Representative Mark Sanford:** It limits the amount of revenue that would come from the funding formula that levels off the money from before. It holds it at 96% of what you would be fully funded under the formula.

**Representative Mark Sanford:** The first college to use it was Williston due to the loss of students during the oil boom in the Bakken. The second one was Dickinson State and was the biggest loss we have seen in Higher Education ever.

**Representative Mark Sanford:** This time, the one involved would be Minot State and would essentially come from the impact of the flood. The dyke in Minot goes right down University Avenue and a lot of housing, school land and other property was damaged.

**(4:00) Representative Mark Sanford:** They will receive around \$700,000 and will have enough credits to not need it next time.

**Representative Mark Sanford:** The request this time is to keep this in place. I think it has helped mitigate some tough circumstances that these Universities have gone through.

**Chairman Representative David Monson:** My only question is on the fiscal note. Why is there an equal \$700,000 in the 2021-2023 biennium?

**(5:50) Representative Mark Sanford:** I may be mistaken on my assumption that it may be onetime because we only looked at this biennium.

**Chairman Representative David Monson:** I could be mistaken too, but we do this each time as needed.

**Representative Mark Sanford:** The number that we use is data that is two years old. It is one of the things that these institutions appreciate because they can look ahead 4 years and already predict this. It is used as a 4 year planning model.

**(7:05) Chairman Representative David Monson:** I understand that they have to use 2-year-old data. This will be the data they are using for the next biennium and already projecting that someone will need money next time.

**Representative Mark Sanford:** I think they are in the last semester of the biennium. They have enrollments and know what they had as far as numbers. They have a pretty good record of that and do not lose much enrollment.

**Representative Mark Sanford:** One of the reasons this has been put in place from biennium to biennium rather than always ongoing, because 3 years ago we had money and could help out more.

**(10:10) Representative Mark Sanford:** It gives us flexibility as legislators and holds the colleges accountable.

**(10:35) Dave Krebsbach:** Introduces self to committee and begins to read testimony from **attachment 1**.

**Chairman Representative David Monson:** How does the fiscal note reflect two years past this biennium. I guess they do have last year's data.

**Mr. Krebsbach:** Does the fiscal note have the same number allocated?

**Chairman Representative David Monson:** Yes, which tells me they either made a mistake or took a shot in the dark.

**(13:50) Mr. Krebsbach:** Returns to presenting **attachment 1 on page 2**. Offers support in favor of HB 1030.

**(15:30) Jared Melville:** President of the North Dakota Student Association. Offers support for HB 1030 and begins to present testimony from **attachment 2**.

**(18:45) Chairman Representative David Monson:** Any questions? Anyone opposed?

**(19:45) Alex Cronquist:** On the fiscal note is that the \$710,000 would become part of the university's base budget and have it as an ongoing funding item.

**Representative Bob Martinson:** Are we going to talk about this now or should we move on?

**Chairman Representative David Monson:** We can talk about it now and probably even act on it.

**Representative Bob Martinson:** If you do not have the credit hours and enrollment, that is too bad. We need to keep the formula the same or not at all. I do not want to remove the clause.

**(21:30) Representative Mark Sanford:** Certainly what he says is true from a purest standpoint about not modifying this. The reality of circumstances arises and you have something that just is not usual and normal that causes a loss of enrollment.

**Representative Mark Sanford:** Dickinson State lost over a thousand students. This is designed to protect the students in their ongoing studies in the later years of their degrees. They are operating on a pretty thin budget do to the cuts they have sustained the last few times.

**Representative Mark Sanford:** I cannot imagine what happens if we do not help them, the institution will close. Same with Minot and the loss of enrollment due to the huge flood. It is defined as a loss of more than 4% of your base enrollment.

**(24:15) Chairman Representative David Monson:** I wanted to refute what Representative Bob Martinson said. It is a safety net and it is not in the formula because you insist on having a sunset clause. If we had it in the part of the formula, it would be permanent and would not cause a flaw in it.

**Chairman Representative David Monson:** When the price gets ripped out from underneath us we need this safety net.

**Representative Bob Martinson:** It is not part of the formula, that is my point. You cannot put this in the formula because there is no column for short falls. You think it should be in the formula so 10 schools get the amount and the 11<sup>th</sup> gets a little more?

**(26:20) Chairman Representative David Monson:** It could be part of the formula that if you fall below the short fall level, this clause kicks in.

**Representative Mike Nathe:** Representative Mark Sanford did answer my question. It is the same issue we have in K-12 with declining enrollment.

**Representative Tracy Boe:** Is there a risk of farming the formula by putting this in there?

**Chairman Representative David Monson:** If I were an administrator I certainly would not try to underachieve in my formula just to get this extra money.

**(28:30) Representative Bob Martinson:** If you leave the sunset in, I will vote for this. I move that we do pass.

**Chairman Representative David Monson:** A Do Pass motion is made by Representative Bob Martinson and seconded by Representative Mark Sanford.

**(30:00) A Roll Call vote is taken on Do Pass and carries with 5 yes, 0 no and 2 absent.**  
Will be carried by Representative Mark Sanford.

**Chairman Representative David Monson:** Closes hearing on HB 1030.

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Roughrider Room, State Capitol

HB 1030  
1/31/2019  
31910

- Subcommittee  
 Conference Committee

Committee Clerk Risa Bergquist

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

**Relating to the minimum amount payable through the higher education funding formula; and to declare an emergency.**

**Minutes:**

**Chairman Delzer:** Call the meeting to order for HB 1030

**-4:20 Representative Sanford:** HB1030 has been in place since the change to the current formula. It is call the hold harmless clause and what that does is protects an institution from taking a loss in their appropriation of greater than 4%. It's been used at three institutions since we've moved to this new formula. The first time was in Williston, they had fewer numbers of people going to college in the Bakken because of the great jobs and because of that Williston received some hold harmless appropriation. The second time was Dickinson State and they lost over a thousand students and they were given some protection because of the hold harmless cause. This time it's Minot state and it was because of the flood. The new flood protection protects the college but not the housing and it resulted in a loss of students. We use the data that is two years old, that is why we are now seeing the Minot flood issues now.

**Chairman Delzer:** How long are we going to do this and are we going to do it for everyone? What in NDSU suddenly drops by 4%? That would be big dollars.

**Representative Sanford:** One of the realities is that you still have to have the program, the professor, the space, even when the numbers are down.

**Chairman Delzer:** Do we limit them to onetime? And do the than work off the new number?

**Representative Sanford:** The reason that this hasn't been part of an ongoing appropriation is it's a decision made each time. Minot's was caused by nature so we are protecting assets there and it wasn't self-inflicted.

**Chairman Delzer:** We will hold this until we can work HB 1003

**Representative Kempenich:** If this is a repeat problem does it keep dropping the base number?

**9:45 Representative Sanford:** We visited with Dickinson State, they told us they would not be eligible this time they have worked their way back, Minot state is working on getting back in order.

**Chairman Delzer:** Well then is this needed for Minot?

**Representative Sanford:** They wouldn't see the benefit of the current enrollment for another 2-4 years, again we are working off data that is at least a couple of years old.

**Chairman Delzer:** But they are living through it right now.

**Representative Sanford:** The issue is if the enrollment is back and healthily you're going to have some expenses related to that too.

**Chairman Delzer:** How did you come up with the 4%, maybe we need to make that number a little higher.

**Representative Monson:** We've been a similar thing for k12 for years and years.

**Chairman Delzer:** That also with be a point of discussion as well. We'll quit here and finish this discussion at a later date. We'll close this meeting.

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Roughrider Room, State Capitol

HB 1030  
2/6/2019  
32243

- Subcommittee  
 Conference Committee

Committee Clerk Risa Bergquist

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

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

**Minutes:**

**Chairman Delzer:** Called the meeting to order for HB 1030

**2:10 Representative Sanford:** The intent today would be to kill the bill; we would make some changes so there are limits on it so it would almost have to be a natural disaster. With the idea that we have 2-year-old data typically once an event happens like this you're still okay for a couple of years because it's based on the credits that were awarded two years ago. **I would move a Do Not Pass** and we will work on language for HB 1003.

**Representative Kempenich: Second**

**Chairman Delzer:** Part of the issue we have here is that we have a number of universities that are just naturally flowing up and down on enrollment and we don't want them just on natural causes like the economy of whatever where they fall below that 96 that they automatically get some hold even money. If this was some of our larger universities in the eastern part of the state it could be huge amounts of money.

**Representative Sanford:** The reality is that most of our institutions are regional based and that means it's North Dakota based so we have a limited number of graduates coming out so there's going to be a flow of who's getting most of the students. It could be way more than what the legislature anticipated 6 years ago.

**Chairman Delzer:** Further discussion? We will take a roll call vote.

**A Roll Call vote was taken. Yea: 20 Nay: 0 Absent: 1**

**Motion Carries; Representative Sanford will carry the bill**

**Chairman Delzer:** With that we will close this meeting.

**2019 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. HB 1030**

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 Representative Bob Martinson    Seconded By Representative Mark Sanford

Representatives	Yes	No	Representatives	Yes	No
Chair David Monson	X		Representative Tracy Boe	X	
Vice Chair Jim Schmidt					
Representative Bob Martinson	X				
Representative Mike Nathe					
Representative Mark Sanford	X				
Representative Mike Schatz	X				

Total (Yes) 5 No 0

Absent 2

Floor Assignment Representative Mark Sanford carries

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

Date: 2/6/2019  
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. HB 1030**

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 Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X				
Representative Anderson	X		Representative Schobinger	X	
Representative Beadle	X		Representative Vigesaa	X	
Representative Bellew	X				
Representative Brandenburg	X				
Representative Howe	X		Representative Boe	X	
Representative Kreidt	X		Representative Holman	X	
Representative Martinson	X		Representative Mock	A	
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	X				

Total (Yes) 20 No 0

Absent 1

Floor Assignment Representative Sanford

**Motion Carries**

**REPORT OF STANDING COMMITTEE**

**HB 1030: Appropriations Committee (Rep. Delzer, Chairman)** recommends **DO NOT PASS** (20 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1030 was placed on the Eleventh order on the calendar.

**2019 TESTIMONY**

**HB 1030**

**House Bill 1030**

House Education Committee

January 9, 2019

Tammy Dolan, Vice Chancellor for Administrative Affairs

701.328.4116 | [tammy.dolan@ndus.edu](mailto:tammy.dolan@ndus.edu)

Chair Owens and Committee Members: My name is Tammy Dolan and I am here today to testify in support of House Bill 1030 and request consideration of a potential amendment. The bill as written would extend the sunset clause on NDCC 15-18.2-06 from June 30, 2019 to June 30, 2021. This change would continue the 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 2013-15 and 2015-17 biennia.

Institution	2013-2015 Adjusted SCH	2015-2017 SCH	Weighted SCH (Instructional Program Factor)	Credit Completion Factor	Institutional Size Factor	2015-2017 Adjusted SCH	2015-17 Adjusted SCH Increase (decrease)
BSC	328,920	158,023	290,994	1.10	1.00	320,093	(8,827)
DCB	82,260	25,526	44,307	1.80	1.00	79,753	(2,507)
LRSC	136,517	58,258	88,916	1.50	1.00	133,374	(3,143)
NDSCS	377,169	121,634	221,464	1.00	1.70	376,489	(680)
WSC	89,865	38,743	61,016	1.70	1.00	103,727	13,862
DSU	204,805	59,541	134,777	1.50	1.00	202,166	(2,639)
MASU	163,891	45,418	112,804	1.60	1.00	180,486	16,595
MISU	457,194	145,979	391,553	1.10	1.00	430,708	(26,486)
VCSU	234,969	62,245	166,036	1.40	1.00	232,450	(2,519)
NDSU	2,211,355	708,490	2,180,302	1.00	1.00	2,180,302	(31,053)
UND	3,257,601	700,471	3,279,783	1.00	1.00	3,279,783	22,182
<b>TOTALS</b>	<b>7,544,546</b>	<b>2,124,328</b>	<b>6,971,952</b>			<b>7,519,331</b>	<b>(25,215)</b>

The 2015-17 Adjusted SCH total 7,519,331 and forms the basis upon which the 2019-21 general fund appropriation is formed. The next table shows the 201-21 general fund appropriation requested by the State Board of Higher Education (SBHE) for the higher education institutions.

Institution	2017-19 Base Budget	2015-17 Adjusted SCH	Statutory Rate per SCH	2019-21 Base Budget	Change from 2017-19	
BSC	\$ 30,600,597	320,093	\$ 93.03	\$ 29,778,252	\$ (822,345)	-3%
DCB	7,652,945	79,753	93.03	7,419,422	(233,523)	-3%
LRSC	12,700,623	133,374	93.03	12,407,783	(292,840)	-2%
NDSCS	35,089,376	376,489	93.03	35,024,772	(64,604)	0%
WSC	8,360,503	103,727	93.03	9,649,723	1,289,220	15%
DSU	17,806,843	202,166	86.95	17,578,334	(228,509)	-1%
MASU	14,249,605	180,486	86.95	15,693,258	1,443,653	10%
MISU	39,750,979	430,708	86.95	38,160,940	(1,590,039)	-4%
VCSU	20,429,502	232,450	86.95	20,211,528	(217,974)	-1%
NDSU	128,591,042	2,180,302	58.65	127,874,712	(716,330)	-1%
UND	140,096,089	3,279,783	58.65	140,099,633	3,544	0%
SMHS	51,848,093			52,259,640	411,547	1%
SMHS-HWI Residency Program				10,676,150	10,676,150	
<b>TOTALS</b>	<b>\$ 507,176,197</b>	<b>\$ 7,519,331</b>		<b>\$ 516,834,147</b>	<b>\$ 9,657,950</b>	<b>2%</b>

Eight of the 11 institutions experienced SCH production losses impacting the 2019-21 appropriation. The decreases at BSC, DCB, LRSC, NDSCS, DSU, VCSU and NDSU did not exceed 4 percent of the current biennium's base funding, so the institutions would not receive the support payment. MiSU's credit production decreased more significantly. The SBHE request includes \$710,879 to limit funding losses to 4 percent as a result of credit production.

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 HB1030 are critical to not just one institution, but the entire higher education system.

Because of the critical nature of the higher education funding formula, I respectfully request that the committee consider an amendment to remove the sunset clause entirely, making the minimum amount payable a permanent component of the formula.

I ask for a **Do Pass on HB1030** and am available to answer your questions.

Thank you.

A++ 1

HB 1030

1/24/2019



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## House Bill 1030

House Appropriations Committee – Education & Environment Division

January 24, 2019

David Krebsbach , Director of Finance  
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Chair Monson and Committee Members: My name is David Krebsbach and I am here today to testify in support of House Bill 1030 and request consideration of a potential amendment. The bill as written would extend the sunset clause on NDCC 15-18.2-06 from June 30, 2019 to June 30, 2021. This change would continue the 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 2013-15 and 2015-17 biennia.

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Institution	2013-2015 Adjusted SCH	2015-2017 SCH	Weighted SCH (Instructional Program Factor)	Credit Completion Factor	Institutional Size Factor	2015-2017 Adjusted SCH	2015-17 Adjusted SCH Increase (decrease)
BSC	328,920	158,023	290,994	1.10	1.00	320,093	(8,827)
DCB	82,260	25,526	44,307	1.80	1.00	79,753	(2,507)
LRSC	136,517	58,258	88,916	1.50	1.00	133,374	(3,143)
NDSCS	377,169	121,634	221,464	1.00	1.70	376,489	(680)
WSC	89,865	38,743	61,016	1.70	1.00	103,727	13,862
DSU	204,805	59,541	134,777	1.50	1.00	202,166	(2,639)
MASU	163,891	45,418	112,804	1.60	1.00	180,486	16,595
MISU	457,194	145,979	391,553	1.10	1.00	430,708	(26,486)
VCSU	234,969	62,245	166,036	1.40	1.00	232,450	(2,519)
NDSU	2,211,355	708,490	2,180,302	1.00	1.00	2,180,302	(31,053)
UND	3,257,601	700,471	3,279,783	1.00	1.00	3,279,783	22,182
<b>TOTALS</b>	<b>7,544,546</b>	<b>2,124,328</b>	<b>6,971,952</b>			<b>7,519,331</b>	<b>(25,215)</b>

The 2015-17 Adjusted SCH total 7,519,331 and forms the basis upon which the 2019-21 general fund appropriation is formed. The next table shows the 2019-21 general fund appropriation requested by the State Board of Higher Education (SBHE) for the higher education institutions.

Institution	2017-19 Base Budget	2015-17 Adjusted SCH	Statutory Rate per SCH	2019-21 Base Budget	Change from 2017-19	
BSC	\$ 30,600,597	320,093	\$ 93.03	\$ 29,778,252	\$ (822,345)	-3%
DCB	7,652,945	79,753	93.03	7,419,422	(233,523)	-3%
LRSC	12,700,623	133,374	93.03	12,407,783	(292,840)	-2%
NDSCS	35,089,376	376,489	93.03	35,024,772	(64,604)	0%
WSC	8,360,503	103,727	93.03	9,649,723	1,289,220	15%
DSU	17,806,843	202,166	86.95	17,578,334	(228,509)	-1%
MASU	14,249,605	180,486	86.95	15,693,258	1,443,653	10%
MISU	39,750,979	430,708	86.95	38,160,940	(1,590,039)	-4%
VCSU	20,429,502	232,450	86.95	20,211,528	(217,974)	-1%
NDSU	128,591,042	2,180,302	58.65	127,874,712	(716,330)	-1%
UND	140,096,089	3,279,783	58.65	140,099,633	3,544	0%
SMHS	51,848,093			52,259,640	411,547	1%
SMHS-HWI Residency Program				10,676,150	10,676,150	
<b>TOTALS</b>	<b>\$ 507,176,197</b>	<b>\$ 7,519,331</b>		<b>\$ 516,834,147</b>	<b>\$ 9,657,950</b>	<b>2%</b>

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Eight of the 11 institutions experienced SCH production losses impacting the 2019-21 appropriation. The decreases at BSC, DCB, LRSC, NDSCS, DSU, VCSU and NDSU did not exceed 4 percent of the current biennium's base funding, so the institutions would not receive the support payment. MiSU's credit production decreased more significantly. The SBHE request includes \$710,879 to limit funding losses to 4 percent as a result of credit production.

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 HB1030 are critical to not just one institution, but the entire higher education system.

Because of the critical nature of the higher education funding formula, I respectfully request that the committee consider an amendment to remove the sunset clause entirely, making the minimum amount payable a permanent component of the formula.

I ask for a **Do Pass on HB1030** and am available to answer your questions.

Thank you.



## North Dakota Student Association

Testimony for **HB 1030**

Prepared by Jared M. Melville, President

Thursday, January 24, 2019

Chair Monson, members of the committee, for the record my name is Jared Melville and I serve as the President of the North Dakota Student Association, a statewide organization that represents the voice of North Dakota's 45,000 public college and university students. Today I am here to testify in support of House Bill 1030.

House Bill 1030 extends the sunset provision in the minimum amount payable clause as related to the higher education funding formula. This clause guarantees a certain level of continuity and sustainability in funding for our state's 11 institutions. Without it, sharp declines in credit production would substantially reduce the level of appropriations an affected campus would receive.

This could significantly complicate the campus' ability to provide certain programs and services to their students.

When students anywhere in the country enroll in a college or university, yes, they make their decision based on a degree or major. But they also select where they will invest their next two or four years based on the reputation of a beloved professor, what organizations they can become involved with, perhaps an excellent student-to-faculty ratio, a thriving sports team, and the quality and cleanliness of the buildings on campus.

Multiple students from Dickinson State University have shared with me that their custodial and maintenance workers are understaffed and overworked and that this has been a noticeable change on their campus since the budget cuts. Furthermore, their campus lacks funds for necessary repairs or updates.

One student hoping to study Chinese as a second major at the University of North Dakota told me they are very concerned that the Chinese program could be in danger of being cut or losing support if the campus continues to face budget cuts. They stated they would be leaving UND if the program is no longer offered.

Students pick where they go to school with an expectation the campus will be able to sustainably provide a quality education throughout their entire time in the program. If students see their professors leave the state for greener pastures, if students see the programs and services from which they benefitted eliminated, or if students lose faith that the University System will be able to provide a reliable and quality education, then they will withdraw from their institution and leave the state.

Campuses made difficult and creative decisions to mitigate the impact of budget cuts on their students during the last biennium. Because enrollment and credit production are not entirely under the control of the campus - rather, influenced in part by variables in the institution's external environment - preserving the minimum amount payable clause in the Century Code helps prevent an already bad situation from being made worse.

Students attend our schools because they want a quality education. They attend our schools because they want a reliable education. The Student Association respectfully requests you submit a do pass recommendation on House Bill 1030.