

## 2007-09 HIGHER EDUCATION FUNDING AND PROPOSED HIGHER EDUCATION FINANCE MODEL

This memorandum provides information regarding the 2007-09 higher education base budget and the estimated future costs associated with proposed changes to the higher education finance model.

### PROPOSED FINANCE MODEL

The finance model for higher education proposed by Mr. Dennis Jones, President, National Center for Higher Education Management Systems, consists of five components used to calculate funding levels. The table below summarizes the components:

Funding Component	Description
Increase in base funding	Prior year base funding increased by the higher education cost adjustment index. Both general fund and tuition revenue are used to provide funds for base funding increases.
Investment funding	Funding based on a percentage of state appropriations for higher education. Once an investment funding item is approved, the funding becomes part of the institution's base funding calculation.
Maintenance of noncapital assets	Funding based on a percentage of the prior year full-time faculty and staff salaries. Once funding is allocated, it becomes part of the institution's base funding calculation.
Incentive funding	Funding based on a percentage of state appropriations for higher education. Funds do not become part of an institution's base funding calculation.
Capital asset depreciation funding	Based on a percentage of the total replacement cost of capital assets. Funds do not become part of an institution's base funding calculation.

Attached as [Appendix A](#) is a chart outlining the funding components considered one-time funding and the components used for base funding calculations.

The estimated costs of the proposed finance model were calculated using the following funding component formula:

Base funding increase	3.34% Higher Education Cost Adjustment Index
Investment funding	2% of the Prior Year Higher Education Appropriation
Maintenance of noncapital assets	2% of Full-Time Faculty and Staff Salaries
Incentive funding	2% of the Prior Year Higher Education Appropriation
Capital asset depreciation funding	2% of the Total Capital Asset Replacement Cost

### 2007-09 HIGHER EDUCATION FUNDING

The 2007 Legislative Assembly provided a general fund appropriation of \$468,649,624 to the North Dakota University System for the 2007-09 biennium. In addition, \$165,419,701 of special funds were appropriated. Tuition income is not specifically appropriated by the Legislative Assembly. It is appropriated on a continuing basis pursuant to North Dakota Century Code Section 15-10-12.

The table below provides information from the North Dakota University System regarding institution base funding provided by the general fund and estimated tuition revenue for the 2007-09 biennium:

Institution	Base Funding From the General Fund <sup>1</sup>	Tuition Revenue (Estimated)	Tuition as a Proportion of Total Base Funds
Bismarck State College	\$19,733,680	\$23,116,390	54%
Dickinson State University	16,856,110	16,877,793	50%
Lake Region State College	6,511,348	7,261,214	53%
Mayville State University	10,115,065	5,175,078	34%
Minot State University	30,095,122	19,387,125	39%
Minot State University - Bottineau	4,858,048	2,362,595	33%
State College of Science	27,390,368	18,297,072	40%
North Dakota State University	89,593,630	106,784,234	54%
University of North Dakota	107,354,430	130,305,630	55%
University of North Dakota School of Medicine and Health Sciences	34,027,721	24,012,908	71%
Valley City State University	13,350,137	7,130,667	35%
Williston State College	6,422,504	3,217,972	33%
Total	\$366,308,163	\$363,928,678	49%

<sup>1</sup>Does not include one-time funding

## ESTIMATED COSTS OF IMPLEMENTING THE PROPOSED FINANCE MODEL

Based upon the funding component formula, the schedule below details the **base funding levels** generated using the proposed higher education finance model for four bienniums:

Biennium	Base Funding From the General Fund	Increase in General Fund Base Funding From the Previous Biennium	Percentage Change in General Fund Base Funding From the Previous Biennium	General Fund Share of Total Base Funding
2007-09 <sup>1</sup>	\$366,308,163	N/A	N/A	51%
2009-11	\$427,982,958	\$61,674,795	17%	54%
2011-13	\$510,080,787	\$82,097,829	19%	57%
2013-15	\$603,057,316	\$92,976,529	18%	60%
2015-17	\$708,239,826	\$105,182,510	17%	62%

<sup>1</sup>Actual funding

The table below summarizes the **total funding** provided each biennium under the proposed finance model:

Biennium	Funding Provided From the State General Fund <sup>1</sup>	Percentage Change From Previous Biennium	Funding Provided by Tuition Revenue <sup>1</sup>	Percentage Change From Previous Biennium	Total Funding <sup>1</sup>	Percentage Change From Previous Biennium
2007-09 <sup>2</sup>	\$406,302,989 <sup>3</sup>	N/A	\$363,928,678	N/A	\$770,231,667	N/A
2009-11	\$496,087,317	22%	\$367,725,175	1%	\$863,812,492	12%
2011-13	\$585,448,065	18%	\$387,623,660	5%	\$973,071,725	13%
2013-15	\$685,578,467	17%	\$410,060,257	6%	\$1,095,638,724	13%
2015-17	\$798,587,720	16%	\$435,367,079	6%	\$1,233,954,799	13%

<sup>1</sup>Calculations are based on full-time faculty and staff salary increases of 5 percent each year, capital asset replacement value increases of 4 percent each year, and all investment and noncapital maintenance asset funding being distributed to institutions in proportion to the amount of base funding received from the general fund.

<sup>2</sup>Amounts shown for 2007-09 are based on campus annual budgets and have not been adjusted by the proposed finance model.

<sup>3</sup>Includes base funding, board initiatives funding, common information services pool funding, and one-time deferred maintenance funding.

Attached as [Appendix B](#) is a schedule detailing the calculation of each funding component.

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