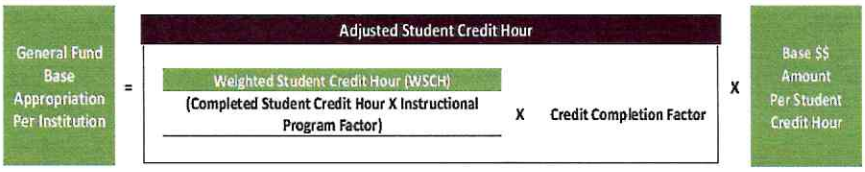
Higher Education Funding Formula

LEGISLATIVE COUNCIL

Current Funding Model

- Originally enacted by the 2013 Legislative Assembly in Chapter 15-18.2 of the North Dakota Century Code.
  - Performance-based
    - Appropriations based on weighted credits successfully completed



- Prior to the 2021-23 biennium, there was also an institutional size factor. This factor would replace the credit completion factor if an institution's ratio of square footage to weighted credits was greater than or equal to 5.00. Historically, this institutional size factor only ever applied to NDSCS. As enacted in 2013, the factor was 1.8, however, it was reduced to 1.7 by the 2015 Legislative Assembly and later eliminated by the 2021 Legislative Assembly.

Student Credit Hour Weighting

- Section 15-18.2-02 provides for successfully completed student credit hours (SCH) to be weighted by an instructional program classification factor.
- This weighting accounts for differing costs among academic programs. Credits completed in more expensive programs are provided more weight in the formula.
- Significant historical changes to weighting since the formula's inception include:
  - 2019 - Decreased weighting of medical school (health sciences) credits from 38.0 to 34.5 as part of the health care workforce initiative.
    - This included the addition of a separate line item to provide funding to the UND School of Medicine and Health Sciences for student residencies, which were previously funded from the base appropriation under the higher education funding formula.
  - 2019 – Increased weighting of Law School legal studies credits from 10.5 to 14.0 to increase funding for the UND School of Law.
  - 2021 – Increased weighting of basic career and technical education credits from 2.0 to 3.0, and 5.0 for certain unique, high-cost CTE programs, including plumbing, HVAC, and diesel technology.
    - This change was made in conjunction with the removal of the institutional size factor, which reduced adjusted SCH for NDSCS.
  - 2021 – Transferred computer and information sciences credits from the core disciplines cluster to the engineering cluster to increase funding for these higher cost programs.
  - 2023 – Increased weighting of all career and technical education credits to 5.0 to increase funding and encourage production in these high-need fields.

Student Credit Hour Weighting Cont. Current Weights

Discipline Clusters	Student Credit Hour Weighting				
	Lower Division	Upper Division	Professional	Graduate	MD
Agriculture	1.9	3.8	5.7	7.6	-
Architecture	1.8	3.6	5.4	7.2	-
Transportation (Aviation)	1.9	3.8	5.7	7.6	-
Biological/Physical Science	1.9	3.8	5.7	7.6	-
Business	1.9	3.8	5.7	7.6	-
Career/Tech Education	5.0	-	-	-	-
Education	1.9	3.8	5.7	7.6	-
Engineering	2.5	5.0	7.5	10.0	-
Health Sciences	3.0	6.0	9.0	12.0	34.5
Legal Studies	3.5	7.0	14.0	14.0	-
Basic Skills	2.3	-	-	-	-
Core Disciplines	1.0	2.0	3.0	4.0	-

Credit Completion Factor

- Section 15-18.2-03 provides for weighted credits to be multiplied by a credit completion factor to determine total adjusted SCH, which are then multiplied by the base rate to determine base funding under the formula.
- The credit completion factor ranges from 1.00 to 1.80 and is the formula's method of accounting for economies of scale. An institution producing fewer credits will receive a higher credit completion factor, resulting in increased adjusted SCH and funding.

Institutions	Primary Credit Completion Factor
North Dakota State University and University of North Dakota	1.00
Bismarck State College	1.10
Minot State University	1.20
North Dakota State College of Science	1.30
Dickinson State University, Lake Region State College, and Valley City State University	1.50
Mayville State University	1.60
Williston State College	1.70
Dakota College at Bottineau	1.80

Credit Completion Factor Cont.

a. 1.00 if the number of credit-hours is at least 240,000;
b. 1.05 if the number of credit-hours is at least 180,000 but less than 240,000;
c. 1.10 if the number of credit-hours is at least 135,000 but less than 180,000;
d. 1.15 if the number of credit-hours is at least 130,000 but less than 135,000;
e. 1.20 if the number of credit-hours is at least 120,000 but less than 130,000;
f. 1.30 if the number of credit-hours is at least 70,000 but less than 120,000;
g. 1.40 if the number of credit-hours is at least 60,000 but less than 70,000;
h. 1.50 if the number of credit-hours is at least 50,000 but less than 60,000;
i. 1.60 if the number of credit-hours is at least 40,000 but less than 50,000;
j. 1.70 if the number of credit-hours is at least 30,000 but less than 40,000; and
k. 1.80 if the number of credit-hours is less than 30,000.

Credit Completion Factor Cont.

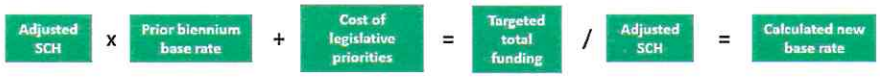
- This factor has seen extensive changes since the formula was originally enacted in 2013, resulting in increased adjusted SCH for most campuses compared to the original formula.
- In addition to increasing the level of credits eligible to receive an increased factor under this section of the formula, the 2021 Legislative Assembly established a credit growth factor under this section to protect growing institutions from reductions under the formula.
  - The issue arose primarily due to growth at VCSU, which was to receive reduced funding under the formula after moving from the 1.50 credit completion factor to 1.40 due to an increase in successfully completed credits.
  - The credit growth factor clause provides for the weighted SCH to be multiplied by 1.00 for credits in excess of the credit completion factor the institution was entitled to receive during the 2017-19 biennium.
  - In the case of VCSU, this meant for the 2023-25 biennium, 172,389 weighted SCH would be multiplied by a credit completion factor of 1.50 and 7,531 weighted SCH would be multiplied by a credit growth factor of 1.00.
  - Without the change made by the 2021 Legislative Assembly, VCSU's entire 179,920 weighted SCH would have been multiplied by a credit completion factor of 1.40, resulting in 14,227 fewer adjusted SCH.
  - For the 2023-25 biennium, both VCSU and DCB were aided by the credit growth factor.

Base Rates

	Biennial Base Rate Per Credit-Hour			
Institutions	2017-19	2019-21	2021-23	2023-25
North Dakota State University, University of North Dakota	$58.65	$60.87	$61.81	$73.15
Dickinson State University, Mayville State University, Minot State University, Valley City State University	$86.95	$90.98	$92.60	$103.76
Bismarck State College, Dakota College at Bottineau, Lake Region State College, North Dakota State College of Science, Williston State College	$93.03	$97.06	$98.84	$110.38

Calculation of Base Rates

- With the adoption of the funding formula, the 2013 Legislative Assembly essentially worked backwards in the formula from the base level appropriations (ongoing 2011-13 biennium general fund appropriation) to determine the institution base rates. The ongoing base level appropriations were divided by the adjusted SCH to arrive at the individual campus base rates. The 2013 Legislative Assembly then provided for a 5 percent annual inflationary increase to the base rates, rather than adding funding for individual legislative priorities such as salary and fringe benefit increases.
- The Legislative Assembly began adjusting the base rates during the 2015 legislative session to adjust funding for certain legislative priorities, rather than providing a standard systemwide inflationary increase. Each legislative session, the Legislative Assembly may determine it is necessary to increase the base rates under the higher education funding formula in order to provide additional funding for salary and fringe benefit increases, to replace funding due to tuition increase limitations, to address inflationary costs, and for other legislative priorities.
- To determine the new base rates by institution, the following calculation is performed for each institution:



- The calculated new base rates will likely differ by institution due to differences in the number of adjusted SCH and differences in the cost of various legislative priorities. Therefore, the base rates are then equalized among similar institutions.

Calculation of Base Rates Cont. Equalization

- Section 15-18.2-05 provides separate base rates for the two doctoral research universities, the four 4-year universities, and the five 2-year colleges. The calculated individual rates are equalized to provide the same rates to similar institutions. This base rate equalization may result in increased funding for certain institutions and reduced funding for others.
- The 2013 Legislative Assembly, in an effort to not cause harm to any institution due to the adoption of the funding formula, equalized the rates for each group by using the higher calculated rate for the two doctoral research universities, averaging the top two calculated rates for the 4-year universities, and averaging the top two calculated rates for the 2-year colleges. The 2013 Legislative Assembly then provided separate base rates for Minot State University and Williston State College to avoid a reduction in funding.
- The 2013 Legislative Assembly then provided for a 5 percent annual inflationary increase to the base rates, rather than adding funding for individual legislative priorities such as salary and fringe benefit increases. This allowed the appropriations committees to avoid re-equalizing the rates for the institutions.
- Beginning with the actions of the 2015 Legislative Assembly, the four 4-year universities all began receiving the same base rate and the five 2-year colleges all began receiving the same base rate. The equalization calculation in 2015, and in every legislative session since, has used the average calculated rate of all institutions in each group.

Minimum Amount Payable Provision

- Section 15-18.2-06.1 provides for the minimum amount payable, or hold-harmless provision, which provides that an institution may not receive less than 96 percent of the state aid (base appropriation) to which the institution was entitled under the formula during the previous biennium.
- This limits reductions in funding due to falling credit production to 96 percent as compared to the prior biennium.
- If an institution has fewer than 96 percent of the adjusted student credit hours used to calculate the institution's base payment in the prior biennium, the institution will receive funding under this provision.
- The amount under this provision, if any, is calculated after any legislative changes to credit weighting and the credit completion factor, but before any legislative changes to the base rates.
- This provision was allowed to expire by the 2019 Legislative Assembly and was restored by the 2023 Legislative Assembly.
- During the current biennium, NDSU and LRSC received approximately $2 million and $175,000, respectively, pursuant to this provision.

Higher Education Funding Formula General Fund Base Appropriation

Institution	2021-23 Biennium Base Funding	2023-25 Biennium Base Funding	Increase (Decrease)
Bismarck State College	$32,084,055	$36,354,055	$4,270,000
Dakota College at Bottineau	9,537,862	11,130,278	1,592,416
Lake Region State College	14,242,152	15,248,322	1,006,170
North Dakota State College of Science	35,714,792	38,761,924	3,047,132
Williston State College	11,286,737	13,118,332	1,831,595
Dickinson State University	20,242,730	23,801,610	3,558,880
Mayville State University	18,679,828	21,698,810	3,018,982
Minot State University	41,206,630	47,677,097	6,470,467
Valley City State University	24,161,377	27,612,092	3,450,715
North Dakota State University	138,431,325	156,898,618	18,467,293
University of North Dakota	150,927,125	176,704,139	25,777,014
UND School of Medicine and Health Sciences	57,446,809	$70,189,766	12,742,957
Total	**$553,961,422**	**$639,195,043**	**$85,233,621**

The 2023 Legislative Assembly increased the weighting for certain credits, increased the base rates for all institutions, and restored the 96 percent hold-harmless clause. Without these changes, the NDUS would have been appropriated approximately $9.3 million less for the 2023-25 biennium than the 2021-23 biennium due to decreases in credit production.

Questions?

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