

FISCAL NOTE
Requested by Legislative Council
12/20/2014

Bill/Resolution No.: HB 1043

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$3,675,620			
Appropriations			\$3,675,620			

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

Freeze tuition at the five two-year campuses (BSC, NDSCS, LRSC, WSC and DCB) for academic years 2015-16 and 2016-17.

- 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 1: two-year tuition freeze at two-year campuses
 Section 2: provides \$2.5 million general fund appropriation

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.*

Estimated minimal increases in enrollments at two-year campuses except at NDSCS and WSCC. At NDSCS anticipated enrollment increase is due to a number of variables including retention, career awareness programs and tuition freeze. At WSC, increase is due to Foundation funded student scholarships.

- 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.*

\$3,675,620 is the "student share" of the funding formula in the NDUS Budget request for salaries, benefits, operating inflation and utilities that would be shifted to the state under the proposed measure. The 15-17 Executive Budget Recommendation in HB1003 includes \$2,766,722 (less operating inflation component).

- 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.*

\$3,675,620 is the "student share" of the funding formula in the NDUS Budget request for salaries, benefits, operating inflation and utilities that would be shifted to the state under the proposed measure. The 15-17 Executive Budget Recommendation in HB1003 includes \$2,766,722 (less operating inflation component).

Name: Laura Glatt

Agency: ND University System Office

Telephone: 7013284116

Date Prepared: 01/05/2015

2015 HOUSE APPROPRIATIONS

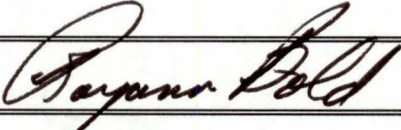
HB 1043

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division Roughrider Room, State Capitol

HB1043
1/26/2015
22525

☒ Subcommittee
☐ Conference Committee



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to prohibit increases in tuition rates at two-year institutions under the control of the state board of higher education; to provide an appropriation; and to provide an expiration date.

Minutes:

Attachments: 2

Chairman Monson: Called the meeting to order.

Representative Mark Sanford: I chaired the Higher Ed interim committee this bill came out of that committee's work. Attachments #1 (North Dakota University System (NDUS) letter on Regional Tuition and Fee Comparisons from Dr. Larry Skogen, Interim Chancellor) and #2 (Estimated Costs to Limit Tuition Rate Increases)

Chairman Monson: Did your interim committee have any input on picking the institutions or states that would be considered part of our region?

Rep. Sanford: There was limited discussion on that. We didn't tell Higher Ed which states to compare.

Vice Chairman Streyle: What were the mandatory fees that you talked about in this, it must not have been all fees.

Rep. Sanford: We did not look at all the fees.

Chairman Monson: I see Arizona is one that will be considered a regional state. But we are dropping Kansas and Iowa. These are ones that are more in our region.

Rep. Sanford: I would agree with you. They went to Western Interstate Commission for Higher Education (WICHE) and below that.

Chairman Monson: We have now added Idaho which is a good addition.

Rep. Sanford: It's relatively easy to get a state by state comparison on this. We could pick other states and have the data very quickly.

Chairman Monson: That is what this bill is dealing with is how tuition in our state compare to the region and we are getting higher.

Dr. Larry Skogen, Interim Chancellor, NDUS:
It really was a matter of who had data available. We eliminated those outliers. The rest is put together by WICHE.

Rep. Schmidt: When this bill sunsets, will those dollars then be part of the base level?

Skogen: I have to ask Tammy, I think so.

Tammy Dolan, OMB: yes.

Rep. Martinson: What is the purpose of freezing tuition?

Skogen: Workforce is a huge issue and we want to make our schools more affordable. The student portion of education is being picked up to make it more affordable.

Rep. Martinson: Why do we compare our tuition with other states?

Skogen: We have always done that. It sets up a benchmark for comparisons.

Rep. Martinson: It's not about recruiting?

Skogen: Tuition is always about recruiting and now with our workforce needs, we need to be affordable.

Rep. Martinson: When we compare are we comparing in-state to in-state tuition?

Skogen: That's correct

Rep. Martinson: if we are using this as a recruiting tool, wouldn't we want to compare what our out-of-state tuition is to what the in-state tuition is?

Skogen: That's a valid point.

Rep. Martinson: If we don't do that, I don't believe any Bismarck student is going to go to another college out of state, because our tuition rates are high. You'd have to pay out-of-state tuition.

Skogen: At the same time, it's a matter of affordability.

Rep. Martinson: It is only affordability for the in-state student.

Skogen: that's true

Rep. Dosch: When we are talking tuition freeze, we are doing this because our tuition rates on 2-year schools are higher. If you have 2 competing businesses, and one business has a much higher operating cost than the other, in the real world, that business is told to bring their operating costs in line with your peers. Can we do the same with these two-year institutions?

Skogen: I wouldn't agree the costs are too high. To assume the costs are too high, we have to assume that the base is the same as it is for other institutions. But to look at FTE's, Bismarck State is lowest and the most efficient in the state

Rep. Dosch: If that is the case, freezing tuition is just covering up problems that are out there. How are those other institutions funded?

Skogen: I don't have those at my fingertips. Those exist, and I could get you some examples of that.

Vice Chairman Streyle: Could we get the average teaching load? Could they teach more than 11 credits per semester? A minimum of 15 per semester would approve your efficiency.

Rep. Boe: I was curious when we compare to regional universities. What if we were comparing the degree?

Representative Boe: comparing to schools on the east coast per degree?

Skogen: There is data out there for what does it cost per degree, but it would be more in the aggregate.

Rep. Boe: For the out of state tuition, how many students pay out of state tuition their entire college career? It seems it would only be one semester, after 30 days, they would be considered residents.

Skogen: If they went through the process, but there are many that want to maintain residency in Minnesota and they will pay the reciprocity tuition.

Chairman Monson: Who got the \$7 million that Minnesota paid ND for the reciprocity agreement?

Skogen: It's divided among the institutions.

Vice Chairman Streyle: Do you have report you could run that would tell us the out of state student and what tier they are in?

Skogen: I can get you that report.

Rep. Guggisberg: comment

Chairman Monson: Rep. Streyle asked about the workload, does our 2 year institution professors compare to the workload we see in our 4-year institutions?

Skogen: This gets into your definition of workload. We are doing a report on that. One example; at BSC English professor will be about contact time in the class room. A welding instructor has a very different workload; some in the classroom, some in the lab. You have to figure out how much lab time is equal to class time. It's important also to add in how much time is done on research.

Chairman Monson: How do we compare apples to apples here? Someone who is teaching 6 students is not spending as much time someone teaching hundreds of students in a lecture. It's complex, but if we're talking about workload it's not just straight workload, it's what they're doing.

Chairman Monson: closed hearing

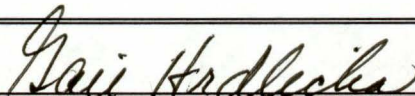
2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division Roughrider Room, State Capitol

HB 1043
2/17/2015
23977

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to prohibit increases in tuition rates at two-year institutions under the control of the state board of higher education; to provide an appropriation; and to provide an expiration date.

Minutes:

"Click to enter attachment information."

Chairman Monson: Called the meeting to order. We have some tuition bills we are going to start with HB 1043.

Brady Larson: This was referred directly to appropriations and it was introduced as a 2000 version out of the Interim Higher Education Funding Committee. It was revision during the Interim that caused it to become a 2000. It was introduced to the legislative assembly it was a 2000 version.

Chairman Monson: It is the governor's idea of tuition increase being frozen at 2 year institutions of higher education under its control beyond the level in effect during the 2015 spring semester.

Rep. Schmidt: Made a motion to kill the bill and seconded by Rep. Dosch. Roll vote was taken: Yes 5, No 2, absent 1; motion carried. Rep. Dosch will carry the bill to the full committee.

Rep. Dosch: I still think it goes back to if we are expected to provide general funding for higher ed we have to control the tuition side. We have seen what has happened in the past when we haven't. If we are going to control what's occurring with the spending in higher ed we have to control both sides of the equation.

Chairman Monson: The rationale was that the tuition at our 2 year institutions is higher than the regional area whether you want to look at that or not.

Meeting closed.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1043
2/20/2015
Job # 24220

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Markus Kienzle

Explanation or reason for introduction of bill/resolution:

To prohibit increases in tuition rates at two-year institutions under the control of the State Board of Higher Education

Minutes:

Chairman Jeff Delzer: Since this was dealt with this issue in 1003 you will be giving this a DO NOT PASS

Rep Kempenich: Motion made to DO NOT PASS.

Rep Monson: Seconded the motion.

Motion carried for a Do Not Pass.

Carrier is Rep Dosch

Vote is Yes 20 No 2 Absent 1

Meeting adjourned.

Date: 2-17-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1043

House Appropriations - Education and Environment Division Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Schmidt Seconded By Dosch

Representatives	Yes	No	Representatives	Yes	No
Chairman Monson	✓		Rep. Boe		✓
Vice Chairman Streyle	A		Rep. Guggisberg		✓
Rep. Dosch	✓				
Rep. Martinson	✓				
Rep. Sanford	✓				
Rep. Schmidt	✓				

Total Yes 5 No 2

Absent 1

Floor Assignment Dosch

If the vote is on an amendment, briefly indicate intent:

Motion Carried

Date: 2/20/15Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1043**

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation:

☐ Adopt Amendment☐ Do Pass☒ Do Not Pass☐ Without Committee Recommendation☐ As Amended☐ Rerefer to Appropriations☐ Place on Consent Calendar

Other Actions:

☐ Reconsider☐ _____

Motion Made By:

Kempenich

Seconded By:

Monson

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer	✓			Representative Nelson	✓			Representative Boe	✓		
Vice Chairman Keith Kempenich	✓			Representative Pollert	✓			Representative Glassheim	✓		
Representative Bellew	✓			Representative Sanford	✓			Representative Guggisberg		✓	
Representative Brandenburg	✓			Representative Schmidt	✓			Representative Hogan		✓	
Representative Boehning	✓			Representative Silbernagel			<u>A</u>	Representative Holman	✓		
Representative Dosch	✓			Representative Skarphol	✓						
Representative Kreidt	✓			Representative Streyle	✓						
Representative Martinson	✓			Representative Thoreson	✓						
Representative Monson	✓			Representative Vigasaa	✓						
<u>9</u>	<u>0</u>	<u>0</u>		<u>8</u>	<u>0</u>	<u>1</u>		<u>3</u>	<u>2</u>	<u>0</u>	

Totals

(Yes)

20

No

2

Absent

1

Grand Total

23Dosch

Floor Assignment: _____

If the vote is on an amendment, briefly indicate intent: _____

REPORT OF STANDING COMMITTEE

HB 1043: Appropriations Committee (Rep. Delzer, Chairman) recommends **DO NOT PASS** (20 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1043 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

HB 1043

TO: Mr. Brady Larson, Assistant Legislative Budget Analyst and Auditor
North Dakota Legislative Council

FROM: Dr. Larry C. Skogen, Interim Chancellor



DATE: December 23, 2014

SUBJECT: Regional Tuition and Fee Comparisons

We have made a change relative to which states we're now using as comparators for regional averages in tuition and fees. The State Board of Higher Education's new strategic plan includes as one of its primary goals to "Deliver degrees that are the best value in the nation." One of the success indicators is that our tuition and fees will be at or below regional average, and it's important that we have consistent data to track our progress. In addition, the Governor has recommended and the Interim Higher Education Funding Committee has expressed an interest in freezing tuition at our community colleges to ensure regional competitiveness, so lawmakers need good information at their fingertips as they deliberate the Governor's recommendation.

In the past, we compared NDUS institutions with specific institutions of states that were historically included in the Tuition and Fee Report, formerly prepared on a regular basis by the Washington State Higher Education Coordinating Board. Over the past several years, it has been necessary to manually obtain tuition and fee information from campus individual websites, when the Washington report was discontinued for a time. Although the report is now available again, the campus-level of detail is not included in that report.

With that in mind, we made the decision during our strategic planning process this summer to instead use information available through the Western Interstate Commission for Higher Education (WICHE). We added Minnesota to the WICHE comparator group, and excluded Alaska, California and Hawaii. The below chart compares which states we included historically and which we're now including

December 23, 2014

Regional Tuition and Fee Comparisons
Differences between historical reports and new strategic plan

States Included as Regional Comparisons	2015-2020 Strategic Plan¹	Historical Reports²
Arizona	X	
Colorado	X	X
Idaho	X	
Iowa		X
Kansas		X
Minnesota	X	X
Missouri		X
Montana	X	X
Nebraska		X
Nevada	X	
New Mexico	X	
Oklahoma		X
Oregon	X	
South Dakota	X	X
Utah	X	
Washington	X	
Wisconsin		X
Wyoming	X	X

¹Includes all public institutions of Minnesota and WICHE states, excluding Alaska, California and Hawaii.

²Includes specific public institutions of states that were historically included in the Tuition and Fee Report prepared by the Washington State Higher Education Coordinating Board

This did result in a change in how our tuition and fees compare against the newly determined regional peers. The below chart provides three-year comparisons using these different comparators. As you can see for the most current year, the University of North Dakota and North Dakota State University are closer to comparators than reported in the past. Minot State University and four-year campuses compare more competitively than in the past with lower tuition and fees than the new comparators. However, the most significant variance lies with the two-year campuses. While it still demonstrates that the freeze in tuition during the previous biennia helped, we are now showing that our tuition and fees are 15.8 percent higher than our comparators, rather than 8.6 percent.

	Previous Comparison Variance from Regional States			Revised Variance with New Regional States			
	11-12	12-13	13-14	11-12	12-13	13-14	14-15
UND/NDSU	(11.4%)	(13.9%)	(12.6%)	(6.7%)	(10.4%)	(9.5%)	(8.8%)
MiSU	(5.1%)	(7.3%)	(8.1%)	(8.8%)	(11.7%)	(12.2%)	(13.2%)
4-yr	(3.9%)	(8.0%)	(9.2%)	(8.4%)	(11.0%)	(13.3%)	(11.7%)
2-yr	+12.7%	+8.6%	+8.6%	+20.7%	+16.3%	+15.4%	+15.8%

We are working to restate these numbers and communicate the change internally, but we thought it important that you have the new information at the start of the 64th Legislative Assembly.
Thank you and feel free to call if you have questions.

Attachment #2
January 26, 2015 HB1043

ESTIMATED COSTS TO LIMIT TUITION RATE INCREASES

This memorandum provides an overview of legislative appropriations to limit tuition rate increases during the 2009-11 and 2011-13 bienniums and the current estimated costs to limit future tuition rate increases.

PREVIOUS LEGISLATIVE APPROPRIATIONS TO LIMIT TUITION RATE INCREASES

The 2009 Legislative Assembly appropriated \$8,215,467 from the general fund to limit tuition rate increases at North Dakota University System institutions during the 2009-10 and 2010-11 academic years. The amount of funding provided to each campus was estimated to limit tuition increases to 4 percent per year at four-year institutions and to provide for no tuition rate increases at two-year institutions. Section 30 of 2009 Senate Bill 2003 provided that the State Board of Higher Education could not increase tuition rates for the 2009-10 and 2010-11 academic years by more than 4 percent each year.

The 2011 Legislative Assembly appropriated \$15,240,565 from the general fund for a campus equity and student affordability funding pool. The State Board of Higher Education was to allocate funds from the pool to campuses for equity payments and to limit tuition rate increases during the 2011-12 and 2012-13 academic years. The funding pool was based on the executive budget recommendation to provide \$10 million for equity payments to campuses and \$6.6 million to limit tuition rate increases to 2.5 percent per year at four-year institutions and to provide for no tuition increases at two-year institutions.

RECENT TUITION RATE INCREASES

The schedule below details tuition rate increases at each North Dakota University System institution since the 2009-10 academic year:

North Dakota University System - Tuition Rate Increases					
Institution	2009-10	2010-11	2011-12	2012-13	2013-14
Bismarck State College	0.0%	0.0%	0.0%	0.0%	2.0%
Lake Region State College	0.0%	0.0%	0.0%	0.0%	2.1%
Williston State College	0.0%	0.0%	0.0%	0.0%	0.0%
University of North Dakota (UND)	3.5%	3.5%	2.5%	2.5%	3.7%
North Dakota State University	3.5%	3.5%	8.8%	0.0%	3.3%
North Dakota State College of Science	0.0%	0.0%	0.0%	0.0%	3.3%
Dickinson State University	3.5%	3.5%	2.5%	2.5%	4.0%
Mayville State University	3.5%	3.5%	2.5%	2.5%	3.6%
Minot State University	3.5%	3.5%	2.5%	2.5%	2.5%
Valley City State University	3.5%	3.5%	2.5%	2.5%	3.9%
Dakota College at Bottineau	0.0%	0.0%	0.0%	0.0%	3.3%

CURRENT ESTIMATED COSTS TO LIMIT TUITION RATE INCREASES

The schedule below details the estimated costs to limit tuition rate increases at North Dakota University System institutions based on the 2013-15 biennium budget:

Estimated Biennial Costs to Limit Tuition Rate Increases (Based on the 2013-15 Biennium Budget)					
Institution	Reduce Tuition Rate Increase by 1 Percent Each Year of the Biennium	Reduce Tuition Rate Increase by 2 Percent Each Year of the Biennium	Reduce Tuition Rate Increase by 3 Percent Each Year of the Biennium	Reduce Tuition Rate Increase by 4 Percent Each Year of the Biennium	Reduce Tuition Rate Increase by 5 Percent Each Year of the Biennium
Bismarck State College	\$387,688	\$775,376	\$1,163,064	\$1,550,752	\$1,938,440
Lake Region State College	131,153	262,306	393,459	524,612	655,765
Williston State College	51,353	102,706	154,059	205,412	256,765
University of North Dakota	2,379,016	4,758,032	7,137,048	9,516,064	11,895,080
UND School of Medicine and Health Sciences	422,372	844,744	1,267,116	1,689,488	2,111,860
North Dakota State University	2,544,771	5,089,542	7,634,313	10,179,084	12,723,855
North Dakota State College of Science	228,760	457,520	686,280	915,040	1,143,800
Dickinson State University	222,433	444,866	667,299	889,732	1,112,165
Mayville State University	112,344	224,688	337,032	449,376	561,720
Minot State University	412,943	825,886	1,238,829	1,651,772	2,064,715
Valley City State University	145,813	291,626	437,439	583,252	729,065
Dakota College at Bottineau	51,353	102,706	154,059	205,412	256,765
Total	\$7,089,999	\$14,179,998	\$21,269,997	\$28,359,996	\$35,449,995

Tuition and Mandatory Fees

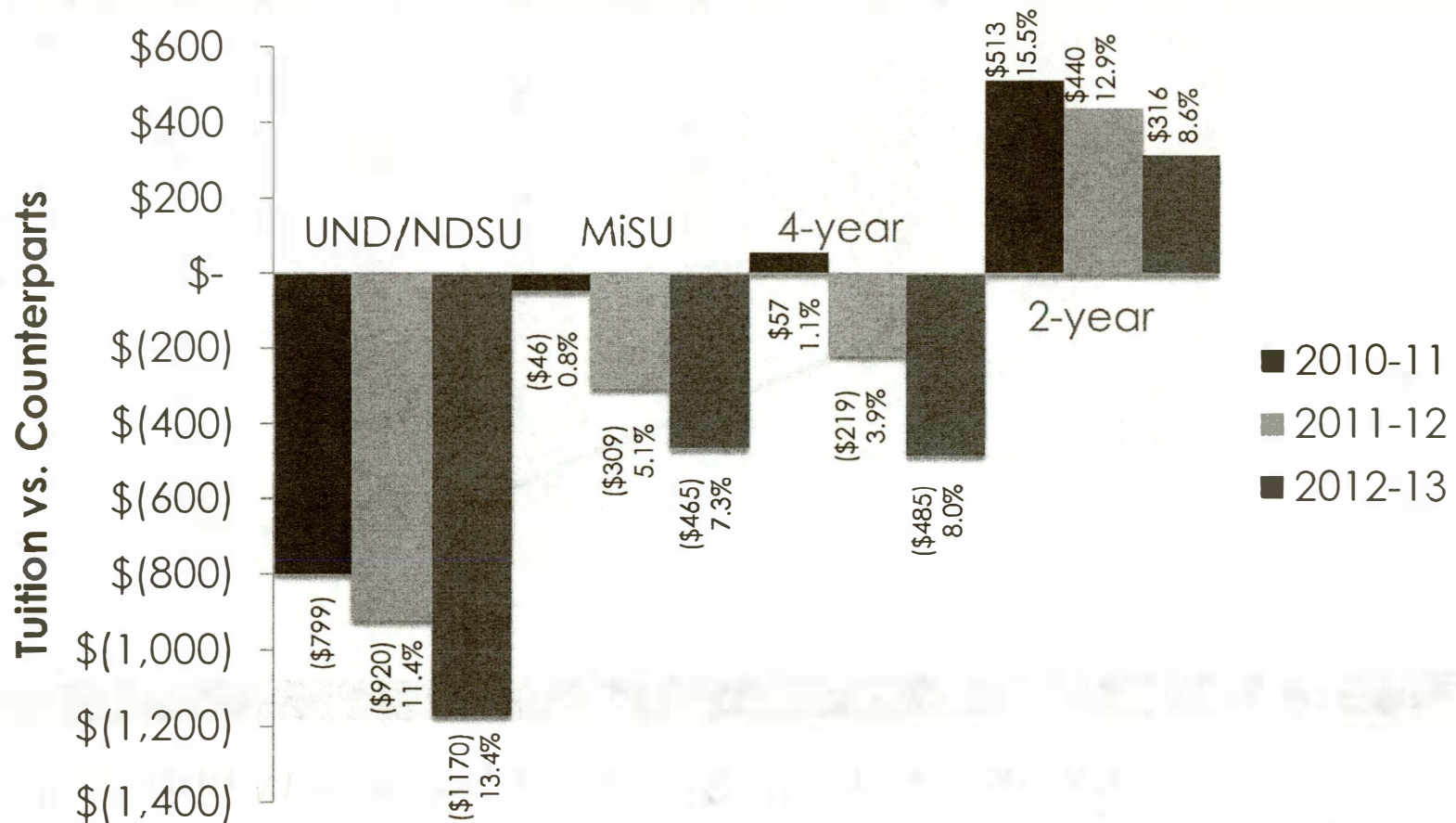
With the exception of the two-year campuses, tuition and mandatory fees for NDUS campuses are less than their regional counterparts in 2012-13. The gap between regional rates and NDUS four-year campus rates has continued to increase. The average rate at NDUS two-year campuses continues to be higher than the regional rate, although the gap has steadily decreased as a result of the tuition freeze at NDUS two-year campuses.

TABLE 1 Comparison of NDUS Campuses to Regional Average Tuition and Mandatory Fees for Resident Undergraduate				
	UND/NDSU	MISU	4-year	2-year
2006-07				
NDUS Variance to Reg'l Average (\$)	(\$312)	(\$112)	(\$33)	+\$618
NDUS Variance to Reg'l Average (%)	(5.2%)	(2.4%)	(.7%)	+21.9%
2007-08				
NDUS Variance to Reg'l Average (\$)	(\$327)	(\$140)	+\$120	+617
NDUS Variance to Reg'l Average (%)	(5.1%)	(2.9%)	+2.6%	+20.5%
2008-09				
NDUS Variance to Reg'l Average (\$)	(\$450)	(\$141)	+\$115	+\$660
NDUS Variance to Reg'l Average (%)	(6.6%)	(2.7%)	+2.4%	+21.2%
2009-10				
NDUS Variance to Reg'l Average (\$)	(\$610)	(\$31)	\$108	+\$594
NDUS Variance to Reg'l Average (%)	(8.5%)	(.6%)	2.2%	+18.5%
2010-11				
NDUS Variance to Reg'l Average (\$)	(\$799)	(\$46)	\$57	+\$513
NDUS Variance to Reg'l Average (%)	(10.5%)	(.8%)	1.1%	+15.5%
2011-12				
NDUS Variance to Reg'l Average (\$)	(\$920)	(\$307)	(\$219)	+\$440
NDUS Variance to Reg'l Average (%)	(11.4%)	(5.1%)	(3.9%)	+12.7%
2012-13				
NDUS Variance to Reg'l Average (\$)	(\$1,170)	(\$465)	(\$485)	+\$316
NDUS Variance to Reg'l Average (%)	(13.4%)	(7.3%)	(8.0%)	+8.6%
Region includes: Colorado, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Oklahoma, South Dakota, Wisconsin and Wyoming				

Source: Source identified in Appendix 2

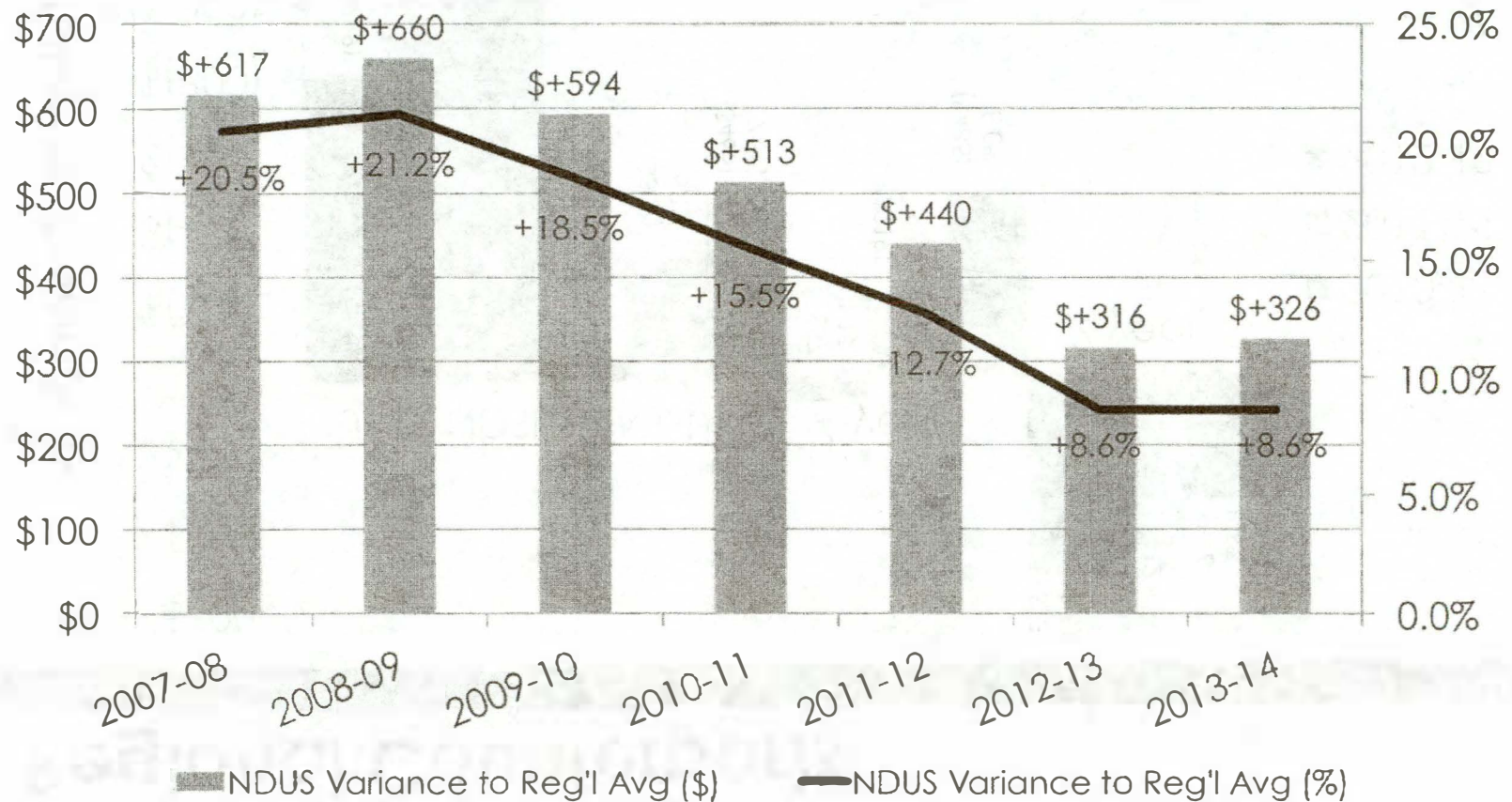
The published source of information for regional room and board rates is not available for 2012-13. During 2012-13, NDUS room and board rates increased as follows: UND/NDSU average increase – 3.3 percent, MiSU increase – 2.9 percent, and 4-year average increase – 5.8 percent. Due to the historical size of the regional gap noted in

NDUS Tuition & Fees Compared to Regional Counterparts



Region includes: CO, IA, KS, MN, MO, MT, NE, OK, SD, WI, WY
 Sources: 2013 Student Affordability, page 3

Comparison of 2-Year Campuses to Reg'l Average Tuition and Mandatory Fees for Resident Undergraduate



Region includes: CO, IA, KS, MN, MO, MT, NE, OK, SD, WI and WY
 Source: NDUS Student Affordability Report, January 2014