

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2035

2005 SENATE EDUCATION

SB 2035

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2035

Senate Education Committee

Conference Committee

Hearing Date 1/12/05

Tape Number	Side A	Side B	Meter #
1	x		1300-1725
Committee Clerk Signature <i>Patty Wilkins</i>			

Minutes: Relating to budget requests and block grant appropriation for the North Dakota university system; and to declare an emergency.

**Senator Layton Freborg**, Chairman called the meeting to order on SB 2035

All Senators were present.

**Testimony in support of the Bill:**

Roxanne Woeste: Legislative Council to introduce the bill, this bill amends 2 sections, once again this is similar to continuing provisions that are already in place. Section 1 amends 54-44-.104 to continue the requirement that Higher Education Budget request. (meter 1400) pg. 1 line 13 is the language. That requirement is in place right now and it would continue that request for 2 more yrs. through June 30, 2007, that is section 1 of the bill. Section 2 of the bill, 54-44-.106 continues requirement that Higher Education appropriations includ-(meter 1463) that change is on pg. 4 subsection 7. These are the provisions that this bill continue for another 2 yrs.

Also note, that the prior bill on SB 2003 corrects these provisions.

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Senate Education Committee

Bill/Resolution Number SB 2035

Hearing Date 1/12/05

Senator Freborg : Any ?'s

Roxanne Woeste : I like the new set up, change is fun!

Senator Freborg : Any other testimony in favor of this bill?

Robert Potts: I would like to urge you to pass this bill out of your committee, again we would like you to consider, I know you are going to speak with Senator Holmberg about this. To consider amending this to include that it be part of the century code. This is a progressive forward step,

Senator Freborg : Any ?'s

Senator Freborg : Any other testimony in favor of SB 2035?

**Testimony in opposition of the Bill:**

no opposition

**Senator Freborg :** closed the hearing on SB 2035

The meeting was adjourned.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2035

Senate Education Committee

Conference Committee

Hearing Date 01/17/05

Tape Number	Side A	Side B	Meter #
1		✓	3890-4185
Committee Clerk Signature <i>Patty Wilkins</i>			

**Minutes: Relating to budget requests and block grant appropriation for the North Dakota university system; and to declare an emergency.**

**Senator Layton Freborg**, Chairman called the meeting to order on SB 2035

**Senator Freborg** : closed the hearing on SB 2035

**Senator Taylor**, Made a motion for a do pass as amended on, Seconded By, Senator Flakoll

There was no further discussion

There being no other discussion roll call vote was taken. vote: 6-0-0

**Senator Taylor**, will carry the bill.

The meeting was adjourned.

Date: 1/17/05  
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2035

Senate SENATE EDUCATION Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Sen. Taylor Seconded By Sen. Flakoll

Senators	Yes	No	Senators	Yes	No
CH- SENATOR FREBORG	✓		SENATOR SEYMOUR	✓	
V-CH- SENATOR G. LEE	✓		SENATOR TAYLOR	✓	
SENATOR ERBELE	✓				
SENATOR FLAKOLL	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen Taylor

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

**REPORT OF STANDING COMMITTEE (410)**  
January 17, 2005 2:01 p.m.

**Module No: SR-10-0572**  
**Carrier: Taylor**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2035: Education Committee (Sen. Freborg, Chairman) recommends DO PASS**  
**(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2035 was placed on the**  
**Eleventh order on the calendar.**

2005 HOUSE EDUCATION

SB 2035



2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2035

House Education Committee

Conference Committee

Hearing Date 14 Feb 05

Tape Number	Side A	Side B	Meter #
1	X		1300 - 1400
Committee Clerk Signature <i>Jan Prindle</i>			

Minutes:

**Chairman Kelsch opened the hearing of SB 2035.** She reminded the Committee that Chancellor Potts submitted his testimony on this bill along with that on SB 2034.

**Chancellor Potts:** I would just reincorporate what I said for SB 2035. **(Testimony attached.)**

**There being no further testimony/questions on SB 2035, Chairman Kelsch closed the hearing on SB 2035.**

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2035**

House Education Committee

Conference Committee

Hearing Date **15 February 2005**

Tape Number	Side A	Side B	Meter #
1	X		4670 - 4850
Committee Clerk Signature <i>Jaw Prindle</i>			

Minutes:

**Chairman Kelsch opened discussion of SB 2035.**

**Rep. Johnson: I move Do Pass**

**Rep. Solberg: I Second**

**A roll call vote was taken.**

**Yes: 12 No: 0 Absent: 2 The motion passed.**

**Rep. Mueller will carry the bill.**

Date: 15 Feb 05  
 Roll Call Vote #: 1

**2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1035**

House Education Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Johnson Seconded By Solberg

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelsch	✓		Rep. Hanson	✓	
Vice Chairman Johnson	✓		Rep. Hunsakor	○	
Rep. Haas	✓		Rep. Mueller	✓	
Rep. Hawken	○		Rep. Solberg	✓	
Rep. Herbel	✓				
Rep. Horter	✓				
Rep. Meier	✓				
Rep. Norland	✓				
Rep. Sitte	✓				
Rep. Wall	✓				

Total (Yes) 12 No 0

Absent 2 (Hawken Hunsakor)

Floor Assignment Mueller

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

**REPORT OF STANDING COMMITTEE (410)**  
February 15, 2005 11:46 a.m.

**Module No: HR-30-2940**  
**Carrier: Mueller**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2035: Education Committee (Rep. R. Kelsch, Chairman) recommends DO PASS**  
**(12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SB 2035 was placed on the**  
**Fourteenth order on the calendar.**

TESTIMONY

SB 2035

# North Dakota University System

## TESTIMONY TO SENATE EDUCATION COMMITTEE

### on SB 2034 and SB 2035

Robert L. Potts, Chancellor

JANUARY 12, 2005

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Mr. Chairman and Members of the Committee:

Hello, I am Robert Potts, Chancellor of the North Dakota University System. I appreciate the opportunity to appear before you today in support of SB 2034 and SB 2035. These two bills are part of the flexibility with accountability legislation and are highly important to the North Dakota University System.

#### What Do These Bills Do?

SB2034: Under this bill tuition revenues at NDUS campuses would be appropriated in the same way all other institutional funds such as grants and contracts, auxiliary revenues and private funds are appropriated for another two-year period, through June 30, 2007.

SB2035: This bill provides for appropriations in two line items for operations and capital assets; and for specific strategies or initiatives for another two-year period, through June 30, 2007.

#### History

The Higher Education Roundtable adopted the following major theme as part of the Roundtable cornerstone on funding and rewards:

*"In managing the resources available to them, the SBHE, Chancellor and Presidents should have flexibility with accountability. The rules and regulations governing use and management of resources should:*

- a. Delegate responsibility and authority for use of resources to the NDUS in exchange for adherence to agreed-upon procedures for demonstrating accountability;*
- b. Encourage institutions to act entrepreneurially in pursuit of resources from private sector and sources outside the state;*
- c. Reward collaboration between and among institutions where appropriate;*
- d. Extend rewards to units and employees on campuses, which demonstrate exemplary performance consistent with these principles. "*

In keeping with this theme, the Roundtable made the following specific recommendations:

*“Executive and Legislative branches:*

- a. ***Remove all income, including tuition, which is in addition to the state general fund appropriation, from the specific appropriation process;***
- b. *Modify processes to provide the campuses budgetary flexibility by:*
  - *removing restrictions on the use of carryover funds from one biennial period to the next.*
  - *allowing the campuses to determine the renewal and replacement projects to be funded on the individual campuses within their own institutional resources.*
  - *eliminating restrictions on pay practices.*
  - ***providing maximum spending flexibility within base funding appropriations.***
- c. *Continue to approve the construction of new facilities and the major renovation of existing facilities.”*

These measures were first enacted in 2001 as part of the historic flexibility with accountability legislation. It was extended for another two-year period by the 2003 Legislative Assembly through the end of this biennium, expiring on June 30, 2005, unless re-enacted.

## **How These Bills Work?**

### **SB2034**

All income, including tuition revenues, would continue to be deposited with the Bank of North Dakota. All income would also continue to be disclosed as part of the biennial budget process as required on page 2, lines 1-4 of SB2034 as follows:

*“Biennial estimates of revenue and expenditures of the other funds by source of funds must be presented at the same time biennial budget requests for appropriations from the special revenue fund and state general fund are prepared and submitted to the office of the budget.”*

All NDUS income would also continue to be subject to an annual financial audit performed by the State Auditor’s Office and would be disclosed, in detail, in the NDUS’s and state’s annual comprehensive financial statement (CAFR).

In addition, several of the fiscal accountability measures adopted by the legislature provide information on these sources of funds. Examples include:

- the amount and trends of funding from all financial sources;
- operating and contributed income ratio;
- trend reports on the distribution of expenditures by function;
- status of long-term finance plan;
- allocation and use of incentive funding.

## SB2035

This bill continues the current 2003-05 appropriation bill format of two line items- Operations and Capital Assets. Funds can either be appropriated by campus as was done in 2003-05, or, in a block grant to the SBHE for allocation to the campuses as currently proposed by the governor in SB2003. That decision is still left to each legislature. The main purpose of the bill provides that appropriations will be made in two line items either to the campus or board. It also provides that appropriations be made for initiative funding.

### **What Are the Benefits of this Legislation?**

Here are some of the benefits that this legislation is currently providing:

- Campuses that have growing enrollments are able to hire faculty and add class sections on a timely and responsive basis since tuition revenues are available immediately rather than waiting for lengthy approval processes.
- Campuses are better able to manage spending priorities and allocate resources to high priority needs, without burdensome approval processes.
- Campuses are attracting more non-state revenue sources from federal grants and private partnerships.
- The SBHE is focusing more of its efforts and resources on high-priority state or system needs and long-term direction.
- Campuses are better able to respond to donors and proceed with timely (and often less costly) construction.
- Campuses are developing many more private sector partnerships through entities such as research and technology parks.
- Campuses are better able to maximize their revenues and manage their enrollment targets.
- Significant staff time is being saved in development of budgets.

Taken together, the increased flexibility is seen as a visible sign of building a trusting relationship and also a sign of support for campuses to be more entrepreneurial.

The State Board of Higher Education and every campus president appreciates your past support of this important legislation. It has been exciting to watch the significant progress in moving ahead the Roundtable vision and corresponding recommendations by all of the partners involved. This significant progress has resulted in national attention and recognition for North Dakota. There is an excitement, energy and new way of thinking at the campus level which has



created an economic benefit for the state and better access for its citizens. Much of this progress can be credited to the increased flexibility you have provided the campuses.

We respectfully request you enact the provisions in these measures and make them a permanent part of the ND Century Code. If you do not wish to do so, we request an extension of these measures for another two years. I believe the NDUS has consistently demonstrated over the past four years, since this flexibility legislation was originally enacted, that the System has been a good steward of the state's resources and has used the expanded flexibility to serve students and assist the state in growing its economy.

Thank you. I will be happy to answer any questions.

SB 2034  
2035  
14 Feb 05

**North Dakota University System**  
**TESTIMONY TO HOUSE EDUCATION COMMITTEE**  
**on SB-2034 and SB-2035**

**Robert L. Potts, Chancellor**

*FEBRUARY 14, 2005*

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Madame Chair and Members of the Committee:

Hello, I am Robert Potts, Chancellor of the North Dakota University System. I appreciate the opportunity to appear before you today in support of SB-2034 and SB-2035. These two bills are part of the flexibility with accountability legislation and are highly important to the North Dakota University System.

SB-2034 would allow tuition revenues at NDUS campuses to be appropriated in the same way all other institutional funds such as grants and contracts, auxiliary revenues and private funds are appropriated for another two-year period, through June 30, 2007. All income, including tuition revenues, would continue to be deposited with the Bank of North Dakota and would continue to be disclosed as part of the biennial budget process as required by the legislation. All NDUS income is subject to an annual financial audit performed by the State Auditor's Office and would be disclosed, in detail, in the NDUS's and state's annual comprehensive financial statement (CAFR). In addition, several of the fiscal accountability measures adopted by the legislature provide information on these sources of funds.

SB-2035 provides for appropriations in two line items for operations and capital assets; and for specific strategies or initiatives for another two-year period, through June 30, 2007. This bill continues the current 2003-05 appropriation bill format of two line items-Operations and Capital Assets. Funds can either be appropriated by campus as was done in 2003-05, or, in a block grant to the SBHE for allocation to the campuses as currently proposed by the governor in SB2003. That decision is still left to each legislature.

The Higher Education Roundtable charged the NDUS with "enhancing the economic vitality of North Dakota and the quality of life of its citizens through a high quality, more responsive, equitable, flexible, accessible, entrepreneurial, and accountable University System." In doing so, the Roundtable members made recommendations and established related accountability measures in each of the following six key cornerstones: economic development, education excellence, flexible and responsive system, accessible system, funding and rewards, and sustaining the vision. Specific recommendations were made in the funding and rewards cornerstone encouraging the legislative and executive branches to provide lump sum appropriations and remove all income, other than state general fund appropriations, from the specific appropriation process.

Both the executive and legislative branches endorsed these recommendations and enacted changes in 2001, as part of the historic flexibility with accountability legislation. It was extended

for another two-year period by the 2003 Legislative Assembly through the end of this biennium, expiring on June 30, 2005, unless re-enacted. Here are some examples of how it has made a difference:

- Campuses that have growing enrollments are able to hire faculty and add class sections on a timely and responsive basis since tuition revenues are available immediately rather than waiting for lengthy approval processes.
- Campuses are better able to manage spending priorities and allocate resources to high priority needs, without burdensome approval processes.
- Campuses are attracting more non-state revenue sources from federal grants and private partnerships.
- The SBHE is focusing more of its efforts and resources on high-priority state or system needs and long-term direction.
- Campuses are better able to respond to donors and proceed with timely (and often less costly) construction.
- Campuses are developing many more private sector partnerships through entities such as research and technology parks.
- Campuses are better able to maximize their revenues and manage their enrollment targets.
- Significant staff time is being saved in development of budgets.

Taken together, the increased flexibility is seen as a visible sign of building a trusting relationship and also a sign of support for campuses to be more entrepreneurial. The State Board of Higher Education and every campus president appreciates your past support of this important legislation. It has been exciting to watch the significant progress in moving ahead the Roundtable vision and corresponding recommendations by all of the partners involved. This significant progress has resulted in national attention and recognition for North Dakota. There is an excitement, energy and new way of thinking at the campus level which has created an economic benefit for the state and better access for its citizens. Much of this progress can be credited to the increased flexibility you have provided the campuses.

We respectfully request you enact the provisions in these measures and make them a permanent part of the ND Century Code. If you do not wish to do so, we request an extension of these measures for another two years. I believe the NDUS has consistently demonstrated over the past four years, since this flexibility legislation was originally enacted, that the System has been a good steward of the state's resources and has used the expanded flexibility to serve students and assist the state in growing its economy.