

Engrossed House Bill No. 1161
Senate Appropriations Committee
Education & Environment Division
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Chair Sorvaag and members of the committee, thank you for the opportunity to speak on behalf the North Dakota University System (NDUS) concerning House Bill No. 1161.

The NDUS stands in opposition to House Bill No. 1161. While we understand and appreciate the legislative intent to ensure efficient and responsible management of state resources, we believe this bill is contrary to the purpose of the higher education funding formula, adds to existing reporting requirements, and most importantly, could potentially inhibit NDUS institutions' ability to effectively manage their operations.

NDUS institutions are not funded on a per FTE basis. Rather, State general fund appropriations are provided through a performance funding model based on successfully completed student credit hours. The institutions' number of FTEs is adjusted based on academic program needs, student needs, and/or research & grant needs and only if funds are available. Positions can be funded by State general funds, tuition, auxiliary services like housing or dining, federal grant funds or any combination thereof.

Perhaps Senator Sorvaag explained it best, when he presented SB2003 to the Senate for approval on February 25, 2025. He stated that you "don't see any of these FTE pools (in SB2003) because they don't apply" to higher education. Sen. Sorvaag told Senators that while the FTE numbers are included in the bill, there is a lot of fluctuation and the Legislature uses them more as a reference. He summarized that the Legislature does not add or reduce FTEs; rather, they "give them (higher ed) the money and they have the freedom to determine" the number of positions.

HB1161 could significantly and negatively impact how we manage our complex financial environment that includes tuition, the funding formula, student fees, research dollars, and state appropriations. They are all part of the mix that combines to pay our faculty and staff salaries. While vacancies in academia are similar to other sectors in that there are retirements and resignations, higher education also differs significantly as it has to adjust to changes in academic programming, student enrollment or grant-funded projects. Maintaining the existing flexibility in fulfilling FTE positions and managing operations by having access to these funds allows the institutions to adapt as needed to mission critical initiatives and programs, while meeting accreditation standards, and ensuring educational excellence.

Turnover is typical and can offer institutions a chance for strategic realignment in faculty and staff roles. However, the restriction imposed by this bill could inadvertently delay hiring processes, affect

the quality of education, and hinder institutions' ability to respond quickly to emergent educational and workforce needs.

HB1161 requires quarterly reporting to both the Budget Section and SBHE basis on the status of each vacant position. Reports must include information for each vacant full-time equivalent position including; salary & wages amounts; dates the positions were vacated and filled; and any operational use of funds. Much of this information is already provided to the Legislative Assembly and SBHE through existing reporting requirements.

NDUS institutions currently report on vacant positions to the Interim Higher Education Committee (as requested) and Legislative Appropriations Committees each session. Institutions also report FTE adjustments to OMB as part of the biennial budget request. The NDUS provides an annual report to Legislative Management on higher education trends, including new, expanded or closed educational programs. The State Board of Higher Education (SBHE) receives multiple financial reports from institutions, including: annual financial statements, mid-year budget status reports, comprehensive financial review reports and biennial budget requests. The SBHE must approve any transfers of operation (formula) funding to extraordinary repairs or capital projects. These transfers are reported to the Legislative Appropriations Committees each session.

In conclusion, we ask for a Do Not Pass on HB1161 to allow our NDUS institutions to continue fulfilling their missions to provide quality education, student success, fulfillment of workforce needs and allow the operational flexibility required by our educational institutions.