

**North Dakota University System office
Budget No. 215
Senate Bill Nos. 2003, 2018, House Bill No. 1397**

	FTE Positions	General Fund	Other Funds	Total
2005-07 executive budget (bills as introduced)	2,181.02	\$385,589,539	\$2,337,276	\$387,926,815
2005-07 legislative appropriations	20.00	57,729,611	2,599,776	60,329,387
Legislative increase (decrease) to executive budget	(2,161.02)	(\$327,859,928)	\$262,500	(\$327,597,428)
Legislative increase (decrease) to 2003-05 appropriations	0.00	\$6,838,562 ¹	(\$1,255,731)	\$5,582,831 ¹

¹This amount reflects the 2003-05 deficiency appropriation of \$617,520 from the general fund to the North Dakota University System office for expenses associated with the ConnectND project.

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

Salaries and Wages

The University System office budget request included funding for parity to provide for inflationary costs, including the general fund share of salary and health insurance increases. This method of funding these costs was not changed by the executive budget nor the Legislative Assembly.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Reduced parity funding to recognize the reduction in employee health insurance premiums from \$559.15 to \$553.95 per month per policy		(\$13,280)		(\$13,280)
Allocated funding from the campus operations line item to individual higher education institutions	(2,161.02)	(319,927,548)		(319,927,548)
Allocated funding from the contingency, extraordinary repairs, and capital emergency line item to individual higher education institutions for campus extraordinary repairs (see Contingency and Capital Emergency section below)		(6,677,416)		(6,677,416)
Decreased funding for common information services		(1,350,000)		(1,350,000)
Removed funding for a child care grant program recommended in the executive budget		(2,000,000)		(2,000,000)
Decreased funding for the student financial assistance grant program (see Student Financial Assistance Grants section below)		(871,886)		(871,886)
Increased funding for board initiatives from \$915,940 to \$1,885,000 (see Board Initiatives section below)		969,060		969,060

Decreased funding for operations pool from \$578,417 to \$388,559 (see Operations Pool section below)	(189,858)	(189,858)		
Increased funding for the professional student exchange program from \$1,713,780 to \$1,864,780 to fund three additional veterinary medicine slots (see Professional Student Exchange Program section below)	151,000	151,000		
Provided funding for an equity pool (see Equity Pool section below)	2,000,000	2,000,000		
Provided funding in Senate Bill No. 2018 for a technology commercialization study as required by Senate Bill No. 2032 (see Related Legislation section below)	50,000	50,000		
Provided funding in House Bill No. 1397 from the student loan trust fund for reducing tuition and other costs payable by or on behalf of eligible students enrolled in the veterinary medicine education program at Kansas State University (see Related Legislation section below)		\$262,500	262,500	
Total	<u>(2,161.02)</u>	<u>(\$327,859,928)</u>	<u>\$262,500</u>	<u>(\$327,597,428)</u>

FTE Changes

The Legislative Assembly did not change the executive recommendation which included funding for 20 FTE positions, the same as the 2003-05 biennium. Pursuant to Section 13 of Senate Bill No. 2003, 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 2007-09 budget request.

Budget Line Items

The Legislative Assembly did not adopt the executive recommendation to consolidate the higher education institutions' budgets into two line items in the University System office budget--campus operations and contingency, extraordinary repairs, and capital emergency.

Competitive Research

The Legislative Assembly did not change the executive recommendation to provide funding of \$5,190,000 from the general fund for the competitive research program. The \$5,190,000 represents an increase in funding of \$440,000 from the 2003-05 biennium appropriation of \$4,750,000. The following is a summary of funding for the competitive research program:

Biennium	General Fund
1995-97	\$1,980,000
1997-99	\$1,980,000
1999-2001	\$1,971,000
2001-03	\$4,000,000
2003-05	\$4,750,000 ¹
2005-07	\$5,190,000

¹The 2003 Legislative Assembly provided that \$100,000 of the \$4,750,000 be used for a public private partnership for establishment of a design center at the University of North Dakota.

Board Initiatives

The Legislative Assembly provided funding of \$1,885,000 from the general fund for board initiatives. The \$1,885,000 is \$969,060 more than the executive recommendation of \$915,940 and \$1,418,858 more than the 2003-05 biennium adjusted appropriation of \$466,142. Section 4 of Senate Bill No. 2003 provides that \$200,000 of the \$1,885,000 is for a grant to the space grant consortium to match federal funds and the remainder of the funding may be used to support University System and statewide goals linked to the State Board of Higher Education strategic plan and the Higher Education Roundtable report. The State Board of Higher Education is to consider using a substantial amount of funding for an international student initiative.

Common Information Services

The Legislative Assembly provided funding of \$20,563,093 from the general fund for common information services to be allocated by the State Board of Higher Education based on the provisions of Section 7 of Senate Bill No. 2003. The \$20,563,093 is \$1,360,990 less than the executive recommendation of \$21,924,083 and \$2,007,310 more than the 2003-05 biennium adjusted appropriation of \$18,555,783. Section 7 provides that the common information services allocations are to be made based on the University System information technology plan and technology priorities. 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 \$388,559 from the general fund for an operations pool. The \$388,559 is \$189,858 less than the executive recommendation and the 2003-05 biennium appropriation of \$578,417. Section 6 of Senate Bill No. 2003 provides that the funding is to be allocated for system priorities as determined by the State Board of Higher Education.

Equity Pool

The Legislative Assembly provided funding of \$2 million from the general fund for an equity pool. Section 9 of Senate Bill No. 2003 provides that the funding must be used to address equity at higher education institutions and other campus needs as determined by the State Board of Higher Education. The board may not select a formula for distributing the equity funding until January 1, 2006. A representative of the board shall provide a report to the Budget Section regarding the allocation of the equity pool. Equity or parity funding allocations must be considered in the campus equity position for budgeting purposes.

Contingency and Capital Emergency

The Legislative Assembly provided funding of \$436,923 from the general fund for contingencies and capital emergencies. The \$436,923 is \$6,677,416 less than the executive recommendation of \$7,114,339 due to the Legislative Assembly allocating funding for extraordinary repairs to each of the higher education institutions and \$1,441,755 less than the 2003-05 biennium adjusted appropriation of \$1,878,678, of which \$422,604 was from the general fund and \$1,456,074 was from the water development trust fund. Section 8 of Senate Bill No. 2003 provides that the funding must be used to meet unforeseen operations or capital asset needs and opportunities as determined by the State Board of Higher Education.

Student Financial Assistance Grants

The Legislative Assembly provided funding of \$3,504,402, of which \$3,332,402 is from the general fund and \$172,000 is from federal funds, for student financial assistance grants. The \$3,504,402 is \$2,871,886 less than the executive recommendation of \$6,376,288, which included \$2,000,000 for a child care grant program, and \$574,187 more than the 2003-05 biennium appropriation of \$2,930,215. The funding will be used to provide grants to students of up to \$1,000 per year. 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 26 of Senate Bill No. 2003 amends North Dakota Century Code (NDCC) Section 15-62.2-01 to provide that 23.5 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 2005-07 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-three and one-half percent of any additional funds must be used for student financial assistance grants for students at private baccalaureate degree-granting institutions. The following is a summary of funding for student financial assistance grants:

Biennium	General Fund	Federal Funds	Other Funds	Total Funds
1995-97	\$2,032,478	\$400,000	\$1,350,000	\$3,782,476
1997-99	\$1,495,000	\$410,986	\$2,574,400	\$4,480,386
1999-2001	\$1,735,881	\$140,000	\$2,574,400	\$4,450,281
2001-03	\$2,670,881	\$214,000	\$1,338,150	\$4,223,031
2003-05	\$2,730,215	\$200,000	\$0	\$2,930,215
2005-07	\$3,332,402	\$172,000	\$0	\$3,504,402

Professional Student Exchange Program

The Legislative Assembly provided funding of \$1,864,780 from the general fund for the professional student exchange program. The \$1,864,780 is \$151,000 more than the executive recommendation of \$1,713,780 and \$186,480 more than the 2003-05 general fund appropriation of \$1,678,300. The \$1,864,780 will provide for the following new student slots:

	2003-04	2004-05	2005-06	2006-07
Veterinary medicine	4	4	8-9	5-6
Dentistry	4	4	4	3-4
Optometry	5	4	4	3-4

The following is a summary of funding for the professional student exchange program:

Biennium	General Fund
1995-97	\$1,326,756
1997-99	\$1,389,801
1999-2001	\$1,310,716
2001-03	\$1,560,716
2003-05	\$1,678,300
2005-07	\$1,864,780

Scholars Program

The Legislative Assembly did not change the executive recommendation to provide funding of \$862,077 from the general fund for the scholars program. The \$862,077 is \$45,709 more than the 2003-05 biennium appropriation of \$816,368. The funding is sufficient to provide 25 to 29 new freshmen awards in each year of the 2005-07 biennium, an increase of approximately 14 to 18 new freshmen awards from the number provided in fiscal year 2005. The following is a summary of funding for the scholars program:

Biennium	General Fund	Special Funds	Total Funds
1995-97	\$496,403	\$0	\$496,403
1997-99	\$473,786	\$185,500	\$659,286
1999-2001	\$520,730	\$185,500	\$706,230
2001-03	\$770,730	\$0	\$770,730
2003-05	\$816,386	\$0	\$816,386
2005-07	\$862,077	\$0	\$862,077

Native American Scholarship Program

The Legislative Assembly did not change the executive recommendation to provide funding of \$251,988 from the general fund for Native American scholarships. The \$251,988 is \$47,902 more than the 2003-05 biennium appropriation of \$204,086. The funding is expected to be sufficient to provide approximately 180 grants of \$700 per student for each year of the biennium. The University System office provided 204 grants of \$500 per student in fiscal year 2005. The following is a summary of funding for the Native American scholarship program:

Biennium	General Fund
1995-97	\$200,000
1997-99	\$204,000
1999-2001	\$204,082
2001-03	\$204,082
2003-05	\$204,086
2005-07	\$251,988

Education Incentive Programs

The Legislative Assembly did not change the executive recommendation to provide funding of \$1,227,902 from the general fund for education incentive programs, an increase in funding of \$397,902 from the 2003-05 biennium appropriation of \$830,000. Section 10 of Senate Bill No. 2003 provides that the funding of \$1,277,902 may be allocated to education incentive programs as determined by the State Board of Higher Education. The board may determine the appropriate number of years of program eligibility for each education incentive program, and the board may allocate up to \$150,000 of the funding for providing doctoral incentives to students at private baccalaureate degree-granting institutions.

Capital Construction Lease Payments

The Legislative Assembly did not change the executive recommendation to provide \$14,278,141, of which \$12,998,391 is from the general fund and \$1,279,750 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 2005-07 executive recommendation and appropriations made by the Legislative Assembly for the 2005-07 biennium:

Entity/Project	2005-07 Executive Recommendation		2005-07 Legislative Appropriations	
	General Fund	Special Funds	General Fund	Special Funds
University System office				
Contingency, extraordinary repairs, and capital emergency	\$7,114,339		\$436,923	
Total	\$7,114,339	\$0	\$436,923	\$0
Bismarck State College				
Student apartment construction		\$1,800,000		\$3,242,500
Plant services building		502,800		502,800
Extraordinary repairs			\$243,481	
Total	\$0	\$2,302,800	\$243,481	\$3,745,300
Lake Region State College				
Science lab renovation	\$343,875		\$343,875	
Extraordinary repairs			43,662	
Total	\$343,875	\$0	\$387,537	\$0
Williston State College				
Rural development center		\$6,000,000		\$6,000,000
Energy and transportation training center addition		910,000		910,000
Oil well training site				1,050,000
Extraordinary repairs			\$176,475	
Total	\$0	\$6,910,000	\$176,475	\$7,960,000

University of North Dakota				
School of Medicine and Health Sciences allied health facility		\$7,500,000		\$7,500,000
School of Medicine and Health Sciences laboratory renovation		2,500,000		2,500,000
Indoor track facility		6,000,000		6,000,000
Dining center renovation		1,500,000		2,100,000
Parking ramp structure		12,000,000		19,000,000
Housing units replacement		16,000,000		20,000,000
Carnegie Library renovation		3,000,000		
American Indian Center		3,500,000		
O'Kelly Hall renovation				3,500,000
Nursing facility				3,900,000
Bio-containment laboratory				31,000,000
Energy improvement projects		2,331,554		2,331,554
Extraordinary repairs			\$2,300,545	
Total	\$0	\$54,331,554	\$2,300,545	\$97,831,554
North Dakota State University				
Hazardous material handling and storage facility		\$3,500,000		\$3,500,000
Memorial Union renovation and addition		22,000,000		22,000,000
Wellness Center addition		12,000,000		12,000,000
Extraordinary repairs			\$1,692,226	
Total	\$0	\$37,500,000	\$1,692,226	\$37,500,000
State College of Science				
Electrical distribution - Phase II of IV		\$736,000		\$736,000
Blikre Activities Center		368,920		368,920
Football stadium and track renovation				1,700,000
Extraordinary repairs			\$753,332	
Total	\$0	\$1,104,920	\$753,332	\$2,804,920
Dickinson State University				
Murphy Hall - Phase II		\$4,100,557		\$4,100,557
Whitney Stadium renovation and addition		5,000,000		5,000,000
Extraordinary repairs			\$383,690	
Total	\$0	\$9,100,557	\$383,690	\$9,100,557
Mayville State University				
Fieldhouse entrance, concession, and restroom		\$1,000,000		\$1,000,000
Outdoor athletic complex		500,000		500,000
Extraordinary repairs			\$358,994	
Total	\$0	\$1,500,000	\$358,994	\$1,500,000
Minot State University				
Crane Hall renovation		\$3,535,000		\$5,000,000
Center for applied professional education				3,535,000
Extraordinary repairs			\$676,870	
Total	\$0	\$3,535,000	\$676,870	\$8,535,000
Valley City State University				
W.E. Osmon bleacher replacement	\$250,000	\$32,000	\$250,000	
Extraordinary repairs			258,416	
Total	\$250,000	\$32,000	\$508,416	\$0

Minot State University - Bottineau				
Entrepreneurial center for horticulture				\$3,500,000
Thatcher Hall addition				\$2,500,000
Extraordinary repairs			\$109,725	
Total	\$0	\$0	\$109,725	\$6,000,000
Forest Service				
Seed processing facility - Towner State Nursery	\$65,000		\$65,000	
Extraordinary repairs	36,638		36,638	
Total	\$101,638	\$0	\$101,638	\$0
Total Higher Education	\$7,809,852	\$116,316,831	\$8,129,852	\$174,977,331

Other Income

The Legislative Assembly approved the executive recommendation, as provided in Section 11 of Senate Bill No. 2003 and Senate Bill No. 2034, to appropriate on a continuing basis (through June 30, 2007) all other funds, including tuition income, received by the institutions of higher education during the 2005-07 biennium. Consequently, the legislative appropriations for all institutions of higher education do not include a specific appropriation of other funds, including tuition income.

Other Sections in Bill

Transfer authority - Section 12 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. Any transfers are to be reported to the Office of Management and Budget.

FTE positions - Section 13 provides the State Board of Higher Education with the authority to adjust FTE positions as needed, subject to the availability of funds, for institutions and entities under its control. The University System is to report any adjustments to the Office of Management and Budget prior to the submission of the 2007-09 budget request.

Bond issuance authorization and appropriation - Section 14 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.

North Dakota State University college of business building - Section 15 allows the State Board of Higher Education to enter into an agreement or agreements with the North Dakota State University Foundation or other private entity for construction of a college of business building on the North Dakota State University campus using donations, gifts, or other private funds.

Minot State University Crane Hall renovation - Section 16 allows the State Board of Higher Education to enter into an agreement or agreements with a private vendor for renovation and operation of Crane Hall on the Minot State University campus as a residence hall using auxiliary revenues.

Long-term finance plan review - Section 17 provides that the State Board of Higher Education conduct a review of the long-term finance plan, including a review of peer institutions and a review of the allocation of funds between equity and parity within the plan, during the 2005-06 interim.

Executive budget recommendation - Section 18 provides legislative intent that the Office of Management and Budget submit the University System appropriations bill for introduction to the 60th Legislative Assembly in the same format as approved by the 59th Legislative Assembly.

North Dakota State University special assessment district - Section 19 allows the State Board of Higher Education to authorize North Dakota State University to request that the city of Fargo create a \$1,025,000 special improvement district to finance necessary repairs and improvements to 17th Avenue located on the North Dakota State University campus.

Higher education accountability measures - Section 20 provides accountability measures to be included in the State Board of Higher Education's performance and accountability report as required by NDCC Section 15-10-14.2.

Bismarck State College Career and Technology Institute - Section 21 allows the State Board of Higher Education to enter into an agreement or agreements with the Bismarck State College Foundation or other private entity for construction of a building on the Bismarck State College campus, using state funds, federal funds, donations, gifts, or other private funds.

Student exchange programs - Section 22 provides that the State Board of Higher Education consider allowing related faculty members and practicing professionals in the related fields in the state to assist in the selection of students awarded funding through the student exchange program and consider investigating the option of entering contracts with other higher education institutions for providing opportunities for students to complete professional fields of study not offered through the University System, specifically other institutions granting professional degrees targeting critical shortages in large animal veterinary practice.

Legislative Council study - Section 23 provides for a Legislative Council study of higher education funding and accountability.

Unspent 2003-05 general fund appropriations - Section 25 requires the State Board of Higher Education to use \$250,000 of University System office unspent 2003-05 biennium general fund appropriation authorized to continue under NDCC Section 54-44.1-11 for capital asset needs at Valley City State University in the sum of \$150,000, including \$108,000 for brick tuck-pointing, \$10,000 for a sound system, and \$32,000 to replace special funds for the W. E. Osmon bleacher replacement project, and for internships at the North Dakota Trade Office in the sum of \$100,000.

Related Legislation

Special revenue funds - Senate Bill No. 2034 provides for the continuation of the continuing appropriation authority for higher education institutions' special revenue funds, including tuition, through June 30, 2007.

Budget requests and appropriations - Senate Bill No. 2035 provides for the continuation of the requirements that the budget request for the University System include budget estimates for block grants for a base funding and for an initiative funding component and a budget estimate for an asset funding component and the requirement that the appropriation for the University System include block grants for a base funding appropriation and for an initiative funding appropriation and an appropriation for asset funding through June 30, 2007.

Unspent general fund appropriations - Senate Bill No. 2036 provides for the continuation of the University System authority to carry over at the end of the biennium unspent general fund appropriations through June 30, 2007.

Student financial assistance grants - Senate Bill No. 2077 increases the maximum amount for student financial assistance grant programs from \$600 to \$1,000.

Education incentive programs - Senate Bill No. 2078 and House Bill No. 1387 change the eligibility for the technology occupations student loan program and the teacher shortages loan forgiveness program.

Veterinary medicine - House Bill No. 1397 provides that the State Board of Higher Education may contract with Kansas State University to provide an opportunity for up to five eligible students to enroll in the veterinary medicine education program at Kansas State University. The bill also provides the board a \$262,500 special funds appropriation as reflected on the schedule earlier from the student loan trust fund for reducing tuition and other costs payable by or on behalf of eligible students enrolled in the veterinary medicine education program at Kansas State University.

Transportation study - Senate Bill No. 2032 requires the State Board of Higher Education to complete a technology commercialization study. Funding for the study of \$50,000 from the general fund was provided in Senate Bill No. 2018 and is reflected on the schedule earlier.