

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

	FTE Positions	General Fund	Other Funds	Total
2003-05 executive budget (bills as introduced)	2,382.41	\$352,078,636	\$118,527,913	\$470,606,549
2003-05 legislative appropriations	20.00	56,618,730	3,855,507	60,474,237
Legislative increase (decrease) to executive budget	(2,362.41)	(\$295,459,906)	(\$114,672,406)	(\$410,132,312)
Legislative increase (decrease) to 2001-03 appropriations	0.00	\$2,273,892	\$138,685	\$2,412,577

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The Legislative Assembly did not provide specific funding for salary increases for the North Dakota University System office; however, the Legislative Assembly did provide the North Dakota University System office with funding for state employee health insurance premiums.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Removed funding recommended in the executive budget for state employee salary increases		(\$36,294)		(\$36,294)
Reduced funding recommended in the executive budget for state employee health insurance premiums from \$493 to \$488.70 per month per policy		(2,064)		(2,064)
Reduced funding for information technology; however, the reduction is not limited to information technology		(1,221,515)		(1,221,515)
Allocated funding from the campus operations line item to individual higher education institutions	(2,362.41)	(299,415,187)		(299,415,187)
Allocated funding from the capital assets line item to individual higher education institutions for campus extraordinary repairs and major capital projects		(8,583,815)	(\$94,278,920)	(102,862,735)
Decreased funding for capital assets		(1,310,000)	(105,326)	(1,415,326)
Adjusted funding for competitive research and centers for excellence		6,300,000	(9,000,000)	(2,700,000)
Allocated funding from the board initiatives line item to a campus initiative at Mayville State University		(50,000)		(50,000)
Provided funding for an operations pool		2,250,000		2,250,000
Allocated funding from the operations pool to individual higher education institutions for various campus initiatives		(1,500,000)		(1,500,000)

Provided funding for professional liability insurance coverage	1,850,000		1,850,000
Changed the funding source relating to student grant programs	6,258,969	(6,258,969)	0
Removed funding for the student internship program		(2,000,000)	(2,000,000)
Removed funding included in House Bill No. 1023 for state facility energy improvement projects for the University System consisting of North Dakota State University sundry projects of \$1,077,977 and University of North Dakota sundry projects of \$1,951,214		(3,029,191)	(3,029,191)
Total	<u>(2,362.41)</u>	<u>(\$295,459,906)</u>	<u>(\$114,672,406)</u>

FTE Changes

The Legislative Assembly did not change the executive recommendation which included funding for 20 FTE positions, the same as the 2001-03 biennium. Pursuant to Section 10 of House Bill No. 1003, the State Board of Higher Education is authorized to adjust FTE positions as needed for institutions and entities under its control. Any FTE adjustment must be reported to the Office of Management and Budget prior to submission of the 2005-07 budget request.

Budget Line Items

The Legislative Assembly did not adopt the executive recommendation to consolidate the University System office budget from 16 line items to nine and to consolidate the higher education institutions' budgets into two line items in the University System office budget--campus operations and capital assets.

Technology Pool

The Legislative Assembly provided funding of \$25,089,639 from the general fund for 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. The \$25,089,639 is \$1,048,498 less than the executive recommendation of \$26,138,137 and \$3,148,780 less than the technology pool appropriated for the 2001-03 biennium of \$28,238,419. 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, the Interactive Video Network, the On-line Dakota Information Network, and other related technology initiatives as determined by the State Board of Higher Education.

Operations Pool

The Legislative Assembly provided funding of \$2,250,000 from the general fund to be allocated by the State Board of Higher Education to higher education institutions. In addition, the Legislative Assembly allocated funding of \$1,500,000 from the operations pool to higher education institutions for campus initiatives and decreased funding for the operations pool by \$171,583 relating to a reduction in information technology funding, for a total operations pool of \$578,417.

Competitive Research

The Legislative Assembly provided funding of \$4,750,000 from the general fund for the competitive research program. The \$4,750,000 is \$750,000 more than the executive recommendation for competitive research of \$4 million from the student loan trust fund and \$750,000 more than the 2001-03 appropriation of \$4 million from the general fund. 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 for Excellence

The Legislative Assembly provided funding of \$1,550,000 from the general fund for centers for excellence. The executive recommendation included funding of \$5 million from the student loan trust fund for the State Board of Higher Education to allocate to establish centers of excellence at higher education institutions to provide support for University System instruction, research, and outreach efforts. 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 for 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 Expanded Air Service Enterprise - Upper Great Plains Air Taxi Service must be leverage by the North Dakota University System before June 30, 2004, or the funding of \$206,000 is to be made available for other centers for excellence. The funding of \$400,000 for future centers for excellence is to be distributed by the State Board of Higher Education based on criteria established pursuant to provisions of House Bill No. 1019. The funds provided for centers for excellence may not be used to supplant funding for current operations or academic instruction or to pay indirect costs.

Board Initiatives

The Legislative Assembly provided funding of \$485,306 from the general fund for board initiatives to support University System and statewide goals linked to the State Board of Higher Education strategic plan and the Higher Education Roundtable report. The \$485,306 is \$50,000 less than the executive recommendation of \$535,306 and \$50,819 more than the 2001-03 biennium adjusted appropriation of \$434,487 from the general fund. The \$50,000 decrease from the executive recommendation is due to a legislative allocation of funding to a campus initiative at Mayville State University.

Contingency and Capital Emergency

The Legislative Assembly did not change the executive recommendation to provide \$1,752,767, of which \$296,693 is from the general fund and \$1,456,074 is from the water development trust fund, for contingencies and capital emergencies. The \$1,752,767 represents an increase in funding of \$1,508,458 from the 2001-03 biennium adjusted general fund appropriation of \$244,309. The funding of \$296,693 from the general fund is to be 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).

Student Financial Assistance Grants

The Legislative Assembly provided funding of \$2,930,215, of which \$2,730,215 is from the general fund and \$200,000 is from federal funds, for student financial assistance grants. The executive recommendation included funding of \$8,458,969, of which \$8,258,969 was from the student loan trust fund, for student grant programs including the student financial assistance grant program, professional student exchange program, scholars program, Native American scholarship program, education incentive programs, and a student internship program. The \$2,930,215 is \$1,292,816 less than the 2001-03 appropriation of \$4,223,031, of which \$2,670,881 was from the general fund, \$1,338,150 was from other funds including revenues from the Minnesota reciprocal agreements, and \$214,000 was from federal funds. The \$2,930,215 will provide approximately 2,556 grants of \$600 per year, a decrease of approximately 59 grants from the number of grants provided in fiscal year 2003. To qualify, a student must be a resident undergraduate student who has graduated from a North Dakota high school and is attending a qualified postsecondary institution in North Dakota. The award of grants is based on student need. Section 17 of House Bill No. 1003 provides that 22 percent of the funds appropriated for student financial assistance grants must be allocated to students at private baccalaureate degree-granting institutions with the remaining funds allocated to students at public and Native American institutions. In addition, the Legislative Assembly provided that any funds received under the North Dakota-Minnesota reciprocity agreement during the 2003-05 biennium are appropriated to the State Board of Higher Education for reimbursement to institutions under the control of the board and for student financial assistance grants. Twenty-two percent of any additional funds must be used for student financial assistance grants for students at private baccalaureate degree-granting institutions.

Professional Student Exchange Program

The Legislative Assembly provided funding of \$1,678,300 from the general fund for the professional student exchange program. The executive recommendation included funding of \$8,458,969, of which \$8,258,969 was from the student loan trust fund, for student grant programs, including the student financial assistance grant program, professional student exchange program, scholars program, Native American scholarship program, education incentive programs, and a student internship program. The \$1,678,300 is \$117,584 more than the 2001-03 general fund appropriation of \$1,560,716. The \$1,678,300 will provide for the following new student slots:

	2001-02	2002-03	2003-04	2004-05
Veterinary medicine	6	4	4	4
Dentistry	4	4	4	4
Optometry	6	6	5	5

Scholars Program

The Legislative Assembly provided funding of \$816,386 from the general fund for the scholars program. The executive recommendation included funding of \$8,458,969, of which \$8,258,969 was from the student loan trust fund, for student grant programs, including the student financial assistance grant program, professional student exchange program, scholars program, Native American scholarship program, education incentive programs, and a student internship program. The \$816,386 is \$45,656 more than the 2001-03 general fund appropriation of \$770,730. The funding is expected to be sufficient to provide 18 new freshmen awards in each year of the 2003-05 biennium, a decrease of approximately 28 new freshmen awards from the number provided in fiscal year 2003.

Native American Scholarships

The Legislative Assembly provided funding of \$204,086 from the general fund for Native American scholarships. The executive recommendation included funding of \$8,458,969, of which \$8,258,969 was from the student loan trust fund, for student grant programs, including the student financial assistance grant program, professional student exchange program, scholars program, Native American scholarship program, education incentive programs, and a student internship program. The \$204,086 is \$4 more than the 2001-03 general fund appropriation of \$204,082. The funding is expected to be sufficient to provide approximately 145 grants of \$700 per student for each year of the biennium, the same level of grants provided in the 2001-03 biennium.

Education Incentive Programs

The Legislative Assembly provided funding of \$830,000 from the general fund for education incentive programs, the same level of funding as provided in the 2001-03 biennium. The executive recommendation included funding of \$8,458,969, of which \$8,258,969 was from the student loan trust fund, for student grant programs, including the student financial assistance grant program, professional student exchange program, scholars program, Native American scholarship program, education incentive programs, and a student internship program. 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.

Capital Construction Lease Payments

The Legislative Assembly did not change the executive recommendation to provide \$12,790,689, of which \$11,448,189 is from the general fund and \$1,342,500 is from special and federal funds, for capital construction lease payments. The funding for the capital construction lease payments relates to bonds issued by the North Dakota Building Authority for building projects authorized by the Legislative Assembly.

Capital Improvements

The following schedule presents the higher education capital improvement funding contained in the 2001-03 executive recommendation and appropriations made by the Legislative Assembly for the 2003-05 biennium:

Entity/Project	2003-05 Executive Recommendation		2003-05 Legislative Appropriations	
	General Fund	Special Funds	General Fund	Special Funds
University System office				
Capital projects pool	\$2,961,629			
Campus extraordinary repairs pool	6,932,186			
Campus energy projects		\$3,134,517		
Contingency and capital emergency	296,693	1,456,074	\$296,693	\$1,456,074
Total	\$10,190,508	\$4,590,591	\$296,693	\$1,456,074
Bismarck State College				
Student apartment construction		\$1,785,000		\$1,785,000
Extraordinary repairs			\$250,000	
Total	\$0	\$1,785,000	\$250,000	\$1,785,000

Lake Region State College				
North Hall residence hall renovation		\$375,000		\$375,000
Extraordinary repairs			\$44,831	
Total	\$0	\$375,000	\$44,831	\$375,000
Williston State College				
Extraordinary repairs			\$88,790	
Total	\$0	\$0	\$88,790	\$0
University of North Dakota				
Neuroscience research facility - Phase II		\$17,000,000		\$17,000,000
Carnegie Library renovation		3,300,000		3,300,000
Native American Center		3,500,000		3,500,000
Squires dining center renovation		1,500,000		1,500,000
Athletic complex		13,000,000		
Wellness Center renovation		8,000,000		
Wellness center and athletic complex				21,000,000
Airline security building		5,000,000		5,000,000
Airport hangar		2,000,000		2,000,000
Extraordinary repairs			\$2,362,136	
Total	\$0	\$53,300,000	\$2,362,136	\$53,300,000
North Dakota State University				
Bison sports arena renovation		\$15,000,000		\$15,000,000
Bison Court apartment building		11,000,000		11,000,000
Extraordinary repairs			\$1,737,531	
Total	\$0	\$26,000,000	\$1,737,531	\$26,000,000
State College of Science				
Student Union renovation		\$3,300,000		\$3,300,000
Blikre Activities Center		368,920		368,920
Extraordinary repairs			\$773,500	
Total	\$0	\$3,668,920	\$773,500	\$3,668,920
Dickinson State University				
Murphy Hall Phase I addition				\$5,882,047
Whitney Stadium renovation and addition		\$5,000,000		5,000,000
Extraordinary repairs			\$393,962	
Total	\$0	\$5,000,000	\$393,962	\$10,882,047
Mayville State University				
Steamline replacement Phase II				\$1,355,000
Lewy Lee Fieldhouse renovation and addition		\$4,000,000		4,000,000
East Hall remodeling		150,000		150,000
Extraordinary repairs			\$264,589	
Total	\$0	\$4,150,000	\$264,589	\$5,505,000
Minot State University				
Extraordinary repairs			\$612,850	
Total	\$0	\$0	\$612,850	\$0

Valley City State University				
Graichen Gymnasium elevator and emergency exits				\$785,300
Kolstoe Hall renovation				3,300,000
Extraordinary repairs			\$265,334	
Total	\$0	\$0	\$265,334	\$4,085,300
Minot State University - Bottineau				
Extraordinary repairs			\$209,663	
Total	\$0	\$0	\$209,663	\$0
Forest Service				
Equipment and supply storage building - Towner		\$90,000		\$90,000
Equipment and supply storage building - Bottineau		25,000		25,000
Extraordinary repairs	\$31,061		\$31,061	
Total	\$31,061	\$115,000	\$31,061	\$115,000
Total Higher Education	\$10,221,569	\$98,984,511	\$7,330,940	\$107,172,341

Other Income

The Legislative Assembly approved the executive recommendation, as provided in Sections 7 and 34 of House Bill No. 1003, to appropriate on a continuing basis (through June 30, 2005) all other funds received by the institutions of higher education during the 2003-05 biennium. Consequently, the legislative appropriations for all institutions of higher education do not include a specific appropriation of other funds. Section 34 of House Bill No. 1003, which was added by the Legislative Assembly, was originally a provision of House Bill No. 1039 and a recommendation from the 2001-02 interim Higher Education Committee.

Other Sections in Bill

Unspent 2001-03 appropriation authority - Section 8 provides that unspent 2001-03 general fund appropriation authority of the University System may be spent during the 2003-05 biennium.

Unspent 2003-05 appropriation authority - Section 9 provides that unspent 2003-05 general fund appropriation authority and excess income of the University System may be spent during the 2005-07 biennium.

FTE positions - Section 10 provides the State Board of Higher Education with the authority to adjust FTE positions as needed, subject to the availability of funds, for institutions of higher education. The University System is to report any adjustments to the Office of Management and Budget prior to the submission of the 2005-07 budget request.

Bond issuance authorization and appropriation - Section 13 provides the State Board of Higher Education with the authority to arrange for the issuance of revenue bonds for several higher education capital projects and provides the higher education institutions with the appropriation authority for the revenue bond proceeds.

Project authorization and appropriation - Section 14 provides the Industrial Commission with the authority to arrange for the issuance of bonds for the Murphy Hall Phase I addition project at Dickinson State University, Graichen Gymnasium elevator and emergency exits at Valley City State University, and the steamline replacement Phase II at Mayville State University. The section also provides the higher education institutions with the appropriation authority for the bond proceeds.

Bond issuance repayment responsibility - Section 15 provides that Dickinson State University is responsible for providing \$250,000 of non-general fund sources to assist with the retirement of the bonds issued for the Murphy Hall Phase I addition project in the 2005-07 biennium.

Bond issuance assistance - Section 16 provides that the North Dakota University System shall provide funding of \$830,000 from the capital bond payments line item appropriated for the 2001-03 biennium to the Industrial Commission for bond issuance buydown for the projects authorized in Section 14.

Higher education accountability measures - Section 18 provides accountability measures to be included in the State Board of Higher Education's performance and accountability report as required by North Dakota Century Code (NDCC) Section 15-10-14.2.

General fund transfer - Section 19 authorizes the Industrial Commission to transfer \$14,258,969 from the student loan trust fund to the state general fund.

Transfer authority - Section 23 allows the State Board of Higher Education to authorize higher education institutions to transfer spending authority from the operations line item to the capital assets line item.

Legislative Council study - Section 24 provides for the continuation of the Legislative Council study of higher education. If conducted, the study may include the use of the higher education roundtable format. The study should further refine the expectations of the North Dakota University System in meeting the state's needs in the twenty-first century, the funding methodology needed to meet those expectations and needs, and the accountability system and reporting methodology for the University System.

Student internship program - Section 31 provides 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 shall implement a student internship program by July 1, 2004. The board is encouraged to seek input from the Department of Commerce, Job Service North Dakota, the Higher Education Roundtable, and the North Dakota Student Association. The board may accept any public or private money to implement the program.

Compensation for members of the State Board of Higher Education - Section 33 amends NDCC Section 15-10-08 to increase the compensation for the members of the State Board of Higher Education from \$62.50 to \$100 per day plus allowable expenses.

Other income continuing appropriation - Section 34 amends NDCC Section 15-10-12 to provide a continuing appropriation of higher education institutions' special revenue funds including tuition (effective through June 30, 2005).

Budget requests and budget estimates - Section 35 amends NDCC Section 54-44.1-04 to require budget requests for the University System to include budget estimates for block grants for a base-funding component and for an initiative-funding component and a budget estimate for an asset-funding component (effective through June 30, 2005).

University System appropriation - Section 36 amends NDCC Section 54-44.1-06 to require the appropriation for the University System to include block grants to the State Board of Higher Education for a base-funding appropriation and for an initiative-funding appropriation and an appropriation for asset-funding (effective through June 30, 2005).

Appropriation authority - Section 37 amends NDCC Section 54-44.1-11 to allow higher education institutions to continue unspent general fund appropriations into the next biennium (effective through June 30, 2005).

Related Legislation

Scholars program - House Bill No. 1125 provides eligibility and award changes for the scholars program.

Technology occupations student loan program - House Bill No. 1127 changes the eligibility for the technology occupations student loan program to include students who may have a student loan at participating lenders other than the Bank of North Dakota.