

Fifty-seventh
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2003

Introduced by

Appropriations Committee

(At the request of the Governor)

1 A BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota
2 university system; to provide for a legislative council study; to provide statements of legislative
3 intent; to amend and reenact sections 15-10-12, 54-44.1-04, subsection 7 of section
4 54-44.1-06, and section 54-44.1-11 of the North Dakota Century Code, relating to higher
5 education institutions' special revenue funds, budget requests and block grant appropriations,
6 and unexpended appropriations; to provide an expiration date; and to declare an emergency.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the
9 funds as may be necessary, are appropriated out of any moneys in the general fund in the state
10 treasury, not otherwise appropriated, and from special funds derived from other income, to the
11 North Dakota university system and to the various institutions of higher learning under the
12 supervision of the board of higher education for the purpose of defraying their expenses, for the
13 biennium beginning July 1, 2001, and ending June 30, 2003, as follows:

14 Subdivision 1.

15 NORTH DAKOTA UNIVERSITY SYSTEM OFFICE

16 System governance	\$3,660,491
17 Student grant programs	6,993,559
18 Campus-based programs	52,126,420
19 Contingencies and board initiatives	2,610,106
20 Capital bond payments	<u>12,730,841</u>
21 Total all funds	\$78,121,417
22 Less estimated income	<u>3,716,822</u>
23 General fund appropriation	\$74,404,595

24 Subdivision 2.

1	BISMARCK STATE COLLEGE	
2	Operations	\$14,767,975
3	Capital assets	<u>250,000</u>
4	General fund appropriation	\$15,017,975
5	Subdivision 3.	
6	LAKE REGION STATE COLLEGE	
7	Operations	\$4,649,231
8	Capital assets	<u>74,831</u>
9	General fund appropriation	\$4,724,062
10	Subdivision 4.	
11	WILLISTON STATE COLLEGE	
12	Operations	\$5,094,457
13	Capital assets	<u>88,790</u>
14	General fund appropriation	\$5,183,247
15	Subdivision 5.	
16	UNIVERSITY OF NORTH DAKOTA	
17	Operations	\$81,436,447
18	Capital assets	<u>13,572,136</u>
19	Total all funds	\$95,008,583
20	Less estimated income	<u>11,210,000</u>
21	General fund appropriation	\$83,798,583
22	Subdivision 6.	
23	NORTH DAKOTA STATE UNIVERSITY	
24	Operations	\$63,524,910
25	Capital assets	<u>22,937,531</u>
26	Total all funds	\$86,462,441
27	Less estimated income	<u>21,200,000</u>
28	General fund appropriation	\$65,262,441
29	Subdivision 7.	
30	NORTH DAKOTA STATE COLLEGE OF SCIENCE	

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1	Operations	\$22,893,128
2	Capital assets	<u>3,800,220</u>
3	Total all funds	\$26,693,348
4	Less estimated income	<u>916,720</u>
5	General fund appropriation	\$25,776,628
6	Subdivision 8.	
7	DICKINSON STATE UNIVERSITY	
8	Operations	\$13,060,832
9	Capital assets	<u>393,962</u>
10	General fund appropriation	\$13,454,794
11	Subdivision 9.	
12	MAYVILLE STATE UNIVERSITY	
13	Operations	\$7,870,007
14	Capital assets	<u>4,724,589</u>
15	Total all funds	\$12,594,596
16	Less estimated income	<u>4,000,000</u>
17	General fund appropriation	\$8,594,596
18	Subdivision 10.	
19	MINOT STATE UNIVERSITY	
20	Operations	\$24,817,493
21	Capital assets	<u>412,850</u>
22	General fund appropriation	\$25,230,343
23	Subdivision 11.	
24	VALLEY CITY STATE UNIVERSITY	
25	Operations	\$10,767,570
26	Capital assets	<u>1,115,334</u>
27	General fund appropriation	\$11,882,904
28	Subdivision 12.	
29	MINOT STATE UNIVERSITY - BOTTINEAU	

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1	Operations	\$3,895,490
2	Capital assets	<u>187,663</u>
3	General fund appropriation	\$4,083,153

4 Subdivision 13.

5 NORTH DAKOTA FOREST SERVICE

6	Salaries and wages	\$1,909,839
7	Operating expenses	442,998
8	Equipment	48,011
9	Capital improvements	171,061
10	Grants to centennial trees	<u>247,486</u>
11	Total all funds	\$2,819,395

12 Less estimated income 1,050,526

13 General fund appropriation \$1,768,869

14 Subdivision 14.

15 UNIVERSITY OF NORTH DAKOTA SCHOOL OF MEDICINE AND HEALTH SCIENCES

16 Operations \$28,571,646

17 General fund appropriation \$28,571,646

18 Grand total general fund appropriation S.B. 2003 \$367,753,836

19 Grand total estimated income S.B. 2003 \$42,094,068

20 Grand total all funds appropriation S.B. 2003 \$409,847,904

21 **SECTION 2. APPROPRIATION TRANSFER.** The campus-based programs and
22 contingencies and board initiatives in subdivision 1 of section 1 of this Act must be used for the
23 benefit of the institutions and entities in section 1 of this Act as determined by the board of
24 higher education. The university system office shall notify the office of management and
25 budget of the allocation to the various entities and institutions and which line items in the
26 various institutions and entities must be adjusted.

27 **SECTION 3. FEDERAL, PRIVATE, AND OTHER FUNDS - APPROPRIATION.** All
28 funds, in addition to those appropriated in section 1 of this Act, received by the entities under
29 the control of the state board of higher education pursuant to federal acts, private grants, and
30 other sources are appropriated.

1 **SECTION 4. TRANSFER AUTHORITY.** The state board of higher education may
2 approve transfer of funds between line items for each entity included in section 1 of this Act and
3 shall notify the office of management and budget of each transfer; however, funds may not be
4 transferred out of the capital assets appropriations.

5 **SECTION 5. EXEMPTION.** The appropriations contained in section 1 of chapter 3 of
6 the 1999 Session Laws are not subject to the provisions of section 54-44.1-11. Capital
7 improvement appropriations contained in section 1 of chapter 3 of the 1999 Session Laws may
8 be expended as directed by the university system for capital repairs and improvements.

9 **SECTION 6. STUDENT GRANT PROGRAMS.** The student grant programs line item
10 in subdivision 1 of section 1 of this Act must be used as determined by the board of higher
11 education for the state grant program and North Dakota scholars program consistent with
12 chapter 15-62.2, Indian scholarships consistent with chapter 15-63, and professional student
13 exchange program consistent with chapter 15-10.1.

14 **SECTION 7. CAMPUS-BASED PROGRAMS.** The funds appropriated for
15 campus-based programs in subdivision 1 of section 1 of this Act must be used for the entities in
16 section 1 of this Act, as determined by the board of higher education, to support the state
17 matching requirements of the experimental program to stimulate competitive research; Title II
18 consistent with federal funding requirements; disabled student services based on identified
19 campus needs; information technology based on historic funding, the North Dakota university
20 system information technology plan, the statewide network plan, and base funding for the
21 higher education computer network, campus computer center, interactive video network, and
22 on-line Dakota information network operations; compensation adjustments consistent with
23 guidelines established by the board of higher education; to address equity and parity funding
24 needs consistent with peer comparisons and the new funding model; and to support new
25 initiatives or program costs consistent with board and statewide needs.

26 **SECTION 8. CONTINGENCIES AND BOARD INITIATIVES.** The contingencies and
27 board initiatives in subdivision 1 of section 1 of this Act must be used for the benefit of the
28 institutions and entities in section 1 of this Act as determined by the board of higher education
29 to support board and statewide objectives.

30 **SECTION 9. STATE FORESTER RESERVE ACCOUNT APPROPRIATION -**
31 **BUDGET SECTION APPROVAL.** The estimated income in subdivision 13 of section 1 of this

Act includes the sum of \$120,000 from the state forester reserve account, established in section 4-19-01.2, for the construction of the Towner nursery tree storage building.

After receiving approval from the budget section, the forest service may obtain and utilize any available funds, in addition to the \$120,000 from the reserve account, received from federal, public, private, or other sources, which are appropriated to the state forest service to assist in the construction of the Towner nursery tree storage building.

SECTION 10. LEGISLATIVE COUNCIL STUDY - HIGHER EDUCATION

ACCOUNTABILITY MEASURES. The legislative council shall consider studying during the 2001-02 interim the board of higher education's implementation of the performance and accountability measures report required by Senate Bill No. 2041. If conducted, the study may include the use of the higher education roundtable format.

SECTION 11. LEGISLATIVE INTENT - HIGHER EDUCATION ACCOUNTABILITY

MEASURES. It is the intent of the legislative assembly that the board of higher education's performance and accountability report as required by Senate Bill No. 2041 include an executive summary and information regarding:

1. Higher education financing - A status report on higher education financing as compared to the long-term financing plan.
2. Base funding - Levels, trends, and uses of base funding.
3. Incentive funding, including:
 - a. The allocation, use of, and results of incentive funding.
 - b. The percentage of the higher education budget provided as incentive funding.
4. Deferred maintenance, including:
 - a. The value of institutional buildings, funds spent on renewal or updates as compared to depreciation, and the status of deferred maintenance, including a comparison of the funds appropriated for deferred maintenance to actual funds spent on deferred maintenance.
 - b. A deferred maintenance ratio that measures the size of the university system's outstanding maintenance as compared to its expendable net assets.
5. Capital projects - Report on new construction and major renovation capital projects for which specific appropriations are made, including budget to actual comparison, use of third-party funding, and related debt.

- 1 6. Peer institution comparisons - Funding levels of institutions or other selected
- 2 indicators as compared to peer institutions.
- 3 7. Funding sources, including:
- 4 a. The amount and trends of funding from all financial sources.
- 5 b. An operating income ratio that measures the amount of income from fees for
- 6 service as compared to the university system's overall funding.
- 7 c. A contributed income ratio that measures the amount of income from
- 8 externally generated resources other than debt as compared to the university
- 9 system's overall funding.
- 10 8. State support information, including:
- 11 a. State general fund appropriation levels and trends as compared to changes in
- 12 the state's economy and total state general fund appropriations.
- 13 b. A trend report on per capita and per student appropriations for higher
- 14 education.
- 15 9. System indebtedness information, including:
- 16 a. The amount of debt incurred and supported in relation to limitation
- 17 requirements.
- 18 b. A debt coverage ratio that measures net income as compared to the amount
- 19 of debt service.
- 20 10. Affordability index detailing:
- 21 a. Tuition and fees on a per student basis and total cost of attendance
- 22 compared to peer institutions.
- 23 b. Tuition and fees as a percentage of median North Dakota household income.
- 24 c. Student affordability considering financial aid.
- 25 11. Funding uses information, including:
- 26 a. A trend report on the distribution of expenditures by function.
- 27 b. An educational core services ratio that measures the total funds being used
- 28 for instruction, research, and public service as compared to the university
- 29 system's overall funding excluding capital and debt service amounts.
- 30 c. An educational support services ratio that measures the total funds being
- 31 used for academic support and student services as compared to the

- 1 university system's overall funding excluding capital and debt service
- 2 amounts.
- 3 d. A general support ratio that measures the total funds being used for
- 4 institutional support, operations, and maintenance of physical plant as
- 5 compared to the university system's overall funding excluding capital and debt
- 6 service amounts.
- 7 12. Equipment expenditures - An equipment expenditure ratio that measures the total
- 8 funds used for equipment replacement as compared to the total equipment
- 9 inventory value.
- 10 13. Financial ratios and other financial information including:
- 11 a. A viability ration that measures the amount of expendable net assets as
- 12 compared to the amount of long-term debt.
- 13 b. A primary reserve ratio that measures the amount of expendable net assets
- 14 as compared to the university system's overall spending.
- 15 c. A return on net assets ratio that measures the changes in net assets as
- 16 compared to the university system's total net assets.
- 17 d. A net income ratio that measures the change in unrestricted net assets as
- 18 compared to total unrestricted income to provide information regarding
- 19 surpluses or deficiencies.
- 20 e. Debt, assets, and end-of-year fund balances.
- 21 14. Faculty and staff trend information, including:
- 22 a. The ratio of faculty and staff to students.
- 23 b. Faculty and staff turnover rates and major reasons for turnover.
- 24 c. Faculty and staff salary levels, including annual average salary increases and
- 25 comparisons with peer institutions.
- 26 15. Research and development efforts trend information, including:
- 27 a. Total funding received for research, including federal, state, local, and private
- 28 sources.
- 29 b. Revenue generated or additional funding earned by research and
- 30 development projects.

- 1 c. A research expenditure ratio that measures the amount of research
- 2 expenditures as compared to the number of faculty full-time equivalent
- 3 positions.
- 4 16. Audit report information, including:
- 5 a. An annual audit report, with an unqualified opinion, that identifies suggested
- 6 material areas of improvement to the university system's financial operations.
- 7 b. A biennial audit report reflecting budget to actual appropriation statements;
- 8 appropriate financial noteworthy accomplishments and successes; a
- 9 reduction in material areas of statutory noncompliance; and university system
- 10 compliance with suggested significant areas of improvement.
- 11 17. Workforce training information, including:
- 12 a. Trends in the number and percent of businesses and employees in the region
- 13 receiving training.
- 14 b. Levels of satisfaction with training events as reflected in information
- 15 systematically gathered from employers and employees receiving training.
- 16 18. Entrepreneurship - Levels and trends in enrollment in entrepreneurship courses
- 17 and the number of graduates of entrepreneurship programs.
- 18 19. Employment placement - Level and trends in the percentage of university system
- 19 graduates obtaining employment appropriate to their education in state and out of
- 20 state.
- 21 20. Partnerships and joint ventures - Levels and trends in partnerships and joint
- 22 ventures between university system institutions and the following entities:
- 23 a. Business and industry.
- 24 b. Tribal colleges.
- 25 c. Private sector training providers.
- 26 d. Other university system institutions.
- 27 21. Student performance information, including:
- 28 a. Levels and trends in performance of students on nationally recognized exams
- 29 in their major fields in comparison with national averages.
- 30 b. Levels and trends in licensure pass rates in comparison to other states.

- 1 22. Alumni satisfaction - Levels and trends in alumni-reported satisfaction with
2 preparation in:
 - 3 a. Selected major.
 - 4 b. Acquisition of specific basic and higher-order skills.
 - 5 c. Level, currency, and relevance of computer technology knowledge and
6 abilities in relation to expectations in the marketplace.
- 7 23. Employer satisfaction - Levels and trends in employer-reported satisfaction with
8 preparation of recently hired college graduates.
- 9 24. Institution and program accreditation - Maintenance of accreditation of programs
10 and institutions by national and regional accrediting bodies and acquisition of
11 additional accreditation where appropriate.
- 12 25. Peer review process - Levels and trends in peer review process relating to:
 - 13 a. Grants.
 - 14 b. Publications.
- 15 26. Student goals - Levels and trends in the number of students achieving goals -
16 Institution meeting the defined needs/goals as expressed by students.
- 17 27. Administrative flexibility - Proportion of university system decisionmakers (deans
18 and higher levels) indicating whether "they can now operate with more flexibility
19 than in the past."
- 20 28. Student enrollment information, including:
 - 21 a. Total number and trends in full-time, part-time, degree-seeking, and
22 non-degree-seeking students being served.
 - 23 b. The number and trends of individuals, organizations, and agencies served
24 through noncredit activities.
- 25 29. Client satisfaction - Levels of satisfaction with responsiveness as reflected through
26 responses to evaluations and surveys of clients:
 - 27 a. Graduates and individuals completing programs.
 - 28 b. Employers.
 - 29 c. Business/program advisory councils.
 - 30 d. Companies and employees receiving training.
 - 31 e. Workforce training boards.

- 1 f. Campus presidents' advisory councils.
- 2 g. Public school superintendents.
- 3 h. Economic development professionals.
- 4 i. Other client groups.
- 5 30. Noncompleters satisfaction - Levels of satisfaction and reasons for noncompletion
- 6 as reflected in a survey of individuals who have not completed their program or
- 7 degree.
- 8 31. Student access - Levels and trends in the proportion of residents of the state who
- 9 are within a forty-five minute drive of a location at which they can receive
- 10 educational programs from a provider, including providers from outside the
- 11 immediate region who would also have access to academic and student support
- 12 services at the site.
- 13 32. Distance learning - Levels and trends in the number of enrollments in distance
- 14 learning courses by in-state and out-of-state residents.
- 15 33. Nontraditional courses - Levels and trends in the number and proportion of
- 16 enrollments in courses offered by nontraditional methods.
- 17 34. Student participation - Levels and trends in rates of participation of:
- 18 a. Recent high school graduates and nontraditional students.
- 19 b. Individuals pursuing graduate degrees.
- 20 35. Sustaining the vision - The extent to which the recommendations of the 2000
- 21 higher education roundtable are implemented and performance is improved.

22 **SECTION 12. LEGISLATIVE INTENT - STATE COLLEGE OF SCIENCE - BLIKRE**

23 **ACTIVITIES CENTER RENOVATION.** It is the intent of the legislative assembly that the
24 funding of \$531,720 included in the estimated income in subdivision 7 of section 1 of this Act
25 for renovation of the Blikre activities center at the state college of science must be collected
26 before renovation may begin. The state college of science, after receiving approval from the
27 budget section, may obtain and utilize any available funds, in addition to the \$531,720, received
28 from federal, public, private, or other sources which are appropriated to the state college of
29 science to assist in the Blikre activities center renovation.

30 **SECTION 13. AMENDMENT.** Section 15-10-12 of the 1999 Supplement to the North
31 Dakota Century Code is amended and reenacted as follows:

1 **15-10-12. Board may accept gifts and bequests - Deposit and appropriation of**
2 **institutional funds.** ~~The~~ Subject to the limitations of section 15-10-12.1, the state board of
3 higher education may, ~~subject to the limitations of section 15-10-12.1,~~ receive donations, gifts,
4 grants, and bequests offered or tendered to or for the benefit of any institution of higher
5 education under its control or subject to its administration, and all moneys coming into the
6 hands of the board as donations, gifts, grants, and bequests must be used for the specific
7 purpose for which they are donated or given. A special revenue fund, for each institution of
8 higher education under the control of the board or subject to its administration, must be
9 maintained within the state treasury ~~and all institutional income from tuition collections must be~~
10 ~~placed in the special fund for the use of the institution for which the money was raised.~~ All rent,
11 interest, or income from land, money, or property, donated or granted by the United States and
12 allocated to specific institutions of higher learning under the terms of the Enabling Act and the
13 Constitution of North Dakota must be deposited in the special revenue fund of each institution
14 and expended in accordance with section 1 of article IX of the Constitution of North Dakota.
15 ~~Moneys in the special revenue fund are subject to legislative appropriations.~~ All other funds,
16 unless restricted by the terms of a grant, donation, or bequest, received by the institutions from
17 federal, state, and local grants and contracts, indirect cost recoveries, tuition, special student
18 fees, room and board fees and other auxiliary enterprise fees, student activity fees, continuing
19 education program fees, internal service fund revenues, and all other revenues must be
20 deposited in the institution special revenue funds. The state treasurer shall immediately
21 transfer the funds deposited in the special revenue funds to institution accounts in the Bank of
22 North Dakota. Biennial estimates of revenue and expenditures of the other funds by source of
23 funds must be presented at the same time biennial budget requests for appropriations from the
24 special revenue fund and state general fund are prepared and submitted to the office of the
25 budget pursuant to section 15-10-15. Payments from each institution's general fund
26 appropriation must be made in amounts as may be necessary for the operation and
27 maintenance of each institution, ~~except that at the close of the biennium the balance of funds~~
28 ~~not paid from the general fund appropriation must be deposited in the special revenue funds of~~
29 ~~the institutions.~~ The funds in the institution accounts are appropriated on a continuing basis to
30 the state board of higher education. All such appropriations are subject to proration in the
31 same manner as other appropriations are prorated if insufficient funds are available to meet

expenditures from the general fund. Sinking funds for the payment of interest and principal of institutional revenue bonds must be deposited pursuant to section 15-55-06.

SECTION 14. AMENDMENT. Section 54-44.1-04 of the North Dakota Century Code is amended and reenacted as follows:

54-44.1-04. Budget estimates of budget units filed with the office of the budget - Deadline. The head of each budget unit, not later than July fifteenth of each year next preceding the session of the legislative assembly, shall submit to the office of the budget, estimates of financial requirements of his budget unit for the next two fiscal years, on the forms and in the manner prescribed by the office of the budget, with such explanatory data as is required by the office of the budget and such additional data as the head of the budget unit wishes to submit. The budget estimates for the North Dakota university system must include block grants for the university system for a base funding component and for an initiative funding component for specific strategies or initiatives and a budget estimate for an asset funding component for renewal and replacement of physical plant assets at the institutions of higher education. The estimates so submitted must bear the approval of the board or commission of each budget unit for which a board or commission is constituted. The director of the budget in ~~his~~ the director's discretion may extend the filing date for any budget unit if ~~he~~ the director finds there is some circumstance which makes it advantageous to authorize the extension. If a budget unit has not submitted its estimate of financial requirements by the required date or within a period of extension set by the director of the budget, the director of the budget shall prepare such budget unit's estimate of financial requirements except such estimate may not exceed ninety percent of such budget unit's previous biennial appropriation. The director of the budget or such subordinate officer as ~~he shall designate~~ the director designates shall examine the estimates and shall afford to the heads of budget units reasonable opportunity for explanation in regard thereto and, when requested, shall grant to the heads of budget units a hearing thereon which must be open to the public.

SECTION 15. AMENDMENT. Subsection 7 of section 54-44.1-06 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

7. Drafts of a proposed general ~~appropriations act~~ and special appropriations acts embodying the budget data and recommendations of the governor for appropriations for the next biennium, and drafts of such revenues and other acts

recommended by the governor for putting into effect the proposed financial plan.
The recommended general appropriation for each budget unit must be specified in
a separate section of the general appropriations act. The draft of the proposed
appropriations act for the North Dakota university system must include block
grants for a base funding appropriation and for an initiative funding appropriation
for specific strategies or initiatives, and an appropriation for asset funding for
renewal and replacement of physical plant assets at the institutions of higher
education in the format approved by the fifty-seventh legislative assembly.

SECTION 16. AMENDMENT. Section 54-44.1-11 of the North Dakota Century Code is
amended and reenacted as follows:

**54-44.1-11. Office of management and budget to cancel unexpended
appropriations - When they may continue.** The Except as otherwise provided by law, the
office of management and budget, thirty days after the close of each biennial period, shall
cancel all unexpended appropriations or balances of appropriations after the expiration of the
biennial period during which they became available under the law. Unexpended appropriations
for the North Dakota university system are not subject to this section. The chairman of the
appropriations committees of the senate and house of representatives of the legislative
assembly with the office of the budget may continue appropriations or balances in force for not
more than two years after the expiration of the biennial period during which they became
available upon recommendation of the director of the budget for:

1. New construction projects.
2. Major repair or improvement projects.
3. Purchases of new equipment costing more than ten thousand dollars per unit if it
was ordered during the first twelve months of the biennium in which the funds were
appropriated.
4. The purchase of land by the state on a "contract for deed" purchase where the
total purchase price is within the authorized appropriation.

SECTION 17. EXPIRATION DATE. Sections 13, 14, 15, and 16 of this Act are
effective through June 30, 2003, and after that date are ineffective.

- 1 **SECTION 18. EMERGENCY.** The capital assets line items contained in section 1 of
2 this Act are declared to be an emergency measure, and those funds are available immediately
3 upon the filing of this Act with the secretary of state.