

FISCAL NOTE
Requested by Legislative Council
02/08/2019

Amendment to: HB 1500

- 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
Revenues						
Expenditures					\$429,000	\$423,000
Appropriations					\$429,000	\$423,000

- 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
Counties			
Cities			
School Districts			
Townships			

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

Engrossed HB1500 eliminates the North Dakota University System and State Board of Higher Education and creates a new structure comprised of two governing boards and a Governor's Cabinet level Office of Higher Education (OHE).

- 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.*

Section 13 creates a 14-member governing board for the two research institutions and a 14-member governing board for the nine community and regional institutions. Each new governing board would be responsible for duties and functions similar to the existing ten-member State Board of Higher Education. (SBHE). Related costs are included in this fiscal note.

Engrossed HB1500 also has several areas of potential financial impact that cannot be estimated at this time because the ultimate cost depends on decisions made by the two independent governing boards. The following potential costs are not included in the fiscal note expenditures and appropriations:

1. Section 5 (page 5) enables each of the governing boards to establish separate reciprocity agreements with SD, MT and MN. Resulting multiple & varying agreements may have an undeterminable impact on enrollment and tuition rates charged at ND institutions and rates paid by ND students attending out-of-state institutions.
2. Section 13 (page 14) requires each of the governing boards to establish an early retirement program for faculty & officers of the governing board but does not require use of the existing retirement program. Costs of the new program will vary depending on decisions made by the governing boards.
3. Section 13 (page 15) states that each governing board will have an executive director but does not provide funding or authority to hire for the position.
4. Section 13 (page 15) allows each governing board to delegate any duties of administration to the OHE. It unknown at this time which duties would be delegated. Therefore, the financial or staffing resources necessary to fulfill those obligations cannot be estimated.

5. Section 13 (page 14) requires each governing board a system of common course numbering and transferability agreements among in institutions of higher education. The section does not require the boards to utilize the same system, nor does it require the use of the system administered by the OHE. The potential impact on statewide collaborative academic programs, student transferability between state institutions, and insurance cost changes for students cannot be estimated.

6. Section 13 (pages 16-17) requires the OHE to maintain a system of common course numbering, maintain student transferability agreements across ND boards and institutions, and administer a student health insurance program. The bill does not require all state institutions to utilize those systems or agreements. The potential impact on statewide collaborative academic programs, student transferability between state institutions, and insurance cost changes for students cannot be estimated.

7. Section 13 (page 32) allows the OHE and each individual governing board to enter into agreements with other states and regional education compacts. Resulting multiple & varying agreements may have undeterminable impacts on enrollment and tuition rates charged at ND institutions and rates paid by ND students attending out-of-state institutions.

8. Section 13 (page 32) allows each governing board to establish agreements for regional veterinary medical education with the University of Nebraska. This could lead to duplicated expenses and program the costs of which cannot be estimated at this time.

9. Section 13 (page 36) allows each governing board to establish contracts with Kansas State University for veterinary medical education. This could lead to duplicated expenses and programming, the costs of which cannot be estimated at this time.

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.*

Operating expenses (member per diem, travel, strategic planning, consultants, technology, meeting costs) for the current SBHE are budgeted at \$339,000 per biennium. Assuming the same number of meetings and related costs as the current board and the increased number of board members, operating expenses under the two-board structure are estimated at \$846,000 per biennium. (\$423,000 community/regional and \$423,000 research). The net cost increase is \$507,000. Of this amount, \$84,000 will be from the general fund and be in the OHE appropriation. The remaining \$423,000 will be paid from special funds by UND and NDSU.

Funding for any staffing costs for each of the two boards are not provided for in the bill. As such, the OHE will assume staffing costs for the community/regional board. NDSU and UND will assume staffing costs for the research board.

Currently, one consolidated financial statement is issued for all 11 institutions and the System Office, all of which are governed by the SBHE. Establishing two independent boards will create two financial reporting entities, each of which will require an audit. Due to the increased workload, the State Auditor indicated that 2.00 new auditors will be required. This will increase the State Auditor's Office expenditures by \$345,000 (\$325,000 salaries/benefits and \$20,000 operating expenses) from the general fund.

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.*

The required net increase in the general fund appropriation is \$429,000 and is comprised of:

1. NDUS/OHE: \$84,000. (\$423,000 total costs less the current \$339,000 SBHE appropriation)
2. State Auditor's Office: \$345,000

The required net increase in NDSU/UND special fund authority is \$423,000 to cover costs of the research university board.

These appropriations were not included in the Executive Recommendation.

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