

FISCAL NOTE
Requested by Legislative Council
01/14/2019

Bill/Resolution No.: 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					\$1,891,520	\$762,000
Appropriations					\$1,891,520	\$762,000

- 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).*

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

- 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 fiscal impacts included in the fiscal note expenditures and appropriations are:

- Creates 12-member governing boards for UND & NDSU and a 14-member governing board for the community and regional institutions. Each new governing board would be responsible for duties and functions similar to the existing seven-member State Board of Higher Education. (SBHE). Related costs are included in this fiscal note.
- Authorizes the community and regional institutions to hire an executive director and up to four additional staff members. Related costs are included in this fiscal note.

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

- Section 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.
- Section 13 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.
- Section 13 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.
- Section 13 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.

5. Section 13 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.

6. Section 13 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.

7. Section 13 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.

8. Section 13 requires the OHE to operate a Core Technology Services division but does not require institutions to utilize those services. The current biennial general fund cost to operate CTS is \$38.0 million. If the governing boards decide to not utilize these services and establish separate information technology divisions, cost increases could be double or triple that figure.

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 meeting and related costs as the current board and the increased number of board members, operating expenses under the three-board structure are estimated at \$1,185,000 per biennium. (\$423,000 community/regional and \$381,000 each NDSU & UND).

Biennial staffing costs (salary, benefits, rent, operating expenses) for the community & regional institutions board are estimated at \$1,807,520 for the executive director, two professional staff and two administrative support positions.

Similar biennial staffing costs are anticipated for the NDSU and UND boards. The bill prohibits UND or NDSU from hiring or contracting to provide additional support services. Therefore, UND and NDSU will need to cover these costs with existing staff and funds.

The net estimated increase in known expenditures for HB1500 is \$2.7 million. (\$2,992,520 total costs less \$339,000 existing SBHE budget.)

The expenditure estimate excludes the potential cost increases for the areas of fiscal uncertainty outlined in the Fiscal Impact section of this fiscal note.

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 community & regional institution board would require a general fund appropriation of \$2.23 million. The current NDUS appropriation would be reduced by \$339,000. The net general fund appropriation increase is \$1.89 million.

Reallocation of existing UND and NDSU funding sources would cover the \$381,000 appropriation needed at each institution for board operating expenses. An appropriation increase for board staffing needs is not included because the bill prohibits hiring or contracting for those services.

The appropriation estimate excludes the potential cost increases for the areas of fiscal uncertainty outlined in the Fiscal Impact section of this fiscal note.

Name: Tammy Dolan

Agency: NDUS

Telephone: 328-4116

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