

Introduced by

1 A BILL for an Act to create and enact chapter 15-18.3 of the North Dakota Century Code,
2 relating to the higher education funding formula; to amend and reenact sections 15-10-12.3,
3 15-10-72, 15-54.1-01, 15-54.1-02, 15-54.1-03, and 15-54.1-04 of the North Dakota Century
4 Code, relating to local fund sources for capital construction projects and the university system
5 capital building fund; to repeal chapter 15-18.2 and section 15-54.1-05 of the North Dakota
6 Century Code, relating to the higher education funding formula and the university system capital
7 building fund pool; to provide for a transfer; to provide for application; and to declare an
8 emergency.

9 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

10 **SECTION 1. AMENDMENT.** Section 15-10-12.3 of the North Dakota Century Code is
11 amended and reenacted as follows:

12 **15-10-12.3. Capital construction projects - Local fund sources - Local matching funds**
13 **- Report to budget section.**

14 If any institution under the control of the state board of higher education undertakes a
15 capital construction project, including any renovation or expansion, with the approval of the
16 legislative assembly, all local funds to be used for the project must be derived from sources that
17 have been presented to and approved by the legislative assembly or the budget section
18 pursuant to section 15-10-12.1. The source of any local matching funds required for
19 state-funded or bonded projects must be funds raised and designated for the project and may
20 not include funding from the state general fund, ~~state and federal grant and contract funds,~~
21 ~~tuition or fees, endowment or investment income, institutional sales and services income~~
22 ~~including~~ indirect and administrative costs, or transfers or loans from other institutions' funds or
23 agency funds unless the institution has received prior approval from the legislative assembly or
24 from the budget section pursuant to section 15-10-12.1. Each institution undertaking a capital

1 construction project that was approved by the legislative assembly and for which local funds are
2 to be used shall present a biennial report to the budget section of the legislative management
3 detailing the source of all funds used in the capital construction project, including local funds.
4 This section applies to projects approved after July 1, 2001.

5 **SECTION 2. AMENDMENT.** Section 15-10-72 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **15-10-72. Disclosure of financial condition.**

8 The state board of higher education shall provide a disclosure of the financial condition of
9 an institution to the qualified applicants designated as finalists pursuant to section 44-04-18.27
10 for the position of president of an institution. The disclosure of financial condition must identify
11 the institution's reserves, recent audit findings, anticipated future funding changes pursuant to
12 chapter ~~15-18.2~~15-18.3, and the institution's composite financial index ratio. The state board of
13 higher education may require the qualified applicants to sign a nondisclosure agreement prior to
14 receiving the disclosure of financial condition.

15 **SECTION 3.** Chapter 15-18.3 of the North Dakota Century Code is created and enacted as
16 follows:

17 **15-18.3-01. Full-time equivalent students - Determination.**

- 18 1. For each institution under its control, the state board of higher education shall
19 determine the number of full-time equivalent students enrolled during the fall
20 semesters, as reported in the annual fall census data used for federal and other official
21 reporting, during each two-year period ending June thirtieth of each even-numbered
22 year.
- 23 2. For purposes of this section, the number of full-time equivalent students is calculated
24 as follows:
 - 25 a. Undergraduate total credit hours divided by fifteen;
 - 26 b. Graduate total credit hours divided by twelve; and
 - 27 c. Each professional student is one full-time equivalent student.
- 28 3. For purposes of this section, a full-time equivalent student does not include a student
29 enrolled in the medical doctorate program at the university of North Dakota school of
30 medicine and health sciences.

1 **15-18.3-02. Base funding - Full-time equivalent students - Determination.**

2 To determine the base funding to which each institution is entitled, the state board of higher
3 education shall multiply the number of full-time equivalent students, as determined in section
4 15-18.3-01, by a base amount of:

5 1. Six thousand five hundred dollars for each freshman and sophomore full-time
6 equivalent student;

7 2. Seven thousand five hundred dollars for each junior and senior full-time equivalent
8 student; and

9 3. Ten thousand five hundred dollars for each graduate and professional full-time
10 equivalent student.

11 **15-18.3-03. Performance funding - In-demand degree completions - Determination.**

12 1. For each institution under its control, the state board of higher education shall
13 determine the number of degree completions in the prior biennium in programs aligned
14 with the in-demand occupations list prepared by the workforce development council
15 and job service North Dakota for the prior biennium.

16 2. To determine in-demand degree completion performance funding for which each
17 institution is entitled, the state board of higher education shall multiply the number of
18 degree completions, as determined in subsection 1, by:

19 a. Two thousand dollars for each baccalaureate and master's degree completion at
20 the university of North Dakota and North Dakota state university;

21 b. Three thousand dollars for each professional practice doctorate degree
22 completion, excluding medical doctorates, at the university of North Dakota and
23 North Dakota state university;

24 c. Two thousand two hundred fifty dollars for each associate's degree completion,
25 excluding degree completions in career and technical education, education, and
26 health sciences at Bismarck state college, Lake Region state college, Williston
27 state college, North Dakota state college of science, Dickinson state university,
28 Mayville state university, Minot state university, Valley City state university, and
29 Dakota college at Bottineau;

30 d. Four thousand five hundred dollars for each baccalaureate and
31 postbaccalaureate degree completion, excluding degree completions in

1 education and health sciences at Bismarck state college, Lake Region state
2 college, Williston state college, North Dakota state college of science, Dickinson
3 state university, Mayville state university, Minot state university, Valley City state
4 university, and Dakota college at Bottineau;

5 e. Six thousand seven hundred fifty dollars for each associate's degree completion
6 in education and health sciences at Bismarck state college, Lake Region state
7 college, Williston state college, North Dakota state college of science, Dickinson
8 state university, Mayville state university, Minot state university, Valley City state
9 university, and Dakota college at Bottineau;

10 f. Thirteen thousand five hundred dollars for each baccalaureate and
11 postbaccalaureate degree completion in education and health sciences at
12 Bismarck state college, Lake Region state college, Williston state college, North
13 Dakota state college of science, Dickinson state university, Mayville state
14 university, Minot state university, Valley City state university, and Dakota college
15 at Bottineau; and

16 g. Thirteen thousand five hundred dollars for each career and technical education
17 degree completion at Bismarck state college, Lake Region state college, Williston
18 state college, North Dakota state college of science, Dickinson state university,
19 Mayville state university, Minot state university, Valley City state university, and
20 Dakota college at Bottineau.

21 **15-18.3-04. Performance funding - Research - Determination.**

22 1. For the university of North Dakota and North Dakota state university, the state board of
23 higher education shall determine:

24 a. Research doctoral degrees as defined and reported by the national center for
25 education statistics and the Carnegie classification of institutions of higher
26 education; and

27 b. The rolling four-year average of research expenditures from external grants and
28 contracts revenues, which may not include funding appropriated from the general
29 fund, state special funds, and grants and contracts revenues from state entities.

2. To determine research performance funding to which the university of North Dakota and North Dakota state university are entitled, the state board of higher education shall determine the sum of:

a. Five hundred thousand dollars for completion of at least one hundred forty research doctoral degrees in the most recently completed biennium;

b. Four thousand dollars per research doctoral degree completed in excess of one hundred forty in the most recently completed biennium; and

c. Ten cents for each dollar of the rolling four-year average of research expenditures from external grants and contracts revenues, as calculated in subdivision b of subsection 1.

15-18.3-05. Economic size rate - Determination of state aid.

1. To determine the total state aid to which each institution is entitled, the state board of higher education shall multiply the sum of the products determined under sections 15-18.3-02, 15-18.3-03, and 15-18.3-04 for each institution by an economic size rate, as determined in subsections 2 and 3 of this section.

2. To determine the economic size rate for each institution, excluding the university of North Dakota and North Dakota state university, the state board of higher education shall:

a. Multiply up to each institution's first 1,550 full-time equivalent students enrolled by a rate of 1.50;

b. Multiply each institution's full-time equivalent students enrolled exceeding 1,550 but not exceeding 3,100 by a rate of 1.15;

c. Multiply each institution's full-time equivalent students enrolled exceeding 3,100 by a rate of 1.00;

d. Divide the sum of the calculations in subdivisions a, b, and c by the total full-time equivalent student enrollment for each institution; and

e. Round the calculated rate for each institution to the nearest one hundredth.

3. The economic size rate for the university of North Dakota and North Dakota state university is 1.00.

1 **15-18.3-06. Funding - Distribution.**

2 The state aid to which each institution is entitled under this chapter must be distributed at
3 the time and in the manner agreed to by the institution and the office of management and
4 budget.

5 **15-18.3-07. Statement of tuition and fees - Contents of statement.**

6 Each tuition and fee billing statement provided to a student must include information
7 identifying the average dollar amount of state aid per student per semester the institution
8 receives under this chapter.

9 **SECTION 4. AMENDMENT.** Section 15-54.1-01 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **15-54.1-01. University system capital building fund - Creation - Continuing**
12 **appropriation.**

13 There is created in the state treasury the university system capital building fund. The
14 university system capital building fund consists of moneys transferred to the fund and any
15 interest and earnings of the fund. The state board of higher education may provide for the fund
16 to be invested under the supervision of the state investment board. Moneys in the fund are
17 appropriated to the state board of higher education on a continuing basis for allocations to the
18 institutions under the control of the state board of higher education for capital projects as
19 directed by the legislative assembly and in accordance with this chapter. Any interest or
20 earnings of the fund must be allocated ~~to the capital building fund pool within the university-~~
21 ~~system capital building fund~~ proportionally to each institution based upon the institution's
22 average balance in the fund and may be expended pursuant to the requirements of this chapter.

23 **SECTION 5. AMENDMENT.** Section 15-54.1-02 of the North Dakota Century Code is
24 amended and reenacted as follows:

25 **15-54.1-02. Capital building funds - Uses - Reports.**

26 Subject to tier II and tier III capital building fund matching requirements under this chapter,
27 each institution may use its allocation of funds from the university system capital building fund
28 for projects specifically authorized by the legislative assembly to use university system capital
29 building fund moneys. ~~In addition, after an institution has matched and committed seventy-five~~
30 ~~percent of the funding appropriated for the institution's tier I extraordinary repairs and subject to~~
31 ~~state board of higher education approval and matching requirements under this chapter, each~~

1 ~~institution may use its allocation of funds from the university system capital building fund and for~~
2 ~~extraordinary repairs and deferred maintenance projects for academic and student housing~~
3 ~~facilities that do not increase the overall square footage of a building campus facilities.~~ The state
4 board of higher education shall report biennially to the legislative management and to the
5 appropriations committees of the legislative assembly on the use of funding in the university
6 system capital building fund, the source of matching funds, and each institution's five-year plan
7 for capital construction spending.

8 **SECTION 6. AMENDMENT.** Section 15-54.1-03 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **15-54.1-03. Tier III capital building funds - Deferred maintenance and extraordinary**
11 **repairs - Matching requirements.**

12 The state board of higher education may allocate tier III capital building fund moneys to an
13 institution for a deferred maintenance or extraordinary repair project only after the institution,
14 excluding the university of North Dakota and North Dakota state university, provides one dollar
15 of matching funds from operations or other sources for each one dollar from the university
16 system capital building fund for the project. The state board of higher education may allocate
17 tier I capital building fund moneys to the university of North Dakota and North Dakota state
18 university only after the institution provides three dollars of matching funds from operations or
19 other sources for each two dollars from the university system capital building fund for the
20 deferred maintenance or extraordinary repair project. An institution may not use tier I
21 ~~extraordinary repairs funding; tier III capital building fund moneys; or state funding~~
22 appropriated for a specific capital project as matching funds under this section.

23 **SECTION 7. AMENDMENT.** Section 15-54.1-04 of the North Dakota Century Code is
24 amended and reenacted as follows:

25 **15-54.1-04. Tier III capital building funds - Matching requirements.**

26 The state board of higher education may allocate tier III capital building fund moneys to an
27 institution only after the institution, excluding the university of North Dakota and North Dakota
28 state university, provides one dollar of matching funds from operations or other sources for each
29 one dollar from the university system capital building fund for the deferred maintenance,
30 extraordinary repair, or legislatively authorized capital project. The state board of higher
31 education may allocate tier III capital building fund moneys to the university of North Dakota

and North Dakota state university only after the institution provides ~~two~~three dollars of matching funds from operations or other sources for each ~~one dollar~~two dollars from the university system capital building fund for the deferred maintenance, extraordinary repair, or legislatively authorized capital project. An institution may not use tier I ~~extraordinary repairs funding, tier II-~~ capital building fund moneys; or state funding appropriated for a specific capital project as matching funds under this section.

SECTION 8. REPEAL. Chapter 15-18.2 and Section 15-54.1-05 of the North Dakota Century Code are repealed.

SECTION 9. TRANSFER - UNIVERSITY SYSTEM CAPITAL BUILDING FUND - TIER ALLOCATIONS. The state board of higher education shall transfer any remaining unmatched and unobligated moneys allocated to tier III of the university system capital building fund to the corresponding institution's allocation in tier II of the university system capital building fund during the period beginning with the effective date of this Act, and ending June 30, 2029. Any moneys transferred pursuant to this section are subject to the matching requirements in section 7 of this Act.

SECTION 10. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - UNIVERSITY SYSTEM CAPITAL BUILDING FUND. The office of management and budget shall transfer \$37,600,000 from the strategic investment and improvements fund to the university system capital building fund during the period beginning with the effective date of this Act, and ending June 30, 2029, as requested by the commissioner of higher education. Funding transferred pursuant to this section is to be allocated to each institution as follows:

	<u>Tier I</u>	<u>Tier II</u>	<u>Total</u>
Bismarck state college	\$570,174	\$1,361,225	\$1,931,399
Lake Region state college	172,615	412,098	584,713
Williston state college	238,394	569,139	807,533
University of North Dakota	3,962,063	9,458,979	13,421,042
North Dakota state university	3,474,962	8,296,081	11,771,043
North Dakota state college of science	898,906	2,146,037	3,044,943
Dickinson state university	382,494	913,162	1,295,656
Mayville state university	245,732	586,657	832,389
Minot state university	670,745	1,601,328	2,272,073

1	Valley City state university	334,778	799,245	1,134,023
2	Dakota college at Bottineau	<u>149,137</u>	<u>356,049</u>	<u>505,186</u>
3	Total	\$11,100,000	\$26,500,000	\$37,600,000

4 **SECTION 11. MINIMUM AMOUNT PAYABLE - ONE-TIME TRANSITION PAYMENT.**

5 Notwithstanding chapter 15-18.3, for the biennium beginning July 1, 2027, and ending June 30,
6 2029, an institution may not receive less than one hundred percent of the state aid to which the
7 institution would have been entitled for the 2027-29 biennium using the state aid formula in
8 effect during the 2025-27 biennium.

9 **SECTION 12. RETROACTIVE APPLICATION.** Sections 4, 5, 6, and 7 of this Act apply to
10 funds transferred to and earned by the university system capital building fund prior to June 30,
11 2027, that remained unmatched or unobligated for a project as of June 30, 2027.

12 **SECTION 13. EMERGENCY.** This Act is declared to be an emergency measure.