

**North Dakota University System office
Budget 215
House Bill Nos. 1003, 1023**

| | FTE Positions | General Fund | Other Funds | Total |
|--------------------------------------------------------------------|----------------------|---------------------|--------------------|--------------|
| 2003-05 legislative appropriation | 20.00 | \$56,618,730 | \$3,855,507 | \$60,474,237 |
| 2001-03 legislative appropriation | 20.00 | 54,344,838 | 3,716,822 | 58,061,660 |
| 2003-05 appropriation increase (decrease) to 2001-03 appropriation | 0.00 | \$2,273,892 | \$138,685 | \$2,412,577 |

Item Description

Technology pool - The Legislative Assembly provided technology funding of \$25,089,639 from the general fund in a technology pool to be allocated by the State Board of Higher Education based on the provisions of Section 4 of House Bill No. 1003. Section 4 provides that the technology pool funding allocations are to be made based on historic funding and the North Dakota University System information technology plan. The funds allocated must be used to support the Higher Education Computer Network (HECN), the Interactive Video Network (IVN), the On-line Dakota Information Network (ODIN), and other related technology initiatives as determined by the State Board of Higher Education.

Operations pool - The Legislative Assembly provided funding of \$578,417 from the general fund in an operations pool to be allocated by the State Board of Higher Education.

Competitive research - The Legislative Assembly provided funding of \$4,750,000 from the general fund for competitive research. Section 20 of House Bill No. 1003 provides that \$100,000 of the \$4,750,000 is for a public private partnership for establishment of a design center at the University of North Dakota. Federal and private matching funds totaling \$300,000 must be leveraged by the North Dakota University System for the design center prior to June 30, 2004, or the funding of \$100,000 is to be made available to other competitive research initiatives.

Centers of excellence - The Legislative Assembly provided funding of \$1,550,000 from the general fund for centers of excellence. Section 21 of House Bill No. 1003 provides that \$1,150,000 of the funding is for the John D. Odegard Center for Aerospace Science - Center of Excellence in Multimedia Technology and \$400,000 of the funding is for future centers of excellence.

Of the \$1,150,000, \$206,000 is for the Expanded Air Service Enterprise - Upper Great Plains Air Taxi Service. Federal matching funding relating to the

Status/Result

The State Board of Higher Education allocated the technology pool as follows:

| | University of North Dakota | North Dakota State University | Minot State University | Total |
|--------------------------------|-----------------------------------|--------------------------------------|-------------------------------|---------------------|
| HECN | \$7,701,765 | \$6,940,288 | | \$14,642,053 |
| IVN | 2,577,520 | | | 2,577,520 |
| ODIN | 1,023,860 | | | 1,023,860 |
| Campus computer centers | 2,713,829 | 3,820,027 | | 6,533,856 |
| Distance education coordinator | | | \$312,350 | 312,350 |
| Total | \$14,016,974 | \$10,760,315 | \$312,350 | \$25,089,639 |

The State Board of Higher Education allocated the operations pool funding to support costs associated with the system's implementation of the enterprise resource planning system, known as the ConnectND system.

The North Dakota University System will not be able to leverage federal and private matching funds totaling \$300,000 for the establishment of a design center at the University of North Dakota by June 30, 2004. Therefore, the entire appropriation of \$4,750,000 will be utilized to support the Experimental Program to Stimulate Competitive Research (EPSCoR) program.

The State Board of Higher Education has allocated funding of \$1,150,000 to the University of North Dakota for the John D. Odegard Center for Aerospace Science - Center of Excellence in Multimedia Technology (\$944,000) and the Expanded Air Service Enterprise - Upper Great Plains Air Taxi Service (\$206,000). The board has adopted criteria for the allocation of the funding of \$400,000 for future centers of excellence and has received six proposals from

Expanded Air Service Enterprise - Upper Great Plains Air Taxi Service must be leveraged by the North Dakota University System before June 30, 2004, or the funding of \$206,000 is to be made available for other centers of excellence.

The funding of \$400,000 for future centers of excellence is to be distributed by the State Board of Higher Education based on criteria established pursuant to provisions of House Bill No. 1019.

Board initiatives - The Legislative Assembly provided funding of \$485,306 from the general fund for board initiatives to support the University System and statewide goals linked to the State Board of Higher Education strategic plan and the Higher Education Roundtable report.

higher education institutions. The board plans to announce the recipients of the funding in June 2004.

Due to unexpended 2001-03 biennium board initiative appropriation authority of \$294,306, the total amount of board initiative funding available for the 2003-05 biennium is \$779,612.

The following table summarizes the commitments approved by the State Board of Higher Education as of May 2004:

| | | |
|-------------------------------------------------------------------------------------------|----------|-----------|
| Board initiative funding available | | \$779,612 |
| Allocations | | |
| Faculty expertise data base initiative - North Dakota University System office | \$77,600 | |
| Diversity initiative - North Dakota University System office | 21,375 | |
| Higher Education Roundtable - North Dakota University System office | 500 | |
| Alcohol consortium - University of North Dakota | 75,000 | |
| Accountability surveys - North Dakota University System office | 170,870 | |
| Community college consortium - Williston State College | 30,000 | |
| Research and development summit - North Dakota State University | 15,000 | |
| Web site revisions - North Dakota University System office | 13,500 | |
| Collaboration incentives - Various institutions | 150,000 | |
| Chancellor search costs - North Dakota University System office | 90,000 | |
| Financial statement consolidation costs - North Dakota University System office | 15,000 | |
| State Board of Higher Education laptop initiative - North Dakota University System office | 8,000 | |
| Arts and humanities summit - Minot State University | 10,000 | |
| Total allocations | | \$676,845 |
| Board initiative funding remaining to be allocated | | \$102,767 |

Contingency and capital emergency - The Legislative Assembly provided funding of \$1,752,767, of which \$296,693 was from the general fund and \$1,456,074 was from the water development trust fund, for contingencies and capital emergencies. The funding of \$296,693 from the general fund is to be

Due to unexpended 2001-03 biennium contingency and capital emergency appropriation authority of \$125,911, the total amount of contingency and capital emergency funding available for the 2003-05 biennium is \$1,878,678, of which

used for unforeseen operations or capital asset needs and opportunities at higher education institutions. The funding of \$1,456,074 from the water development trust fund is for disaster response costs at the University of North Dakota (\$1,193,146) and North Dakota State University (\$262,928).

\$422,604 is from the general fund and \$1,456,074 is from the water development trust fund.

The following table shows the commitments approved by the State Board of Higher Education relating to the funding from the general fund as of May 2004:

| | | |
|---------------------------------------------------------------------|----------|-----------|
| Contingency and capital emergency funding available | | \$422,604 |
| Allocations | | |
| Steam line replacement - State College of Science | \$47,300 | |
| Disabled student services | 51,560 | |
| Total allocations | | \$98,860 |
| Contingency and capital emergency funding remaining to be allocated | | \$323,744 |

The State Board of Higher Education has allocated the funding of \$1,456,074 from the water development trust fund to the University of North Dakota (\$1,193,146) and North Dakota State University (\$262,928) for disaster response costs.

Education incentive programs - The Legislative Assembly provided funding of \$830,000 from the general fund for education incentive programs. Section 22 of House Bill No. 1003 provides that the funding of \$830,000 may be allocated to education incentive programs as determined by the State Board of Higher Education, including the reduction or elimination of specific programs, and the State Board of Higher Education may determine the appropriate number of years of program eligibility for each education incentive program.

Due to unexpended 2001-03 biennium education incentive programs appropriation authority of \$278,000, the total amount of education incentive funding available for the 2003-05 biennium is \$1,108,000.

In June 2003 the State Board of Higher Education allocated \$30,000 to the University of North Dakota and \$30,000 to North Dakota State University for increasing the number and amount of doctoral stipends to encourage additional doctoral graduates. The board allocated the remaining funding to the teacher shortage loan forgiveness and the technology occupations student loan programs established during the 2001-03 biennium. The board also reduced the number of years of program eligibility for the teacher shortage loan forgiveness and the technology occupations student loan programs from five years to three years and eliminated the teacher retraining scholarship program which was also established during the 2001-03 biennium.

In April 2004 the State Board of Higher Education allocated an additional \$100,000 to the University of North Dakota and \$100,000 to North Dakota State University for support of doctoral programs. The additional funds were available due to lower than anticipated applicants in the teacher shortage loan forgiveness program and the technology occupations student loan program.

The North Dakota University System office anticipates funding 81 new teacher shortage loan program applicants for each year of the 2003-05 biennium and 93 and 118 continuing teacher shortage loan program applicants for the first and second years of the biennium, respectively. In regard to the technology occupation student loan forgiveness program, the office anticipates funding 61 new applicants for each year of the 2003-05 biennium and 81 and 91

Student internship program - Section 31 of House Bill No. 1003 provided that the State Board of Higher Education study during the 2003-04 interim the use of internships to attract students to high-growth occupations in the state and implement a student internship program by July 1, 2004. The board is to provide a report on the program to the first meeting of the Budget Section after July 1, 2004, and present a report to the 2005 Legislative Assembly.

Enterprise resource planning system - The 2003 Legislative Assembly provided funding of \$20 million of bond proceeds for the remainder of the project implementation costs for the enterprise resource planning system initiative commonly known as the ConnectND project. The 2001 Legislative Assembly provided a \$7.5 million general fund appropriation for Phase 1 of the project.

The Legislative Assembly provided that debt service on the bonds issued for the ConnectND project must be available from charges made and collected by the Information Technology Department from users of the system with 29 percent of the debt service being the responsibility of state agencies and 71 percent of the debt service being the responsibility of higher education.

The ConnectND project is a joint project between the state government and the North Dakota University System to implement a multimodule software system that includes a relational data base and applications for managing financial activities, purchasing, budgeting, human resources, payroll, asset management, and student information functions.

continuing applicants for the first and second years of the biennium, respectively.

The North Dakota University System office is working with the Governor's office, higher education institutions, private career centers, North Dakota Human Resource Management Services, and other state agencies to develop strategies to expand internships in both the public and private sector in the state. The office anticipates providing a report to the Budget Section after July 1, 2004.

The Office of Management and Budget issued bonds totaling \$20 million in September 2003 for the enterprise resource planning system initiative. The bonds were issued at an interest rate of 3.9 percent for a period of 10 years with annual debt service of approximately \$2.7 million. The following is a summary of the estimated debt service amounts:

| Biennium | State Portion | Higher Education Portion |
|----------|---------------|--------------------------|
| 2005-07 | \$1,563,727 | \$3,828,436 |
| 2007-09 | \$1,565,152 | \$3,831,923 |
| 2009-11 | \$1,564,822 | \$3,831,116 |
| 2011-13 | \$1,565,033 | \$3,831,633 |
| 2013-15 | \$778,257 | \$1,905,387 |

The higher education portion of the debt service will be recovered through various funding sources, including student fees, internal reallocation, reallocation of technology fees, and funding from the 2003-05 operations pool.

The estimated operational cost for the higher education portion of the system for the 2005-07 biennium is approximately \$3.5 million. The North Dakota University System will recover these costs through various funding sources.

The North Dakota University System began implementation of the ConnectND system with a pilot of two selected higher education institutions--Mayville State University and Valley City State University--and the North Dakota University System office in October 2002 and April 2003. The system will become operational at the remaining higher education institutions in July 2004. The University System anticipates the system will be fully implemented by all higher education institutions by December 2004.

For more information regarding the enterprise resource planning system initiative refer to the Information Technology Department section of this report.