

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

HIGHER EDUCATION FUNDING FORMULA REVIEW COMMITTEE

Thursday, September 26, 2019
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Mark Sanford, Chairman, called the meeting to order at 8:05 a.m.

Members present: Representatives Mark Sanford, Bob Martinson; Senators Ray Holmberg, Larry J. Robinson; Citizen Members Bruce A. Bollinger, Rebecca Collins, Tammy Dolan, Jed Shivers, Brent Winiger

Members absent: Representative Tracy Boe; Senator Karen K. Krebsbach

Others present: Representatives Richard G. Holman, Mayville, and Shannon Roers Jones, Fargo
Mr. Brady A. Larson, Legislative Council, Bismarck
See [Appendix A](#) for additional persons present.

It was moved by Senator Robinson, seconded by Senator Holmberg, and carried on a voice vote that the minutes of the August 19, 2019, meeting be approved as distributed.

Chairman Sanford thanked the North Dakota University System for its background work relating to the higher education funding formula.

Ms. Tammy Dolan, Vice Chancellor for Administrative Affairs and Chief Financial Officer, North Dakota University System, presented information ([Appendix B](#)) regarding the effect of changes to the national classification of instructional programs (CIP) code. She said most of the changes will not affect the higher education funding formula; however, there was a significant change affecting several veterinary technician and preveterinary courses. She said the changes to certain veterinary-related programs in the CIP code would result in a reduction of approximately \$418,852 through the higher education funding formula using current weighted credit-hours and funding rates, including \$374,168 for North Dakota State University (NDSU), \$20,392 for Bismarck State College, and \$24,292 for Dickinson State University.

In response to a question from Representative Martinson, Ms. Dolan said the United States Department of Education changed the placement of certain CIP codes under each academic cluster which the University System uses to determine the credit weighting factor applied to each completed student credit-hour in the funding formula. She said the University System is advocating for the current model, in which the veterinary-related courses are placed in the health sciences cluster rather than the agriculture cluster, to remain unchanged.

Senator Holmberg said the state is using the CIP code system in the funding formula, but can make changes to allocate certain CIP code courses to different academic clusters.

In response to a question from Chairman Sanford, Ms. Dolan said the use of the CIP code still is valid, but the University System would like to maintain the veterinary-related courses in the health sciences cluster.

In response to a question from Senator Robinson, Mr. Shivers said the CIP code was developed by the United States Department of Education in 1980.

It was moved by Senator Robinson, seconded by Senator Holmberg, and carried on a roll call vote that the committee recommends the University System not recognize the change in the CIP code to move certain veterinary-related courses from the health sciences cluster to the agriculture cluster. Representatives Sanford and Martinson, Senators Holmberg and Robinson, and citizen members Bollinger, Collins, Dolan, Shivers, and Winiger voted "aye." No negative votes were cast.

Ms. Dolan said she has discussed with University System institution representatives options to reduce negative impacts of the credit completion factor on growing institutions. She said the credit-hour ranges could be expanded to provide for less frequent factor changes or reduced to provide for smaller, more frequent factor changes. She

said another option is for the factor to be eliminated, with a corresponding increase or change to the base funding rates to compensate the institutions.

In response to a question from Chairman Sanford, Ms. Dolan said campuses are held harmless under the credit completion factor in the funding formula for 2 years.

Representative Martinson said the institutional size factor rewards institutions that are not increasing their enrollment and negatively impacts institutions with increasing enrollment.

In response to a question from Representative Martinson, Ms. Dolan said she would provide the committee information regarding enrollment changes since the higher education funding formula was implemented.

Chairman Sanford requested the University System develop potential hold harmless clause proposals relating to the credit completion factor.

Ms. Dolan said she would present options to the committee at its next meeting.

Ms. Dolan said the University System is gathering information regarding instructional program costs at University System institutions. She said the institutions will review 2017-19 biennium cost data, including administrative costs, and 2017-19 biennium completed credits to determine the instructional program costs. She said the University System also will review other issues that may impact instructional program costs, including delivery method, cost-of-living differentials, institution mission changes, and the law enforcement tuition waiver and corresponding funding formula rate reduction.

In response to a question from Chairman Sanford, Ms. Dolan said the University System also is reviewing the various other funding sources available for each instructional program to determine which sources of funding should be included in the cost analysis.

Ms. Dolan distributed a draft copy of a survey ([Appendix C](#)) the University System sent to the campuses to gather information regarding systemwide programs administered by individual campuses for which the administering campus does not generate student credit-hours for the programs. She said the University of North Dakota administers two programs that do not generate credits--a nursing education consortium, and a fetal alcohol syndrome program.

Representative Martinson suggested the University System institutions identify other traditional or statutory programs that may no longer be necessary or appropriate and report this information to the Legislative Assembly.

In response to a question from Chairman Sanford, Ms. Dolan said the elimination of certain programs may not be related directly to the formula.

Chairman Sanford requested additional information be presented to the Higher Education Committee at a future meeting.

In response to a question from Representative Martinson, Ms. Dolan said the University System is working to ensure a consistent methodology is used to identify program costs at each institution.

Chairman Sanford suggested Ms. Dolan work with the Legislative Council staff to draft any proposed legislative changes to the funding formula.

In response to a question from Representative Martinson, Ms. Dolan said the University System would provide background information regarding any proposed changes to the formula.

Ms. Dolan said issues have arisen in the implementation of the capital building fund program. She said certain institutions are not budgeting to spend their Tier II and Tier III capital building fund appropriations due to a lack of available matching funds.

In response to a question from Chairman Sanford, Ms. Dolan said all institutions are budgeting to match the Tier I appropriation for extraordinary repairs.

Ms. Dolan said the use of funding in each institution's capital building fund is limited to certain projects identified in House Bill No. 1003 (2019) and extraordinary repairs and deferred maintenance projects which do not exceed \$700,000. She said many extraordinary repairs and deferred maintenance projects may be in excess of \$700,000.

She asked the committee to consider proposing a change to increase or eliminate the limitation. She said there also may be an issue relating to matching fund authority for certain capital projects authorized in Senate Bill No. 2297 (2019). She said the funding provided in each institution's capital building fund may not be used as matching funds for projects not specifically authorized in House Bill No. 1003.

In response to a question from Representative Martinson, the Legislative Council staff said Senate Bill No. 2297 appropriated \$48 million for Dunbar Hall at NDSU and authorized \$3.2 million of institutional matching funds for the project, for a total project cost of \$51.2 million. He said House Bill No. 1003 did not authorize use of money in NDSU's capital building fund for Dunbar Hall matching funds.

In response to a question from Senator Holmberg, Mr. Bollinger said NDSU believed it could use funding appropriated in Senate Bill No. 2297 to meet the matching fund requirements for its Tier II capital building fund appropriation and use the capital building fund appropriation as the \$3.2 million match for Dunbar Hall.

Mr. Bollinger said the \$700,000 extraordinary repairs and deferred maintenance project limit precludes NDSU from using the capital building fund for necessary projects.

In response to a question from Representative Martinson, the Legislative Council staff said Section 31 of House Bill No. 1003 includes the \$700,000 limit for extraordinary repairs and deferred maintenance projects. He said the section also specifically identifies the capital projects authorized to use funding from each institution's capital building fund.

In response to a question from Chairman Sanford, Mr. Bollinger suggested the 2021 Legislative Assembly clarify projects that may access NDSU's capital building fund.

Mr. Shivers expressed support for increasing or eliminating the \$700,000 limitation for extraordinary repairs and deferred maintenance projects.

Chairman Sanford requested the Legislative Council staff prepare a bill draft for consideration by the committee to clarify and expand the allowed uses of institution capital building funds.

Senator Holmberg suggested NDSU discuss the capital building fund issue with the Attorney General.

Chairman Sanford said the next committee meeting is tentatively scheduled for Wednesday, October 30, 2019, at Lake Region State College.

No further business appearing, Chairman Sanford adjourned the meeting at 9:35 a.m.

Alex J. Cronquist
Senior Fiscal Analyst

ATTACH:3