

# HIGHER EDUCATION COMMITTEE

The Higher Education Committee was assigned the following studies:

- Section 34 of Senate Bill No. 2003 (2017) provided for a study of the relationship between the University of North Dakota (UND) and the Energy and Environmental Research Center (EERC).
- By Legislative Management directive, the committee was assigned the responsibility to study higher education finances and the overall financial stability of institutions under the control of the State Board of Higher Education (SBHE).

The committee was delegated by the Legislative Management the responsibility to:

- Receive annual reports from SBHE regarding the number of North Dakota academic scholarships and career and technical education (CTE) scholarships provided and demographic information pertaining to the recipients, pursuant to North Dakota Century Code Section 15-10-59.
- Receive a biennial report from the UND School of Medicine and Health Sciences Advisory Council regarding the strategic plan, programs, and facilities of the school, pursuant to Section 15-52-04.
- Receive a report from any tribally controlled community college receiving a grant under Chapter 15-70 detailing grant expenditures and recipient demographics, pursuant to Section 15-70-05.
- Receive a report from SBHE regarding the transfer of appropriation authority from the operations line item to the capital assets line item by any North Dakota University System institution, pursuant to Section 20 of Senate Bill No. 2003 (2017).
- Receive a report from SBHE regarding the status of efforts to collaborate with Minnesota entities for research network purposes, pursuant to Section 33 of Senate Bill No. 2003 (2017).
- Receive a report from SBHE regarding the status of inconsistencies in employee classifications and human resources reporting, employee leave policies, practices for awarding tuition waivers, and practices regarding the charging of student fees, including policies and procedures being developed to address the inconsistencies, pursuant to Section 37 of Senate Bill No. 2003 (2017).
- Receive a report from SBHE regarding the total number of employee positions reduced at each institution, the number of administrative positions reduced at each institution, and whether any former administrative staff employees are still employed by the institution in a different position, pursuant to Section 38 of Senate Bill No. 2003 (2017).

Committee members were Representatives Mark Sanford (Chairman), Thomas Beadle, Rich S. Becker, Lois Delmore, Richard G. Holman, Dennis Johnson, Andrew G. Maragos, Bob Martinson, Lisa Meier, Gary Paur, and Mike Schatz and Senators Robert Erbele, David Hogue, Ray Holmberg, Karen K. Krebsbach, Carolyn C. Nelson, Larry J. Robinson, and Jim P. Roers.

The committee submitted this report to the Legislative Management at the biennial meeting of the Legislative Management in November 2018. The Legislative Management accepted the report for submission to the 66<sup>th</sup> Legislative Assembly.

## BACKGROUND

The Legislative Management has established a Higher Education Committee each interim since 1999. These committees have reviewed higher education funding, expectations of the University System, and accountability and reporting measures for the University System. The committees, at times, have gathered input through the use of a higher education roundtable, which consisted of members of the Higher Education Committee and representatives from SBHE; business and industry; the executive branch; and higher education institutions, including tribal and private colleges.

### University System Information

The University System consists of 11 higher education institutions under the control of SBHE. Of the 11 institutions, two are doctoral-granting institutions, two are master's-granting institutions, two are universities that offer baccalaureate degrees, and five are colleges that offer associate and technical degrees.

The legislative appropriations for the 2017-19 biennium for higher education institutions and the University System office totaled \$2,685,747,055, of which \$625,796,780 was from the general fund. Of the total general fund appropriation amount, \$12,554,626 was considered one-time funding.

The University System reported fall 2017 total degree credit headcount enrollment of 46,787 students and a total degree credit full-time equivalent (FTE) enrollment of 37,398 students, compared to fall 2016 headcount enrollment of 47,236 students and FTE enrollment of 37,873 students.

## UNIVERSITY OF NORTH DAKOTA ENERGY AND ENVIRONMENTAL RESEARCH CENTER STUDY

Section 34 of Senate Bill No. 2003 (2017) provided for a study of the relationship between UND and EERC. The study was to include a review of the working relationship between the entities, including financial responsibilities and expectations of each entity and including potential alternative administrative reporting lines and business models.

The Energy and Environmental Research Center was officially founded in 1951 as the Robertson Lignite Research Laboratory, a federal facility under the United States Bureau of Mines. The center became a federal energy technology center under the United States Department of Energy in 1977 and was defederalized in 1983, at which time it became part of UND. Since its defederalization, EERC has evolved to conduct research on all fossil fuels, as well as renewable and alternative fuels, and has become a leader in the field of pollution prevention and environmental cleanup technologies. The center is operated by UND on a self-sustaining basis and does not receive a specific state appropriation.

The committee received information regarding research conducted at EERC. Representatives of EERC suggested the state create a state energy research center at UND to ensure North Dakota's energy resources and products remain accessible, affordable, environmentally responsible, and understood. The proposed research center, with an initial state investment of \$12 million, would specifically focus on precommercial and fundamental research to complement existing state programs.

Representatives of UND reported meetings were held regarding the working relationship with EERC and issues with the relationship had been resolved.

### Conclusion

The committee makes no recommendation regarding its study of the relationship between UND and EERC.

## HIGHER EDUCATION FINANCES STUDY

The Legislative Management directed the committee to study higher education finances and the overall financial stability of institutions under the control of SBHE. The study was to include a review of the finances of each institution, including short- and long-term debt obligations, operating income margins, estimated future tuition income, institutional reserves, and anticipated future funding changes through the higher education funding formula.

### Institution Revenues

The University System reported institution funding sources include state funds, tuition and fees, grants and contracts, sales and services, auxiliary enterprises, and other sources. Total fiscal year 2016 revenue ranged from \$9.3 million at Dakota College at Bottineau to \$451.7 million at UND. Fiscal year 2016 revenues by institution are listed in the following schedule (amounts in millions):

Institution	State Funds	Tuition and Fees	Grants and Contracts	Sales and Services	Auxiliary Enterprises	Other	Total
Bismarck State College	\$17.8	\$13.1	\$11.2	\$4.0	\$3.9	\$2.0	\$52.0
Dakota College at Bottineau	4.2	1.2	2.0	0.2	1.4	0.3	9.3
Lake Region State College	7.1	3.9	3.8	0.8	1.8	1.2	18.6
North Dakota State College of Science	19.8	7.7	5.2	3.5	8.5	1.5	46.2
Williston State College	6.0	0.7	3.3	2.9	2.2	3.3	18.4
Dickinson State University	12.8	6.1	2.5	0.7	2.6	1.6	26.3
Mayville State University	7.9	4.5	5.4	1.1	2.5	1.0	22.4
Minot State University	23.7	14.7	9.3	2.0	4.1	2.5	56.3
Valley City State University	11.4	6.1	2.2	0.8	3.0	0.5	24.0
North Dakota State University	128.7	114.6	70.5	33.9	44.1	24.8	416.6
University of North Dakota	113.1	138.0	92.2	55.0	35.6	17.8	451.7
Total	\$352.5	\$310.6	\$207.6	\$104.9	\$109.7	\$56.5	\$1,141.8

### Legislative Appropriations

Legislative appropriations for the 2017-19 biennium for higher education institutions and the University System office total \$2,685,747,055, of which \$625,796,780 is from the general fund. The following is a history of legislative appropriations for higher education since the 1997-99 biennium:

Biennium	General Fund	Special Funds	Total
1997-99	\$306,825,098	\$323,595,863	\$630,420,961
1999-2001	\$334,449,287	\$713,538,799	\$1,047,988,086
2001-03	\$366,953,836	\$80,367,201	\$447,321,037
2003-05	\$364,029,938	\$110,546,775	\$474,576,713
2005-07	\$387,157,893	\$178,552,108	\$565,710,001
2007-09	\$472,036,237	\$165,419,701	\$637,455,938
2009-11	\$593,355,047	\$202,764,364	\$796,119,411
2011-13	\$657,838,539	\$108,817,759	\$766,656,298
2013-15	\$910,632,494	\$177,980,941	\$1,088,613,435
2015-17	\$837,849,212	\$66,644,264	\$904,493,476
2017-19	\$625,796,780	\$2,059,950,275	\$2,685,747,055

**NOTE:** The special funds amounts for the 1997-99 biennium reflect the appropriation of tuition income. The special funds amounts for the 1999-2001 and 2017-19 bienniums reflect the appropriation of tuition and local funds. The special funds amounts for the 2001-03 through 2015-17 bienniums include capital projects funding and money appropriated from state special funds.

The following is a summary of ongoing and one-time general fund appropriations for the University System since the 2007-09 biennium:

General Fund Appropriations			
Biennium	Ongoing Appropriations	One-Time Appropriations	Total
2007-09	\$443,654,169	\$28,382,068	\$472,036,237
2009-11	\$534,062,895	\$59,292,152	\$593,355,047
2011-13	\$606,525,437	\$51,313,102	\$657,838,539
2013-15	\$679,271,846	\$231,360,648	\$910,632,494
2015-17	\$681,876,059	\$155,973,153	\$837,849,212
2017-19	\$613,242,154	\$12,554,626	\$625,796,780

### Previous Higher Education Funding Methods

The 1999-2000 Higher Education Roundtable recommended SBHE and the Chancellor of the University System develop a long-term financing plan and resource allocation model. As a result, the board contracted with the National Center for Higher Education Management Systems for assistance with the development of the plan and model. The board reviewed the recommendations of the National Center for Higher Education Management Systems and adopted a long-term financing plan consisting of base operating funding, incentive funding, and capital asset funding components. The long-term financing plan and resource allocation model used prior to the 2013-15 biennium included the following:

- Base operating funding component - The base operating funding component of the long-term financing plan provided funding to each higher education institution to support core campus functions, such as instruction, research, and public service. The funding for each institution was based on the institution's current state general fund appropriation with general fund appropriation increases to address parity and equity. Parity funding was to be used to continue current programs and services, including salaries, benefits, and inflationary increases. Equity funding was to be distributed to institutions based on a funding comparison to peer institutions.
- Incentive funding component - The incentive funding component of the long-term financing plan included funding for SBHE to support state and system priorities consistent with the goals of the Higher Education Roundtable.
- Capital asset funding component - The capital asset funding component of the long-term financing plan provided funding to each of the higher education institutions for maintenance and replacement of facilities and infrastructure. The use of the funding provided to each of the institutions was left to the discretion of the institution with appropriate approvals by SBHE for projects greater than \$250,000. Institutions were given the authority to allocate funds for repair and replacement priorities for both deferred maintenance and regular repair and replacement projects as determined by the institution. Institutions were allowed to continue unspent capital asset funding from one biennium to the next to complete the projects started in one biennium, but not completed until the next and to accumulate funds to complete large projects that require multiyear funding. The capital asset funding component was applied to new state buildings built on campuses; however, no new operating funds were added to the base operating budget for operating costs if the operating base was already at the benchmark target.

### Adjusted Student Credit-Hour Funding Method

The Legislative Assembly, in Senate Bill No. 2200 (2013), adopted a higher education funding method beginning with the 2013-15 biennium based on an adjusted student credit-hour calculation. The calculation involves multiplying a base amount per student credit-hour by an adjusted student credit-hour calculation for each institution. The resulting equalized base budget is then adjusted for inflation to determine total institutional funding.

The adjusted student credit-hour amount for an institution is determined as follows:

1. Completed student credit-hours are determined for each institution. A completed credit-hour is one for which a student met all institutional requirements and obtained a passing grade.
2. A weighted completed student credit-hour calculation is determined by multiplying each institution's completed student credit-hours by an instructional program classification factor. The factor amount for each program classification is based upon historical costs of instruction in each program.
3. The weighted completed student credit-hour amount for each institution is then adjusted for:
  - a. A credit completion factor which is based on total credits completed at an institution. Institutions that have a lower credit-hour output receive a greater weighting factor.
  - b. An institutional size factor based on the square footage of facilities at an institution. Institutions that have a large amount of infrastructure may receive an additional factor adjustment.

The adjusted student credit-hours are then multiplied by a base per credit amount which varies based on institution type. The following is a summary of the base rates for each institution:

Institutions	Biennial Base Rate Per Credit-Hour		
	2013-15	2015-17	2017-19
North Dakota State University, University of North Dakota	\$66.35	\$72.63	\$58.65
Dickinson State University, Mayville State University, Valley City State University	\$95.57	\$107.33	\$86.95
Minot State University	\$98.75	\$107.33	\$86.95
Bismarck State College, Dakota College at Bottineau, Lake Region State College, North Dakota State College of Science	\$101.73	\$114.88	\$93.03
Williston State College	\$104.88	\$114.88	\$93.03

Through June 30, 2019, by state law, an institution may not receive less than 96 percent of the state funding to which the institution was entitled during the previous fiscal year. Under the adjusted student credit-hour funding method, funding for major capital projects is appropriated separately from the formula.

#### Preliminary 2019-21 Biennium Funding Formula Calculations

The 2019-21 biennium higher education funding formula calculations will be based on student credit-hours completed during the 2015-17 biennium. The preliminary calculations for the 2015-17 biennium indicate 7,609,001 adjusted student credit-hours were completed at institutions. The 2015-17 biennium adjusted student credit-hours amount represents an increase of 64,455, or 0.9 percent, in completed adjusted student credit-hours from the 2013-15 biennium.

The University System reported the following preliminary funding formula calculations for the 2019-21 biennium:

Institution	2017-19 Biennium Base Budget	2019-21 Biennium Preliminary Funding Formula Calculation	Increase (Decrease)	
Bismarck State College	\$30,600,597	\$29,778,252	(\$822,345)	(2.7%)
Dakota College at Bottineau	7,652,945	7,419,422	(233,523)	(3.1%)
Lake Region State College	12,700,623	12,407,783	(292,840)	(2.3%)
North Dakota State College of Science	35,089,376	35,024,772	(64,604)	(0.2%)
Williston State College	8,360,503	9,649,723	1,289,220	15.4%
Dickinson State University	17,806,843	17,578,334	(228,509)	(1.3%)
Mayville State University	14,249,605	15,693,258	1,443,653	10.1%
Minot State University	39,750,979	37,450,061	(2,300,918)	(5.8%)
Valley City State University	20,429,502	20,211,528	(217,974)	(1.1%)
North Dakota State University	128,591,042	127,874,712	(716,330)	(0.6%)
University of North Dakota	191,944,182	198,528,171	6,583,989	3.4%
Total	\$507,176,197	\$511,616,016	\$4,439,819	0.9%

The preliminary 2019-21 biennium funding calculation for Minot State University would be \$38,160,940 if the 96 percent minimum amount payable clause in the higher education funding formula were to be extended. Extension of the 96 percent minimum amount payable clause would result in a reduction of funding for the institution of \$1,590,039 rather than \$2,300,918 if the minimum amount payable clause is not continued.

#### Tuition and Fees

The University System reported tuition and mandatory fees at University System research and 4-year campuses are lower than regional and contiguous states' averages. The University System reported 2-year campus tuition and mandatory fee rates are higher than the regional average but lower than the contiguous states' average.

The University System reported SBHE is working with University System institutions to revise campus tuition models. The new statewide tuition model principles provide for the blending of tuition and nonmandatory fees, consistent on-campus and online tuition rates, a flat tuition rate if a student enrolls in more than 12 or 13 credits, and increased tuition rates for Minnesota resident students, other nonresident students, and international students. The tuition model principles approved by the board provide for the assessment of tuition based on residency as follows:

- Minnesota resident students - 1.12 times the resident rate
- Other nonresident United States, Manitoba, and Saskatchewan students - No lower than 1.2 times the resident rate
- Other international students - No lower than 1.75 times the resident rate

Subsection 2 of Section 27 of Senate Bill No. 2003 (2017) provides SBHE may not increase the tuition rates for resident students for the 2018-19 academic year by more than 4 percent compared to the tuition rate in effect during the 2017-18 academic year unless the board receives prior approval from the Budget Section. However, subsection 6 provides SBHE may exclude adjustments to a tuition rate resulting from a change in an institution's method of charging tuition, including the consolidation of existing fees into tuition rates or charging tuition based on a per-credit rate. The State Board of Higher Education approved new tuition models for Bismarck State College and North Dakota State University for the 2018-19 academic year. The University System reported new tuition models would be adopted by the other nine campuses for the 2019-20 academic year. Basic resident and nonresident undergraduate tuition rates for the 2017-18 and 2018-19 academic years are identified in the following schedule:

Institution	2017-18 Tuition Rates		2018-19 Tuition Rates		Percentage Change	
	Resident	Nonresident	Resident	Nonresident	Resident	Nonresident
Bismarck State College	\$3,791	\$10,120	\$3,990	\$5,985	5.2%	(40.9%)
Dakota College at Bottineau	\$3,607	\$5,411	\$3,751	\$5,627	4.0%	4.0%
Lake Region State College	\$3,459	\$3,459	\$3,598	\$3,598	4.0%	4.0%
North Dakota State College of Science	\$3,925	\$10,479	\$4,082	\$10,898	4.0%	4.0%
Williston State College	\$3,535	\$3,535	\$3,676	\$3,676	4.0%	4.0%
Dickinson State University	\$5,344	\$8,015	\$5,558	\$8,336	4.0%	4.0%
Mayville State University	\$5,255	\$14,032	\$5,465	\$14,593	4.0%	4.0%
Minot State University	\$5,400	\$5,400	\$5,616	\$5,616	4.0%	4.0%
Valley City State University	\$5,493	\$14,667	\$5,713	\$15,253	4.0%	4.0%
North Dakota State University	\$7,201	\$19,227	\$7,957	\$11,936	10.5%	(37.9%)
University of North Dakota	\$6,946	\$18,546	\$7,224	\$19,288	4.0%	4.0%

Resident tuition rate increases at Bismarck State College and North Dakota State University exceeded the 4 percent maximum increase allowed by Senate Bill No. 2003 (2007); however, the increased tuition rates at the two institutions include the consolidation of certain existing fees into the tuition rates. Nonresident tuition rates at Bismarck State College and North Dakota State University were reduced in response to the new tuition model principles approved by the State Board of Higher Education. Bismarck State College and North Dakota State University reduced nonresident tuition rates to 1.5 times the resident tuition rate from 2.67 times the resident tuition rate.

### Tuition Waivers

The University System reported tuition waivers totaled \$31.8 million in the 2016-17 academic year, an increase from the \$31.5 million of tuition waivers provided in the 2015-16 academic year. There was an increase in SBHE policy required waivers and a corresponding decrease in campus discretionary waivers because the board adopted a systemwide policy regarding employee dependent waivers, which were previously awarded at the discretion of the individual campuses. Tuition waivers by campus ranged from \$85,182 at Dakota College at Bottineau to \$19 million at North Dakota State University in the 2016-17 academic year. The University System reported most campus discretionary waivers were for graduate assistants.

Tuition waivers granted during the 2016-17 academic year are identified in the following schedule:

Institution	Statutory	State Board of Higher Education Policy	Institution Discretionary	Total
Bismarck State College	\$70,922	\$54,316	\$89,601	\$214,839
Dakota College at Bottineau	1,156	1,301	82,725	85,182
Lake Region State College	21,086	25,854	218,262	265,202
North Dakota State College of Science	63,431	59,747	26,531	149,709
Williston State College	1,388	14,834	97,640	113,862
Dickinson State University	20,831	116,303	428,475	565,609
Mayville State University	34,244	48,711	252,228	335,183
Minot State University	66,581	131,079	1,180,146	1,377,806
Valley City State University	13,160	80,134	314,971	408,265

Institution	Statutory	State Board of Higher Education Policy	Institution Discretionary	Total
North Dakota State University	434,998	1,358,190	17,210,181	19,003,369
University of North Dakota	218,364	1,221,440	7,879,016	9,318,820
Total	\$946,161	\$3,111,909	\$27,779,776	\$31,837,846

### Room and Board

The University System reported room and board rates at research and 4-year campuses are lower than regional and contiguous states' averages and the room and board rates at 2-year campuses are higher than the regional and contiguous states' averages.

The University System reported campuses often have more room and board revenues than expenditures to save money for capital improvements. Revenues and expenses relating to dining services and residence halls are identified in the following schedule:

Institution	Fall 2017 Semester			
	Dining Services Revenue <sup>1</sup>	Dining Services Expenses <sup>1</sup>	Residence Hall Revenue	Residence Hall Expenses
Bismarck State College	\$791,050	\$805,850	\$1,271,400	\$1,107,300
Dakota College at Bottineau	357,556	308,078	454,919	389,790
Lake Region State College	362,014	359,257	238,298	165,986
North Dakota State College of Science	1,471,894	962,796	1,658,226	1,569,102
Williston State College	472,459	468,385	765,267	865,801
Dickinson State University	1,109,184	965,562	220,487	265,109
Mayville State University	419,860	405,780	730,101	568,244
Minot State University	959,606	723,660	690,855	838,751
Valley City State University	1,376,795	1,200,297	1,201,279	1,237,329
North Dakota State University	8,024,929	6,268,484	9,456,281	4,879,274
University of North Dakota	10,332,983	8,674,908	8,953,014	5,869,998
Total	\$25,678,330	\$21,143,057	\$25,640,127	\$17,756,684

<sup>1</sup>Dining services revenue and expense amounts for Bismarck State College and Dakota College at Bottineau represent half of the total amounts reported for fiscal year 2018. The remaining campuses reported dining services revenue and expense amounts for the fall 2017 semester only.

### Campus Debt

The University System reported campus long-term debt ranged from approximately \$26,000 at Dickinson State University to \$115.76 million at North Dakota State University. Total long-term debt by campus is identified in the following schedule (amounts in millions):

Institution	June 30, 2015	June 30, 2016	June 30, 2017
Bismarck State College	\$12.62	\$11.96	\$11.14
Dakota College at Bottineau	0.04	0.06	0.07
Lake Region State College	4.53	4.16	3.79
North Dakota State College of Science	8.54	8.42	8.09
Williston State College	11.76	11.37	10.95
Dickinson State University	0.06	0.04	0.03
Mayville State University	10.12	9.44	8.58
Minot State University	16.70	12.88	12.56
Valley City State University	6.02	5.87	9.83
North Dakota State University	123.59	120.50	115.76
University of North Dakota	118.73	117.44	114.84
Total	\$312.71	\$302.14	\$295.64

### Campus Financial Ratios

The University System reported higher education institutions use a composite financial index (CFI) ratio to evaluate institution financial health. The CFI creates one overall measurement of financial health based on four core ratios, including the primary reserve ratio, net income ratio, viability ratio, and return on net assets ratio. The CFI ratio results must be viewed together over time, not individually, to evaluate institution financial health. The Higher Learning Commission uses the CFI ratio, excluding pension liability and expense, to review institution financial health. A CFI ratio below 1.0 for two or more consecutive years may result in a financial panel review by the Higher Learning Commission. University System campus CFI ratios, excluding pension liability and expense, are identified in the following schedule:

Institution	2015	2016	2017
Bismarck State College	2.44	0.56	1.23
Dakota College at Bottineau	6.12	4.05	7.53
Lake Region State College	4.20	3.30	4.11
North Dakota State College of Science	3.98	4.08	5.50
Williston State College	4.47	2.49	3.50
Dickinson State University	2.01	4.26	3.63
Mayville State University	2.46	1.83	2.61
Minot State University	2.70	2.23	1.94
Valley City State University	3.35	3.57	4.40
North Dakota State University	3.59	3.01	2.69
University of North Dakota	4.12	3.62	3.95

Bismarck State College was the only campus to have a CFI ratio below 1.0 between fiscal year 2015 and fiscal year 2017; however, because the ratio was only below 1.0 for 1 year, a financial panel review would not have been conducted by the Higher Learning Commission.

University System institutions set aside unrestricted appropriated funds as undesignated reserves for sudden revenue shortfalls or unexpected expenses and designated reserves for future programs, technology, strategic planning initiatives, and other needs. State Board of Higher Education Policy 810.1 provides institutions should seek to maintain an undesignated appropriated reserve balance of between 5 and 7 percent of the previous fiscal years' actual general fund and net tuition revenue. The University System reported UND's undesignated appropriated reserves (\$2.633 million) were below the level considered acceptable by SBHE.

### Other Information Received

#### University System Space Utilization

The committee received updates regarding University System campus space utilization. The University System reported the criteria for determining space utilization includes room schedules and density. Room scheduling is the amount of time classrooms and laboratories are being used. Room density is the number of students occupying the available student space in each room compared to total capacity. The utilization rate is calculated by multiplying its scheduling rate times its density rate. The space utilization goal is for each classroom to be used at least 30 hours per week with an occupancy rate of at least 80 percent of capacity. The space utilization goal for laboratories is for each laboratory to be used at least 20 hours per week with an occupancy rate of at least 75 percent of capacity.

The University System reported University System institutions generally have below average space utilization rates. Utilization rates of classrooms at institutions range from 34 to 80 percent while the utilization rates of laboratories at institutions range from 37 to 108 percent.

#### Student Financial Assistance Programs

The committee received information regarding various state student financial assistance programs. The committee reviewed the following schedule which provides details regarding the programs:

Program	Description	Award Amount	2017-19 Biennium General Fund Appropriations
Student financial assistance grants	Needs-based grants awarded to students based on free application for federal student aid (FAFSA) information	Maximum grant of \$975 per semester	\$21,917,306
Scholars program	Scholarships awarded to the top-ranked high school graduates based on ACT Aspire scores	Full amount of tuition	\$1,807,115
Academic and CTE scholarship program	Scholarships awarded to resident students who achieve certain academic standards in high school	\$750 per semester	\$12,016,749
Native American scholarship program	Merit or needs-based scholarships awarded to students who are enrolled members of a federally recognized Indian tribe	Up to \$2,000 per academic year	\$555,323
Professional student exchange program	Secures admission opportunities and reduces tuition costs for North Dakota students who enroll in veterinary medicine, dentistry, and optometry programs at certain out-of-state institutions	The amount of tuition reduced varies by program	\$3,234,035

Program	Description	Award Amount	2017-19 Biennium General Fund Appropriations
Education incentive programs	Provides student loan forgiveness through the teacher shortage loan forgiveness program and science, technology, engineering, and mathematics (STEM) occupations loan forgiveness program	Teacher shortage - Up to \$6,500 of student loan repayment per year, up to a maximum of 4 years STEM - \$1,500 of student loan repayment per year, up to a maximum of 4 years	\$2,863,393

The University System reported that in addition to the state financial assistance programs, there are several institutional scholarship programs that provide student financial assistance. Funding for most of the scholarships are provided by foundations or donors for various purposes, such as athletics or fine arts scholarships. Approximately \$29.4 million of institutional scholarships were awarded in the 2016-17 academic year.

### Higher Education Challenge Grant Program

The committee received information regarding the higher education challenge grant program. The program is used to provide grants to University System institutions to match private donations. The 2017 Legislative Assembly appropriated \$2 million of one-time funding from the general fund for the grant program during the 2017-19 biennium. Of the funding appropriated, \$200,000 was designated to be available to each institution, excluding Dickinson State University. The University System reported of the \$2 million available for higher education challenge grants, approximately \$1.2 million had been awarded through July 2018. The University System reported 99 percent of the \$1.2 million awarded to campuses is for student scholarships.

### Other Information Received

The committee also received information regarding:

- Campus and University System strategic plans.
- Enrollment.
- Retention and completion.
- Distance education.
- State workforce issues.
- University System institution research activities.
- State and national trends in higher education.
- Open educational resources.
- FAFSA.
- State funding for University System extraordinary repairs.

During the interim, the committee held meetings on the campuses of several University System institutions, received updates regarding unique issues affecting the campuses, and conducted tours of selected campus buildings.

### Committee Considerations

The committee, through the Legislative Management Chairman, forwarded certain committee recommendations to SBHE for consideration by the board. Recommendations to SBHE include:

1. Consider implementation of a direct admissions program.
2. Consider studying to determine whether student achievement measure (SAM) retention and completion data is more appropriate for University System institutions than integrated postsecondary education data system (IPEDS) data.
3. Consider reviewing distance education programs provided by University System institutions from a systemwide perspective.

### Committee Recommendations

The committee recommends the following bill drafts:

1. [House Bill No. 1029](#) to create a higher education funding formula review committee to study the funding formula during the 2019-20 interim.

2. [House Bill No. 1030](#) to extend the expiration date of Section 15-18.2-06, which establishes a minimum amount payable to an institution through the higher education funding formula, through June 30, 2021.
3. [House Bill No. 1031](#) to increase the maximum grant award and funding available for the student financial assistance grant program.

The committee made certain recommendations to the 2019 Legislative Assembly without bill drafts, including:

1. Continue the higher education challenge matching grant program.
2. Continue the requirement for \$2 of matching funds from operations or other sources for each \$1 of extraordinary repairs funding used for a project.

## **NORTH DAKOTA CAREER AND TECHNICAL EDUCATION SCHOLARSHIPS AND ACADEMIC SCHOLARSHIPS**

The 2009 Legislative Assembly created the CTE and academic scholarship programs. Eligibility criteria for the scholarship programs, which are in Chapter 15.1-21, were adjusted by the Legislative Assembly in 2011, 2013, 2015, and 2017. The eligibility requirements require a student to be a resident of the state and meet the following program requirements for the scholarships:

<b>Career and Technical Education Scholarship</b>	<b>Academic Scholarship</b>
Complete 4 units of English language arts	Complete 4 units of English language arts
Complete 3 units of mathematics, including 1 unit of Algebra II and 2 units of other mathematics	Complete 1 unit of Algebra II and 1 unit of mathematics for which Algebra II is a prerequisite
Complete 3 units of science	Complete 3 units of science
Complete 1 unit of physical education or .5 unit of physical education and .5 unit of health	Complete 3 units of social studies
Complete 2 units of a coordinated study plan as recommended by the Department of Career and Technical Education	Complete 1 unit of physical education or .5 unit of physical education and .5 unit of health
Complete 1 unit selected from foreign language, Native American language, American sign language, fine arts, or CTE	Complete 2 units of the same foreign language, the same Native American language, American sign language, or CTE from a coordinated study plan approved by the Superintendent of Public Instruction
Complete 5 additional units, 2 of which must be in the area of CTE	Complete 1 unit selected from foreign language, Native American language, American sign language, fine arts, or CTE
Obtain a cumulative grade point average of at least 3.0 on a 4.0 grading scale for all courses taken or only for courses taken that are required for the scholarship	Complete any 5 additional units
Obtain a grade of at least "C" in each unit or .5 unit required for the scholarship	Obtain a cumulative grade point average of at least 3.0 on a 4.0 grading scale for all courses taken or only for courses taken that are required for the scholarship
Receive a composite score of at least 24 on the ACT Aspire or a score of at least 5 on each of 3 WorkKeys assessments	Obtain a grade of at least "C" in each unit or .5 unit required for the scholarship
	Receive a composite score of at least 24 on the ACT
	Fulfill 1 unit required for the scholarship through an advanced placement course or fulfill .5 unit required for the scholarship through a dual-credit course

Any student who meets the requirements for a CTE scholarship or an academic scholarship is eligible to receive a scholarship of \$750 per semester, or \$500 per quarter, for each period the student is enrolled full-time at a North Dakota higher education institution and maintains eligibility up to a maximum amount of \$6,000. Scholarships may be provided to students for up to 6 years following the student's graduation from high school.

The 2017-19 biennium legislative appropriation provides \$12,016,749 from the general fund for the program, a decrease of \$1,117,347 from the 2015-17 biennium legislative appropriation. Section 15-10-59 requires SBHE to provide an annual report to the Legislative Management regarding the number of North Dakota academic and CTE scholarships awarded and demographic information pertaining to the recipients.

### **Report**

Representatives of the University System provided a report to the committee regarding the academic and CTE scholarship programs. The University System reported of the 7,752 high school seniors in the state who graduated in 2017, a total of 1,772, or 23 percent, qualified to receive an academic or CTE scholarship. Since the program began in 2010, there have been 63,958 high school graduates in the state and 12,351, or 19 percent of those graduates were eligible to receive an academic or CTE scholarship. Of the 12,351 eligible students, 7,760 students qualified for an academic scholarship and 4,591 students qualified for a CTE scholarship.

The University System reported a total of 4,926 students received an academic or CTE scholarship during the fall 2017 semester as follows:

	Type of Institution Attended by Scholarship Recipients (Fall 2017 Semester)				
	2-Year Public or Tribal Institution	4-Year Public Institution	Public Research Institution	Private Institution	Total
Academic scholarship recipients	161	307	2,303	347	3,118
CTE scholarship recipients	379	352	904	173	1,808
Total	540	659	3,207	520	4,926

### UNIVERSITY OF NORTH DAKOTA SCHOOL OF MEDICINE AND HEALTH SCIENCES ADVISORY COUNCIL

The UND School of Medicine and Health Sciences Advisory Council consists of 16 members, including a majority party member and minority party member from both the Senate and House of Representatives. Other members to the advisory council are selected by the Department of Human Services, SBHE, State Department of Health, North Dakota Medical Association, North Dakota Hospital Association, the Department of Veterans' Affairs hospital in Fargo, the North Dakota Center for Nursing, the UND Center for Rural Health, and the Dean of the School of Medicine and Health Sciences.

Section 15-52-04 requires the UND School of Medicine and Health Sciences Advisory Council to provide a biennial report to the Legislative Council. The report is to provide recommendations regarding the strategic plan, programs, and facilities of the school. Recommendations for implementing strategies through the school must address the health care needs of the people of the state and provide information regarding the state's health care workforce needs. Recommendations of the advisory council may address the areas of medical education and training, recruitment and retention of health care professionals, factors influencing the practice environment of health care professionals, access to health care, patient safety, quality of health care, and financial challenges in the delivery of health care.

#### Report

The committee received a report from representatives of the UND School of Medicine and Health Sciences Advisory Council regarding the strategic plan, programs, and facilities of the school. The UND School of Medicine and Health Sciences reported it has implemented the health care workforce initiative. The initiative includes the following four major initiative areas:

- Reduce disease burden to lower the demand for health care services and related costs;
- Train more physicians and health care providers by increasing medical and health science class sizes and expanding residency programs;
- Retain more health care providers in the state through programs, such as the RuralMed scholarship program; and
- Improve the efficiency of the health care delivery system by training health care providers in interprofessional health care teams and by the use of learning communities.

### GRANTS TO TRIBALLY CONTROLLED COMMUNITY COLLEGES

Chapter 15-70 creates an assistance program for tribally controlled community colleges located in the state. Funding is to be distributed to the tribally controlled community colleges to defray the costs of education associated with the enrollment of nonbeneficiary students.

To qualify for a grant, a qualified institution must submit an application to SBHE, which documents the enrollment status of each student for whom financial assistance is sought. If an application is approved, SBHE is to distribute an annual payment to the institution for each nonbeneficiary student enrolled at the institution. The amount of payment is to be equal to the per student payment provided to institutions under the federal Tribally Controlled Colleges and Universities Assistance Act of 1978 or a prorated amount if funding is limited.

Each tribal college receiving a grant under Chapter 15-70 is to submit a report to the Legislative Council detailing the expenditures of the grant funds received by the institution. Additionally, each college is to submit a copy of the institution's latest audit report and documentation of the enrollment status of each student for whom financial assistance is requested. Any institution that fails to meet the reporting requirements is ineligible to receive future grants until the required information is submitted.

The following table details legislative appropriations for grants to tribally controlled community colleges.

Biennium	General Fund	Permanent Oil Tax Trust Fund	Student Loan Trust Fund
2007-09		\$700,000	
2009-11		\$700,000	
2011-13	\$1,000,000		

Biennium	General Fund	Permanent Oil Tax Trust Fund	Student Loan Trust Fund
2013-15	\$1,000,000		
2015-17	\$500,000		\$500,000
2017-19	\$100,000		\$500,000

### Report

Representatives of the University System provided a report to the committee regarding the allocation of tribal college assistance grants. The University System reported \$3,916.45 of grant funding was awarded per FTE nonbeneficiary student during the 2017-18 academic year. The committee reviewed the following schedule detailing the allocation of grant funding during the 2017-18 academic year:

Tribal College Assistance Grants - 2017-18 Academic Year			
Institution	Headcount of Nonbeneficiary Students	FTE Enrollment of Nonbeneficiary Students	Grant Funds Provided
Cankdeska Cikana Community College	16	9.5	\$37,206
Fort Berthold Community College	27	13.2	51,697
Sitting Bull College	12	6.9	27,024
Turtle Mountain Community College	27	23.6	92,428
United Tribes Technical College	36	23.4	91,645
Total	118	76.6	\$300,000

### TRANSFERS BETWEEN LINE ITEMS

Section 20 of Senate Bill No. 2003 (2017) requires SBHE to provide a report regarding the transfer of appropriation authority from the operations line item to the capital assets line item by University System institutions.

### Report

The University System reported the North Dakota State College of Science (\$152,000), Bismarck State College (\$124,374), and Lake Region State College (\$23,000) each transferred appropriation authority from the operations line item to the capital assets line item for extraordinary repairs matching funds, pursuant to Section 28 of Senate Bill No. 2003 (2017). Section 28 requires institutions to provide \$2 of matching funds from operations or other sources for each \$1 of appropriated extraordinary repairs funding used for a project. Lake Region State College transferred an additional \$12,000 from the operations line item to the capital assets line item to purchase a storage shed.

### RESEARCH NETWORK COLLABORATION

Section 33 of Senate Bill No. 2003 (2017) requires SBHE to provide a report regarding the status of efforts to collaborate with Minnesota entities for research network purposes. The University System has utilized the Northern Tier Network to collaborate with other states for research network purposes.

#### Northern Tier Network

The Northern Tier Network is an ultra high-speed regional network that supports research and education across Alaska, Idaho, Iowa, Michigan, Minnesota, Montana, Nebraska, North Dakota, South Dakota, Washington, Wisconsin, and Wyoming. In North Dakota, this high-speed network depends upon the state's government and education network for institutional connectivity and is operated through contracts with private telecommunications companies such as AT&T and Midcontinent Communications and higher education service providers, such as Broadband Optical Research, Education and Sciences Network.

Planning for the Northern Tier Network began in 2003. One-time funding provided for the North Dakota portion of the network included \$3.25 million in federal funds, \$2.77 million in state funding, and \$2.1 million from the National Science Foundation. In addition, the Northern Tier Network Consortium members of Wisconsin, Minnesota, North Dakota, Montana, and Washington were partners in a \$62.5 million grant. Funding for North Dakota's continued participation in the Northern Tier Network has been included in the University System's budget. In the 2015-17 biennium, Northern Tier Network costs totaled \$2.36 million. The University System reported to the 2017 Legislative Assembly that Montana had ended its participation in the Northern Tier Network.

### Report

The University System reported meetings were held with the University of Minnesota to discuss potential research network cooperation. However, the University System determined it would not collaborate with Minnesota to improve research network access and performance. The University System office is facilitating the study of existing research networks and advanced research computing centers. The University System stated the objectives of the study will help determine how to sustain and grow resources for North Dakota's research universities.

## **UNIVERSITY SYSTEM INCONSISTENCIES**

Section 42 of House Bill No. 1003 (2015) required SBHE to evaluate the following data inconsistency issues at institutions and entities under its control and develop policies and procedures to correct the inconsistencies:

1. Lack of integration of personal and demographic information among computer systems;
2. Lack of use of standard chart of accounts for financial reporting and standard department budget table deduction and tax override flags;
3. Absence of standard business processes for recording mandatory fees and for changing payroll funding source information;
4. Inconsistent methods and procedures at institutions for recording high school completions, identifying student cohorts for reporting purposes, and classifying agency funds;
5. Inconsistent practices and policies at institutions for awarding tuition waivers, admitting students, using purchasing cards, charging tuition and fees, and accruing of faculty sick leave;
6. Inconsistent coding and naming for bad debt expense and journal entries;
7. Use of shadow accounting systems for reporting purposes; and
8. Inconsistent definitions for a distance education student, a resident student for tuition purposes, and a full-time student for federal tax purposes.

The State Board of Higher Education reported to the Appropriations Committees of the 2017 Legislative Assembly regarding the status of the inconsistencies, some of which were unresolved. Section 37 of Senate Bill No. 2003 (2017) requires SBHE to provide a report to the Legislative Management regarding the status of inconsistencies in employee classifications and human resources reporting, employee leave policies, practices for awarding tuition waivers, and practices regarding the charging of student fees, including policies and procedures being developed to address the inconsistencies.

### **Report**

#### **Employee Classifications and Human Resources Reporting**

The University System reported its Human Resource Council formed a taskforce in the spring of 2017 to study human resource inconsistencies. The State Board of Higher Education approved maintaining the University System employee broadband policy for employee classifications in May 2018. The board also approved the creation of standard systemwide human resource reports by the Human Resource Council.

#### **Employee Leave Policies**

The University System reported SBHE reviewed campus employee leave practices and did not approve a systemwide employee leave policy. Therefore, existing institutional policies will continue.

#### **Tuition Waiver Awarding**

The University System reported SBHE modified its policy relating to tuition waivers in April 2018 and required the development of an institutional data waiver form. The University System reported new tuition models being implemented by University System campuses in 2018 and 2019 will decrease the volume of tuition waivers.

#### **Charging of Student Fees**

The University System reported the new tuition models being implemented by University System campuses in 2018 and 2019 are significantly reducing the number of student fees. The University System reported many fees are being merged into the campus tuition rates and SBHE policy requires board approval before any new course or program fees may be established.

## **EMPLOYEE POSITION REDUCTIONS**

The University System is authorized 6,767.76 FTE positions for the 2017-19 biennium, 4,337.41 FTE positions more than the 2015-17 biennium authorized level. Section 38 of Senate Bill No. 2003 (2017) requires SBHE to provide a report to the Legislative Management regarding the total number of employee positions reduced at each institution, the number of administrative positions reduced at each institution, and whether any former administrative staff employees are still employed by the institution at a different position.

In response to the 2015-17 biennium general fund budget reductions approved by the Legislative Assembly during the August 2016 special legislative session and the 90 percent 2017-19 biennium budgets requested by Governor Dalrymple, the University System made a number of FTE position reductions; however, the University System budget

for the 2017-19 biennium recognizes all FTE positions rather than only those supported by the general fund. The following schedule summarizes the FTE position changes by campus.

Institution/Agency	2015-17 Biennium FTE Positions Appropriated	FTE Reductions		Other FTE Adjustments <sup>1</sup>	2017-19 Biennium FTE Positions Appropriated
		Faculty	Non- Faculty		
University System office	104.39		(19.00)	64.01	149.40
Bismarck State College	133.53	(10.00)	(9.00)	243.82	358.35
Lake Region State College	50.19	(2.50)	(7.50)	89.42	129.61
Williston State College	49.96	(12.50)	(7.40)	70.69	100.75
University of North Dakota	630.20	(89.50)	(74.00)	1,751.37	2,218.07
UND School of Medicine and Health Sciences	184.58	(14.00)	(14.00)	279.17	435.75
North Dakota State University	537.10	(69.90)	(25.10)	1,453.56	1,895.66
North Dakota State College of Science	168.30	(6.00)	(31.00)	213.74	345.04
Dickinson State University	120.26	(27.24)	(27.26)	103.14	168.90
Mayville State University	66.23	(7.00)	(3.33)	154.63	210.53
Minot State University	204.10	(15.50)	(8.70)	261.75	441.65
Valley City State University	105.59	(5.16)	(9.10)	111.42	202.75
Dakota College at Bottineau	46.96	(3.00)	(5.50)	45.84	84.30
Forest Service	28.96		(2.00)	0.04	27.00
<b>Total</b>	<b>2,430.35</b>	<b>(262.30)</b>	<b>(242.89)</b>	<b>4,842.60</b>	<b>6,767.76</b>

<sup>1</sup>These adjustments include the recognition of nongeneral fund FTE positions which were not recognized prior to the 2017-19 biennium.

### Report

The University System reported institutions eliminated 661.5 FTE positions between January 1, 2016, and December 31, 2017, resulting in a cost savings of \$90.2 million for the 2017-19 biennium. The University System reported institution buyout costs relating to the employee position reductions totaled approximately \$7.9 million. The following schedules identify FTE reductions by campus:

Job Band Group	Institution					
	Bismarck State College	Lake Region State College	Williston State College	University of North Dakota	School of Medicine and Health Sciences	North Dakota State University
Executive/Administrative	1.00	1.00	1.00	6.00	0.00	6.00
Administrative/Managerial	1.00	0.00	2.00	5.00	1.00	2.00
Academic	20.00	6.40	10.00	72.00	10.00	70.00
Professional	12.00	4.50	10.00	66.00	3.00	39.00
Technical/Paraprofessional	3.00	1.00	1.00	26.00	1.00	19.00
Office Support	9.00	2.00	0.00	32.00	5.00	18.00
Crafts/Trades	2.00	0.00	0.00	9.00	0.00	2.00
Services	4.00	1.00	1.00	15.00	0.00	2.00
Total FTE positions eliminated	52.00	15.90	25.00	231.00	20.00	158.00
Biennium cost-savings	\$6,753,124	\$1,075,133	\$2,964,790	\$35,663,750	\$5,692,991	\$18,225,736

Job Band Group	Institution						
	State College of Science	Dickinson State University	Mayville State University	Minot State University	Valley City State University	Dakota College at Bottineau	Total
Executive/Administrative	2.00	2.00	0.00	3.00	0.00	0.00	22.00
Administrative/Managerial	3.00	1.00	0.00	1.00	2.10	1.00	19.10
Academic	16.00	9.00	7.00	24.00	6.00	4.00	254.40
Professional	6.00	7.00	1.50	2.00	3.50	5.00	159.50
Technical/Paraprofessional	3.00	0.00	1.00	8.00	0.50	0.00	63.50
Office Support	5.00	1.00	1.00	7.00	3.00	2.00	85.00
Crafts/Trades	5.00	0.00	0.00	1.00	1.00	0.00	20.00
Services	3.00	0.00	1.00	8.00	1.00	2.00	38.00
Total FTE positions eliminated	43.00	20.00	11.50	54.00	17.10	14.00	661.50
Biennium cost-savings	\$6,035,055	\$2,345,190	\$1,480,175	\$7,112,535	\$1,502,581	\$1,312,952	\$90,164,012

The schedule below identifies the systemwide percentage distribution of FTE positions, reductions, and projected savings.

<b>Job Band Group</b>	<b>January 1, 2016, FTE Position Distribution</b>	<b>Distribution of FTE Position Reductions</b>	<b>Distribution of Projected Cost-Savings</b>
Executive/Administrative	3%	4%	8%
Administrative/Managerial	2%	3%	4%
Academic	43%	38%	41%
Professional	23%	25%	24%
Technical/Paraprofessional	10%	9%	7%
Office Support	8%	13%	9%
Crafts/Trades	3%	3%	3%
Services	8%	6%	4%