



Engrossed HB1003

Senate Appropriations Committee

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Chair Bekkedahl and Committee Members: My name is Mark Hagerott, and I am the Chancellor of the North Dakota University System (NDUS). I am here to provide testimony on House Bill 1003. As State Board of Higher Education (SBHE) Vice Chair Tim Mihalick said, the board officially endorsed the engrossed House version of HB1003 at its February 23rd meeting, with two exceptions that I will get to in a moment.

The budget passed by the House would provide stability for students, faculty, and staff in a time of a historic economic and workforce pressures. It will also provide the foundation for continued innovation and transformation. We thank the House for its work on the bill and we look forward to working with the Senate as it moves forward.

However, section 19 and section 20 impose restrictions on institutional administration and academic programming that infringe on the Board's constitutional responsibilities. Section 19 would require Emergency Commission and Budget Section approval before the SBHE could provide a severance agreement to a college or university president. Section 20 places a 30-day time limit on SBHE approval of new certificates or programs. We respectfully request section 19 and section 20 be removed from the bill.

Our public system of higher education includes 11 colleges and universities spread throughout the state that offer a full spectrum of learning ranging from trades and technical education through advanced scholarship and innovative research. Our campuses have a proud history of working closely with business and industry to best identify changing community and workforce needs, and offering nearly 45,000 students the programs they want, where and when they need them.

The NDUS is governed by the SBHE, whose eight voting members are approved by the Senate. The system was organized in 1990 and includes two research universities, four regional universities, and five community colleges. The mission of the SBHE and my office is to unleash the potential of higher education in the state to enhance the quality of life, and the social and economic vitality of all served by its public colleges and universities.

That mission is supported by a framework of six strategic goals. The goals include optimizing student affordability while maintaining campus financial health; providing access to programs people want, where and when they need them; preparing students for success; maximizing the strengths of a unified system; research excellence and innovation; and workforce development. Progress toward these goals is measured with objectives and outcomes that are tracked via the NDUS strategic plan dashboards.

Each institution has a distinct mission and transformative priorities. Despite their individual distinctions, they all fall under the same overarching themes:

1. *Workforce development*: Workforce development was identified by the state board two years ago as the newest strategic goal to pursue. To that end, the board regularly approves, modifies, and discontinues programs of study in direct response to changing student and workforce needs. As just one example, the campuses now offer an expansive collection of program certificates, in addition to the standard two-year and four-year degrees programs. More than 260 certificate programs have been created in the last three years. The NDUS and SBHE review and address each new program request in the same month in which it is placed on the agenda.

Section 20 of the engrossed HB1003 limits the program approval process to a 30-day period. Enacting a 30-day approval period does not permit campuses to conduct assessment of collaborative partners, possible program duplication, or a thorough financial analysis of program viability. In short, the program approval process currently in place works well. The university system continues to demonstrate a commitment to train and retrain new and returning students based on their changing needs.

2. *Diversification of the economy*: Diversification of the economy continues to be a priority for the university system, whether that goal is reached through identification and partnership with emerging industries, or the continued adaptation to the digitization of our world. That is why our 11 public institutions, the System Office, and CTS all continue to focus on innovation and transformation. The ability to be agile and responsive gives students the opportunity to find more success while concurrently creating an economic impact that totaled **\$2.68 billion** during the **2021 fiscal year**.
3. *The “caring economy”*: It’s not only vital to create a technically oriented workforce, but it is equally important to take care of the “caring economy” of people. To that end, we continue to support programs that help educate the nurses, teachers, and police officers of tomorrow. Having such a diverse outlook from an academic and technical education programming perspective will help all students have a more well-rounded education that will aid them in becoming good citizens during divisive times.

To achieve these goals for the state and the university system, we’ve identified the following priorities in the 2023-25 NDUS budget request:

- **Reinstating the minimum amount payable and increasing it to 98%**. The House restored the minimum amount payable at the historic 96% rate or \$2.2M (Section 33). A minimum amount payable at 98% is \$5.8M and adds \$3.6M to those institutions dealing with reduced credit production.
- **Supporting the Governors compensation package which included 6% & 4% salary increases, equity adjustments and continued state coverage of health insurance premiums**. The House included 4% % 4% salary increases and health insurance costs.

- **Providing general fund dollars to cover the tuition portion of the compensation package.** Historically, the State appropriation provides 32 percent of the total cost for the compensation package. Tuition dollars provide 37 percent and grants/local funds cover the remainder. The House included \$47.4M to cover the tuition portion of salary increases at a 6%/4% and the increased health insurance costs, which will minimize the need for a tuition increase during the 2023-25 biennium.
- **Allowing for tuition rate flexibility.** The House added section 44 to freeze 2023-25 tuition rates. We are grateful for the infusion of general fund dollars for the compensation package and ask the Senate to consider adding flexibility to increase tuition to cover inflation-impacted non-compensation operation costs.
- **Increasing the funding formula for the impacts of inflation.** The House did not increase funding formula rates for inflation. We request the Senate consider a 7.5% increase in the funding formula per credit hour rate for NDUS institutions.
- **Creating a Workforce Education Innovation Grant Program.** The House provided \$10 million (Section 01) for a grant program to assist with startup costs for new academic programs targeted at ND's workforce needs. We ask you to support this funding.
- **Support for a NDUS budget stabilization fund and a permanent research funding stream.** The House approved HB1379 which contains up to \$10 million from the Legacy streams to support institutional research. We ask you to support that bill and to consider the addition of a stabilization fund study to HB1003.

The state, our system, and our workforce continue to face new challenges and unprecedented change. As you know, change brings with it an equally unprecedented opportunity for the state and our public higher education system to become leaders within emerging industries. The NDUS is well positioned to take on these challenges to provide North Dakota's future workforce and leaders.

I am available to answer your questions. Thank you.