



House Appropriations Education and
Environment Sub-Committee
Presentation
January 11, 2023

Stephen Easton, President

Agency Overview

00239 Dickinson State University

Hearing Date: 01/11/2023

Agency Statutory Authority North Dakota Century Code 15-13-01.

Agency Description

Dickinson State University (DSU) is a comprehensive state institution, one of eleven colleges and universities that make up the North Dakota University System. The university employs approximately 180 faculty and staff with an enrollment of approximately 1,400 students. More than 40 programs are offered at the undergraduate level, plus five graduate programs. The institution is comprised of two colleges, the College of Arts and Sciences and the College of Education, Business, and Applied Sciences. The majority of students come from North Dakota, Montana, and other Western and Midwestern states. Slightly over 60% of DSU students are from North Dakota. The 20% from Montana, 3% each from Wyoming and South Dakota, and 10% from other states potentially boost North Dakota's workforce, as many DSU alums stay in North Dakota after graduation. A strong contingent of international students are also an important component of the student body.

Agency Mission Statement

Dickinson State University is a regional comprehensive institution within the North Dakota University System, whose primary role is to contribute to intellectual, social, economic, and cultural development, especially to southwestern North Dakota. The University's mission is to provide high-quality, accessible programs; to promote excellence in teaching and learning; to support scholarly and creative activities; and to provide service relevant to the economy, health, and quality of life for the citizens of North Dakota.

Agency Performance Measures

DSU utilizes several North Dakota University System supported software platforms to track student engagement and progress. The University monitors recruitment and retention trends, including enrollment numbers (headcount and full-time equivalency, which is related to credit production), to inform strategic decisions..

Agency Audit Findings and Actions Taken*ND State Auditor – Audit for the Two-Year Period Ending June 30, 2020*

The audit report addressed a single finding related to the maintaining procurement documentation. To address this finding, the University established new procurement protocols. Examples of the new procedures include:

1. Having the Assistant AG review proposed contracts and agreements for services.
2. Working closely with Central Technology Service (CTS) on purchases that may involve or impact IT-related services and/or equipment.
3. Attaching documents related to payment on procurement items to the Request for Payment and storing the documents in the PeopleSoft Accounts Payable system.

In subsequent audit testing related to procurement, no issues were found

Systemwide Transfer of NDUS Coursework – 8/19/2022 - #0126

DSU currently uses internal and external fetching for NDUS course equivalencies, i.e., a table maintained by DSU where courses are made equivalent from the receiving institution and course equivalence can be “fetched” through a more automated process rather than the manual process required for courses from non-NDUS institutions. Auditors had thought that the built-in transfer process and course fetching were two separate processes, but during the recent NDHEUG conference, it was clarified that this is the same process, but terminology differed. This audit item has been closed.

Dickinson State University typically retrieves the academic transcript from NDUS transfer institution via Campus Connection, so the student is not charged the official transcript fee. DSU also provides student notice on its transcript ordering page. Parchment digital services programmers/engineers are working with NDUS to resolve functionality issues to attempt to ensure NDUS students are not charged for official transcripts for within system transfer. DSU utilizes Parchment software to determine if payments should be refunded.

The Director of Academic Records and Transfer Evaluation Specialist have implemented the review process of GERTA and Common Course Numbers in the Transfer Equivalency System and internal fetching tables to eliminate inconsistencies. The projected completion date for this process is June 1, 2023.

As of the fall 2022 semester, the Transfer Evaluation Specialist equates courses per articulation agreements upon transfer to DSU.

Systemwide Peoplesoft Supplier Changes & Updates – 6/30/2022 - #0122

DSU is a part of a group of institutions working with CTS to standardize the update and change process. The issues noted as a part of this audit are to be completed no later than June 30, 2023.

Agency Major Accomplishments

1. Nationwide, undergraduate enrollment decreased over 9% during the Covid 19 pandemic (i.e., from fall 2019 to fall 2022). During that same time frame, DSU (which is primarily, though no longer solely, an undergraduate institution) accomplished a headcount enrollment increase of more than 9%, bucking the national and regional trends.

2. DSU has significantly expanded its Dual Mission programming in the CTE domain, including already launched and emerging (i.e., under development) programs in health sciences (including a CNA program), criminal justice, information technology, welding, diesel technology, meat processing, CDL (i.e., truck driving), and fire science. Partnership with the Southwest Area CTE Academy has made some of these programs possible.

3. DSU is offering (and working to develop) stackable, ladder credentials including certificates, associate degrees, bachelor's degrees, and master's degrees.

4. DSU's new master's programs include the Master of Arts in Teaching (MAT), the Master of Arts in Teaching-Athletic Educational Leadership, the Master of Entrepreneurship (ME), the Master of Business Administration (MBA), and the Master of Education-Elementary Education (MEd-ELED). DSU's Department of Agriculture and Technical Studies is partnering with North Dakota State University to offer Agriculture Education as a 4+1 offering, with students able to stay in Dickinson to pursue four years of undergraduate courses provided by DSU and one year of graduate courses provided by NDSU remotely. Thus, DSU is providing low-cost, high quality options for learners in our region at the graduate level.
5. DSU has recently added esports, competitive cheer, baseball, JV volleyball, JV men's and women's basketball, and women's wrestling teams to increase enrollment and diversify athletic opportunities for students.
6. DSU has reduced administration costs while still providing full administrative services by replacing what was once three Vice Presidents with a single Vice President/Provost, with half time deans of its two academic colleges, plus a dean of students.
7. DSU has kept the cost of pursuing an education law. Through the relatively young DSU Heritage Foundation, DSU is now offering \$1.1 million of scholarships each academic year. DSU also froze its tuition and course fees for the current biennium.
8. DSU has signed agreements with Williston State College and other community colleges that allow students to complete an elementary education degree from DSU while remaining in their home communities.
9. DSU has cooperated with Dickinson Public Schools to provide "Early Entry" education in support of Dickinson High School's career academies.
10. DSU is now offering almost all of its face-to-face courses via simultaneous remote delivery under its trademarked DSUlive® platform. This is crucial to our access mission, as it makes DSU courses available to place-bound learners, such as high school students and adults, including those who have earned some college credit, but not a degree.

Agency Future Critical Issues

1. Due to sales of several major assets by a previous administration, DSU has no substantial assets available for liquidation in the event of emergency.
2. DSU's historic campus has several deteriorating buildings and other facilities, including steam heating tunnels.
3. DSU continues to rebuild faculty and staff morale after a major budget reduction in 2020.
4. As enrollment increases, there are added pressures on the post-2020 downsized faculty and staff.
5. Though DSU is enthusiastic about its Dual Mission designation and the new CTE Center (in partnership with area high schools), it lacks full infrastructure to support forthcoming CTE opportunities and partnerships, including funds to start new technical programs.

Agency's Request/Recommendation Totals, including FTE positions for the Next Biennium Compared to the Current Biennium

DICKINSON STATE UNIVERSITY 23-25 BIENNIUM BUDGET

Category	Base Level		% Chg
	21-23 Biennium	Governor's Budget	
Operations	50,826,060.00	54,965,629.00	8.1%
Capital Assets	409,078.00	1,309,078.00	220.0%
Total All Funds	51,235,138.00	56,274,707.00	9.8%
Less Estimated Income	30,992,408.00	33,578,034.00	8.3%
Total General Fund	20,242,730.00	22,696,673.00	12.1%
Full Time Equivalents	175.50	178.00	1.4%

Explanation of Program Costs and Other Notes (Including Explanation of DSU-Specific Requests Above Governor's Budget Recommendation):

1. The chart above reflects the governor's budget recommendation. It does not include DSU's additional appropriations requests.
2. Because DSU is a service-orientated agency, personnel costs make up the largest component of its expenditures. Compensation costs account for approximately two-thirds of total anticipated expenditures. The remaining third (approximately) consists of general operating costs. Of total expenditures, approximately 46% is expended in direct support of Instruction, 22% for Institutional and Student Support functions, and 9% in support of the Physical Plant function. The remainder of expenditures are for scholarships and fellowships, auxiliary services, public service, research, and depreciation. The primary cost centers after salaries and wages are utilities, repairs, office and instructional supplies, travel, and staff development.
3. The increase in Operations is primarily driven by the proposed salary adjustments of 6%/4% over the biennium. An increase to the salary would result in a corresponding increase in fringe benefits. Please see discussion of "Full Funding of All Increased Employment Expenses" below.
4. DSU believes that, while the 7.5% inflation adjustment that was apparently used as a part of the overall NDUS budget request may have been reasonable when the budget was developed, an inflation adjustment of 8.5% for most non-compensation expenditures should be used. DSU has already seen significant cost increases in supplies and equipment. Please see the discussion of "Assistance with Past Inflation" below..
5. As the chart above reflects, the governor's budget recommendation includes a \$900,000 appropriation for DSU to conduct a feasibility study and other planning costs regarding its proposed renovation of its Agriculture and Technical Education building, including its indoor arena. **DSU actually seeks a \$13.6 million appropriation to renovate the Agriculture and Technical Education building**, including much needed

infrastructure improvements to the parking and sidewalk area around the building. The total project is estimated to cost \$16 million. The DSU Heritage Foundation is prepared to raise \$2.4 million, if the \$13.6 million appropriation is approved. Please see the “Capital Project Request” discussion below.

6. As discussed below, the **cost of purchasing a replacement emergency generator has risen \$600,000 over initial estimates**. DSU seeks an additional appropriation to reflect this added cost.

7. As is true for other North Dakota University System institutions, DSU receives the vast majority of its state support via funding formula payments. These payments are based on credit hours produced. Because DSU’s enrollment has risen steadily in the current biennium, its funding formula payment in the next biennium is expected to rise somewhat. However, the “Estimated Income” category in the chart is concerning, as the main ways that the University could further expand income are by: an increase in the number of credit hours produced (i.e., enrollment); an increase in tuition and other fees; or a combination of the two. DSU has worked hard over the past 4 years to reduce costs and minimize increases to tuition and other fees, having gone the past 3 years with a freeze in these categories. DSU’s Chief Operating Officer estimates that, to generate the 8% revenue increase reflected in the chart of the Governor’s budget proposal, we would probably have to increase tuition and other fees 8 to 10%. Please see discussions of “Full Funding of All Increased Employment Expenses” and “Assistance with Past Inflation” below. If tuition has to go up by these amounts, enrollment will probably go down significantly, as the University anticipates that some current students may not return due to the high cost to attend and students who might have otherwise come to DSU might instead go to a university in South Dakota, Minnesota, or another state that is keeping costs of attendance relatively unchanged.

8. The small increase in FTEs is primarily related to the initiatives that are being advanced by the North Dakota University System, including additional student mental health support. The DSU administration has held the line on FTE after its substantial reduction in January 2020, despite numerous requests at DSU for new positions.

Support of Requests that Affect the Entire North Dakota University System

In addition to the DSU-specific appropriations requests discussed above, DSU supports the following appropriations requests that affect the entire North Dakota University System:

1. Full Funding of All Increased Employment Expenses North Dakota University System employees are funded by: (a) funding formula revenue; (b) tuition and fees; (c) other sources (sometimes including federal and grant funding); or (d) some combination of (a), (b), and (c). The Governor has recommended raises of 6% in 2023-24 and an additional 4% in the 2024-25. In addition, health insurance premiums are expected to rise substantially in the next biennium. Finally, with increased salaries, there will also be increased employment taxes. Thus, employment expenses are likely to increase substantially in the upcoming biennium.

It is DSU’s understanding that the Governor’s budget recommendation has only suggested increased appropriations to cover increased employment costs at NDUS institutions for positions financed via funding formula payments. To cover the substantially increased compensation costs for other positions, including those funded via tuition, DSU and other NDUS institutions would have to adopt large tuition increases. Large tuition increases will drive our students to other states that are freezing tuition (such as South Dakota) or otherwise substantially reducing the cost of attendance at state colleges (like Minnesota). Therefore, DSU requests an appropriation for the entire increased costs of employment (i.e., raises, increased health insurance premiums, and additional employment taxes) expected in the upcoming biennium, so substantial tuition increases can be avoided. For DSU, with a biennial compensation expense budget of about \$21.4

million, this would add \$1.26 million.

2. Assistance with Past Inflation: In 2021, the Consumer Price Index increased 7.5%. <https://www.bls.gov/opub/ted/2022/consumer-prices-up-7-5-percent-over-year-ended-january-2022.htm>. During the year ending in November, 2022, prices increased an additional 7.1%. See <https://www.bls.gov/cpi/>. Although the CPI measures costs increases for a somewhat different bundle of goods and services than those purchased by colleges and universities, it provides a reasonable, though perhaps understated, estimate of increased costs in the higher education sphere. Thus, it appears that NDUS institutions probably faced inflation over the current biennium of more than 14% for non-compensation expenses.

DSU supports a request for an additional appropriation of 8.5% to cover non-compensation expenses, as this would assist with, though by no means fully solve, the problems associated with past increased costs. DSU's budget for non-compensation costs is approximately \$17.2 million per biennium. By using 8.5 % as the inflation adjuster for calculating the appropriation, DSU would be eligible to receive an additional \$1.46 million to assist with management of these increased costs, at the 8.5% rate.

3. Workforce Education Innovation Fund This fund would allow NDUS institutions to stand up new workforce programs, by paying start-up expenses for new programs. This would be a game-changer for DSU as we continue to pursue our Dual Mission via career and technical education programs, which are much more expensive than most traditional liberal arts programs. For example, we estimate \$2 million of expenses to launch our Diesel Technology program. While the Governor has helpfully incorporated \$10 million for these purposes in his budget recommendation, DSU supports the full \$24 million NDUS appropriations request.

4. Oil & Gas Scholarship Program: The oil and gas industry provides a substantial portion of North Dakota's taxes, via both extraction and use taxes. DSU supports the NDUS proposal to start a "Re-Energize North Dakota" program that would provide scholarships to those employed in the oil and gas industry, as well as their spouses and children. This program would assist in North Dakota's efforts to retain and attract oil and gas workers. The Governor's budget recommendation includes \$10 million for this program. DSU endorses this NDUS initiative.

5. Other NDUS Scholarship Initiatives: DSU supports NDUS proposals for support of academic and CTE scholarships, the ND Career Builders scholarship and loan repayment programs, and Dual Credit scholarships.

6. Increased Challenge Grant Funding: DSU enthusiastically supports the Governor's recommendation to increase Challenge Grant funding to \$50 million. Under this program, each dollar that the taxpayers invest in North Dakota higher education is matched by two dollars of private support, so the taxpayers would garner \$100 million of investment under the Governor's recommendation. Due to strong community support and effective fundraising by the DSU Heritage Foundation, DSU is usually the first or one of the first NDUS institutions to raise enough funds to use its full Challenge Grant allocation. Thus, an increase in Challenge Grant funding is likely to be a major benefit to DSU and its students.

7. Minimum Funding Formula Payment (a.k.a. "Circuit Breaker"): The NDUS proposal to reinstate a minimum funding formula payment (such as some percentage of the previous biennium's funding formula payment) would not benefit DSU in the current biennium, because DSU's enrollment has increased during the relevant period, so its funding formula payment should also increase. However, DSU supports reinstatement of the minimum funding formula payment, at the level the Legislature determines to be appropriate, as a circuit breaker against conditions outside NDUS institutions' control that drive down enrollment.

8. Higher Education Stabilization Fund: In his testimony before the House Appropriations Committee, NDUS Chancellor Mark Hagerott

reiterated his longstanding support of a higher education stabilization fund patterned after the K12 stabilization fund. As an institution in North Dakota's oil patch and farm and ranch territory, where economic conditions can vary widely over time, DSU supports this initiative.

There is also an area of potential concern. While DSU supports full funding, including "catch up" payments, to support NDPERS defined benefit plans, it cannot support any proposal to have NDUS institutions and other state government agencies pay the "catch up" amounts needed for full funding. If these funds are to come from NDUS institutions, large tuition increases would be unavoidable. It is unfair to ask current student to pay for many past years of underfunding of defined benefit plans. Thus, DSU requests that all catch up payments be fully financed outside of tuition increases.

Purpose and Use of One-Time Funding for the Current Biennium

During the 2021 Special Legislative Assembly, DSU was awarded \$4,000,000 in one-time funding related to fiscal recovery funding that was intended to be used to complete the Pulver Hall renovation to accommodate the Theodore Roosevelt Center, to remodel an area in the Ag Building to house the meat processing lab, and for other projects. In addition to the two listed projects, which are now complete, DSU is using a portion of these funds to update its nursing simulation center. In addition to other projects of lesser costs, DSU is hoping to use a portion of the funds for a new emergency generator system. When we first estimated the cost for this project, the expected cost was about \$1.1 million. When we recently updated this estimate, the expected generator cost rose to \$1.7 million, for the same specifications. In addition, there is now a 60-week lead time. This seems to be one of the supply side effects of the Covid 19 epidemic.

As a result of this 55% increase in the cost for this project, it will be necessary to carry over a portion of the overall project cost and to request additional funds for the 23-25 biennium to complete the project. As noted above, DSU requests an additional \$600,000 appropriation for this expense.

Capital Project Request

DSU's primary capital project appropriations request is for support of major renovation of its Agriculture and Technical Education building, including entry sidewalks, parking lot, and adjoining indoor arena. Based upon discussions with experts, we estimate the renovation will require \$16 million. The DSU Heritage Foundation plans to raise \$2.4 million for this project. We are requesting \$13.6 million in state support. The importance of this project is outlined below.

- The project addresses current life, health, and safety issues

Classroom seating in main Agriculture and Technical Education building (Ag building), has not been replaced since original construction in about 1981, so it is starting to fail. These hazards have potential to cause injuries to students and community members attending Celebration of Scholars, senior Ag presentations, classes, and various other events. The adjoining indoor arena has considerable aging, with exposed rust and other dangers. Substantial roof leaks made the arena unusable due to safety concerns about four years ago. Roof repairs were made, but these roof issues are highly likely to recur. Both the concrete walkway to the building and the adjacent parking lot have substantial pooling of melted snow that freezes during winter, causing both walking and driving risks. [The walking hazard is in a location that cannot be avoided by those entering the building through its main entrance. The parking lot issue is in a driveway that cannot be avoided by those entering the building from State Avenue, which is the entry used by over 90 percent of students, faculty, staff, and community members coming to the Ag building.] Also, fencing needs to be added to parking facilities to prevent animal runaways.

The Ag building and adjacent indoor arena were built prior to the adoption of the ADA. Renovations will take ADA considerations into account, including the water and ice issues noted above.

- The project corrects significant deferred maintenance

The Ag building was constructed more than forty years ago (1981 for the main Ag building; 1979 for the indoor arena portion). Rust, cracking, roofing, and other issues need to be addressed, as does outdated and dangerous classroom seating. [We replaced carpet in the summer of 2022. We believe this is the first carpet replacement in the building's history. Also, we have updated the meat processing lab in the current biennium, thanks to the \$4 million legislative appropriation discussed above. We believe these to be the first significant major maintenance projects in the building's history, other than the previously noted roof repairs. We are not requesting funds for these projects, because we addressed them in the current biennium.]

- The project addresses critical maintenance needs

Doors in the indoor arena portion of the Ag building, including large garage-type doors, are overdue for replacement. Rust issues need to be addressed. Roof issues were addressed about four years ago, but they are highly likely to recur.

As noted above, classroom seating needs to be replaced. Failure of the seating will not do damage to the building itself, but it could result in injury.

- The project meets a compelling programmatic or accreditation justification consistent with campus mission and strategic goals

Our Agriculture program is strong, showing a 24 percent increase over the past three years. It presents a small school alternative that some in our region, including central and eastern North Dakota, prefer instead of attending a large university for an Agriculture education. Our Agriculture programs are an important component of our Dual Mission initiatives.

In our Dual Mission efforts, we continue to pursue new ways to cost effectively offer agricultural and technical education. For example, we recently signed an agreement with NDSU to provide a 4 + 1 program (with DSU providing four years of education and NDSU providing one, via distance delivery to students in Dickinson or elsewhere) for those interested in Ag Education master's degrees. This program has already proven to be popular.

As another example of the importance of updating these facilities, our Ag program includes equine classes that use the indoor arena, especially in winter months. Area high school students take our equine courses. We need a functioning indoor arena to facilitate our educational programs, including those that reach non-traditional students. If nothing is done, the centerpiece of one of DSU's key programs will continue to age and deteriorate.

- The project is supported by significant outside funding

Our plan is for the DSU Heritage Foundation to raise \$2.4 million, to match the requested \$13.6 million in state funding. Thus, we plan to raise a significant portion of the cost of this project.

- The space will be used to advance a specific program or activity that is a high priority of the state

Concern has been expressed about the dilapidated condition of the Ag building, including its attached indoor arena. DSU believes the presence of a strong Agriculture program in western North Dakota is a priority. DSU also believes that a smaller agriculture program is important to the entire state and the region, as some students (including a few from other parts of the state) prefer a smaller program. With the building's indoor arena lacking the technology needed for efficient distance delivery, we need to modernize to correct these deficiencies and advance our educational footprint.

- The project addresses an urgent infrastructure need

As delineated above, there are significant concerns with the current condition of the Ag building, its attached indoor arena, sidewalk, and parking lot. Unfortunately, other deferred maintenance projects will consume the tiered funding that will (hopefully) be provided in the next legislative session. Thus, there will not be enough tiered funding to address the overdue upgrades to this facility and to the remainder of our aging campus. With the addition of the generator for the DSU West campus that is part of this proposal, safety issues will be addressed for animals, students, and others when traditional power is lost. This generator should also provide utility bill cost savings, as power can be purchased less expensively by those with emergency generators.

- The project fosters the consolidation of services or enhances operating efficiencies

The indoor arena has several important uses. It is used as traditional teaching space. Unfortunately, it does not currently have classrooms and modern equipment for effective distance delivery. The arena is used for community events, including but not limited to, "Kids Day on the Farm," an annual event where more than 1,000 youngsters learn about animals and agriculture. It also serves as a practice facility for our rodeo team. Unfortunately, though, it is too small to host a full rodeo and it does not have room for rodeo audience seating. With the improvement of the indoor arena, classrooms and other malfunctioning areas, this facility will be safe for students, faculty, and visitors.

A modernized and expanded indoor arena would upgrade these programs substantially. To be sure, it has been helpful to our Ag programs to have the indoor area, even in its dilapidated condition. But the current learning environment is too small and too dated to fully accommodate our Ag (and rodeo) program needs. Also, a DSU West generator would assure a safe environment for our students to learn during otherwise severe conditions and save DSU operating expenses over the long term.

- The project enables the institution to remove obsolete or unnecessary facilities

The sidewalk and parking lot issues need to be addressed. Being a host for numerous events, this concern has to be fixed. Because DSU wishes to exercise good stewardship to one of our key programs, these changes are urgent to uphold the university's scholarly reputation.

The indoor arena has serious inadequacies, including insufficient space, roofing issues, rust, and door concerns. It is difficult to know when this type of facility is completely "obsolete," as we do continue to use the arena, albeit with significant limitations. But the arena is no longer meeting the needs of those who use it, including the faculty, students, and community members.

We believe that the last time the State of North Dakota funded a new building project at DSU was the 1981 construction of the Ag building. The

state has built many buildings on other NDUS campuses during the intervening four decades. Thus, DSU might have been justified in requesting an entirely new structure for its Ag building. But, as responsible stewards of taxpayer funds, we believe the overdue improvements can be achieved at substantially lower cost, via renovation of the existing facilities.
