

Testimony for Higher Education Committee  
January 18, 2012

Good afternoon. My name is Alice Brekke and I am the Vice President for Finance and Operations at the University of North Dakota.

The topic listed on your agenda is "comments by a representative of the University of North Dakota regarding the higher education long term finance plan and funding levels."

Laura Glatt has provided a comprehensive overview of the long term finance plan so I won't repeat that information. Over time, there has been opportunity for institutional input into the development of the funding model and then decisions have been made by the State Board of Higher Education. The funding requests for the University of North Dakota have been made consistent with those decisions. Subsequent Legislative action and resulting State Board action has determined the actual funding for UND and across all NDUS institutions.

Within the long term finance plan, the University of North Dakota is handled as one entity including the School of Medicine and Health Sciences. This approach reflects the full mission of the institution (teaching, research and service) as well as the integrated and interactive nature of the various dimensions of our mission.

In response to a request by the Higher Education Committee in summer 2006, then President Charles Kupchella summarized the approach that he had been taking in discussion of whether the School of Medicine and Health Sciences should be included or excluded from the long term finance plan. Although this document is already a matter of record, a copy is provided for reference.

Action taken by the State Board of Higher Education in May 2006 affirmed the inclusion of the School of Medicine for UND and the exclusion of Ag Research and Extension for North Dakota State University. This is the model that has been utilized since that date.

That concludes my comments. Thank you.

**University of North Dakota**  
**Response to Legislative Council's Higher Education Committee Information Request**  
**July 13, 2006**

Presented by: Charles Kupchella, President

*In regard to funding for agriculture research experiment stations and extension and the University of North Dakota School of Medicine and Health Sciences:*

*What influence does the additional funding have on the associated entities?*

The University of North Dakota is classified by the Carnegie Foundation as one of 260 doctoral institutions of national rank among more than 4,000 institutions of higher education in the nation. This classification takes into consideration the teaching, research and service mission of the institution. UND is further characterized by the presence of the Law School as well as the School of Medicine and Health Sciences. Both Carnegie Classification and the Medical School presence were determining factors in the identification of peer institutions.

The institution is organized into five major divisions each under the leadership of a Vice President. These divisions include Academic Affairs, Finance and Operations, Student and Outreach Services, School of Medicine and Health Sciences, and, Research. Funding to support the mission and activities of the institution comes from many sources including general fund, tuition, fees, sale of services, gifts, grants and contracts. Under generally accepted accounting principles, each of these sources must be separately accounted for, taking into consideration both internal policies and external restrictions. This allows clear accountability of how funds from various sources are used and represents the basis on which institutions are audited. Various institution level reports (for example, Integrated Postsecondary Education Data System [IPEDS] and financial statements) are prepared based on a consolidation of the fund-level detail. Likewise, various budgets, formulas and benchmarks are calculated. These reports and comparisons reflect the integration, interdependencies, overlap and multi-purpose nature of activities that occur within a dynamic university environment. They do not represent a "commingling" of funds which is defined as: "To put together in one mass, as when one mixes separate funds or properties into a common fund." (Black's Law Dictionary, 7<sup>th</sup> Edition, 1999) Thus, the general fund appropriation for Medicine is not commingled with the UND appropriation, just as the general fund appropriation for Agriculture is not commingled with the NDSU appropriation. Due to the integrated teaching, research and service missions of each institution, it is appropriate to benchmark to peers with all general funds included.

The University of North Dakota School of Medicine and Health Sciences (SMHS) receives a biennial appropriation which is used to fund the programs of the Medical School consistent with a mission of teaching, research and service. The Medical School departments include those under Biomedical Sciences, Family and Community Medicine, Internal Medicine, Neuroscience, Obstetrics and Gynecology, Occupational Therapy, Pathology, Pediatrics, Physical Therapy, and Surgery. A number of centers are also active within the organizational framework of the Medical School. Finally, administrative functions specific to the Medical School report within that division. It is important to note that the appropriated funds for the Medical School do not include physical plant (for example, utilities, custodial, maintenance), institutional support for

centrally provided services (for example, President, Accounting Services, Human Resources/Payroll) and centrally provided student/academic support services (for example Registrar, Financial Aid, Central Library, Campus Computing and Student Health). These costs are funded from the appropriation made to the University of North Dakota as well as other institutional revenue.

In addition to the "program" nature of the Medical School appropriation, other examples exist which demonstrate the challenges of separating the School of Medicine from the University of North Dakota. The SMHS teaches several undergraduate courses in the basic sciences. These courses are available to all UND students that meet the prerequisites, not just those enrolled in programs specific to the Medical School. Likewise, students enrolled in programs specific to the Medical School also access courses offered campus wide. It is not possible to accurately draw a boundary to separate these activities/resources.

Students at all levels (undergraduate, graduate, professional, certificate) benefit from the research and service activities of the campus. Students, faculty and staff cannot be isolated within the confines of the Medical School nor can they be barricaded outside the boundaries of the Medical School. The greater the degree of interaction and integration, the more dynamic and successful the institution. In such an environment, students gain not only in the classroom but also gain real world experience in their chosen disciplines. In some cases, the students are direct participants in the research or service activity. In other cases, the benefit derives from the ability of the faculty to remain active as scholars, which translates into a more relevant learning experience for the student. In still other situations, the research or service may be a part of a graduate student's program of study. Again, funding from multiple sources may be leveraged to support the overall mission.

Faculty are expected to engage in teaching, research and service as part of their responsibilities. These responsibilities become the basis for evaluation, promotion and tenure per the published policies of the State Board of Higher Education and the institution. Faculty salaries may be paid from appropriated funds in support of any/all of these responsibilities; however, in some instances, the corresponding salary may be funded from multiple sources. If the only general fund appropriation that should be included in the peer equity comparison is that directly associated with instruction (students) and based on the precedent set by the SBHE to remove Agriculture from NDSU, it appears reasonable that an adjustment should be made to remove an amount from the current comparison for the research and service components funded by general fund from both UND and their peers. A rational basis for such an adjustment would need to be determined.

*What is the specific per student (full-time equivalent) general fund appropriation for the University of North Dakota School of Medicine and Health Sciences and the University of North Dakota?*

Based on FY2004 IPEDS reporting, the general fund appropriation is estimated as follows:

Medical School	\$21,205 per FTE student
UND	\$3,251 per FTE student

Although the appropriation for the Medical School is separately budgeted and tracked within UND, both financial statement and IPEDS reporting reflect data for the legal entity as a whole. The total general fund for FY04 (excluding IVN, ODIN and HECN) was \$51,912,165. Of that total, \$15,134,730 was Medical School and \$36,777,435 was for the remainder of UND reflecting the Legislative appropriation. The FTE student numbers were assigned to the Medical School based on enrollments captured under the Medical School in the third week reporting. There is no way to cleanly divide UND and Medicine since there are students paying UND tuition who take courses taught in the Medical School. There are also students paying tuition for programs in the Medical School taking other UND courses. In addition, the Medical School tuition and general fund are supplemented with tuition and general fund which pays costs such as utilities, institutional support and facilities.

*How much influence do these funds have on the budgets for North Dakota State University and the University of North Dakota?*

See response to 1.a.

*Break out the funding for agriculture research experiment stations and extension and the University of North Dakota School of Medicine and Health Sciences from the budget of North Dakota State University and the University of North Dakota.*

For the 2005-07 biennium, the general fund appropriation for the SMHS is \$31,361,002. The 2005-07 general fund appropriation for the University of North Dakota is \$92,826,602.

*Is it correct that funding for agriculture research experiment stations and extension is not tied to students? But funding for the University of North Dakota School of Medicine and Health Sciences does support students?*

The funding for the School of Medicine and Health Sciences supports all the programs of the college consistent with the mission of the college including teaching, research and service.