

HB1040

Senate State and Local Government Committee

March 9, 2023

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Chair Roers and members of the Senate State and Local Government Committee. My name is David Krebsbach, and I serve as the Vice Chancellor of Administrative Affairs & Chief Financial Officer for the North Dakota University System (NDUS). I am providing testimony today on behalf of the NDUS and its eleven institutions to provide neutral testimony related to HB1040.

HB1040 closes the NDPERS Defined Benefit plan (DB) to new members effective January 1, 2025. Existing DB participants will remain in the plan; however, the NDUS and its 11 institutions will be obligated to pay an additional contribution, the Actuarially Determined Contribution (ADEC), in addition to the regular retirement contributions for about 20 years. HB1040 does not include a state appropriation with which to make these ADEC payments or the 1% required additional employer contribution.

NDUS has approximately 2,400 employees participating in the DB Plan. These individuals work in the Technical & Paraprofessional, Office Support, Crafts/Trades and Services broadband classifications. The estimated minimum cost of additional 1% required employer contribution for these employees is \$1.6 million for the biennium. 2023-2025 per institution amounts are as follows:

PERS Defined Benefit Plan Closure HB1040			
HB1040 - Fiscal Note 2023-25 - NDUS Cost 2023-25 Biennium			
NDUS Entity	General Fund	Special Fund	Total
NDUSO	\$ 40,267	\$ 15,963	\$ 56,230
BSC	32,748	46,664	79,412
LRSC	15,155	19,992	35,148
WSC	8,950	11,872	20,822
UND	169,753	495,691	665,444
NDSU	103,203	315,261	418,464
NDSCS	40,888	47,136	88,024
DSU	16,223	18,709	34,932
MaSU	21,451	33,377	54,828
MiSU	28,913	42,462	71,374
VCSU	17,140	17,035	34,175
DCB	10,027	8,878	18,905
Forest Service	25,844	834	26,677
Total	\$ 530,562	\$ 1,073,874	\$ 1,604,435

In the 2025-2027 biennium, the 40.1% employer increase for the ADEC takes effect January 1, 2026. It is estimated NDUS will incur approximately \$64.3 million in additional expenditures. The 2025-2027 per institution amounts are as follows:

PERS Defined Benefit Plan Closure HB1040			
HB1040 - Fiscal Note - NDUS Cost in 2025-27 Biennium			
NDUS Entity	General Fund	Special Fund	Total
NDUSO	\$ 1,614,710	\$ 640,120	\$ 2,254,830
BSC	1,313,180	1,871,222	3,184,402
LRSC	607,719	801,698	1,409,417
WSC	358,898	476,058	834,956
UND	6,807,102	19,877,219	26,684,321
NDSU	4,138,427	12,641,976	16,780,403
NDSCS	1,639,605	1,890,172	3,529,777
DSU	650,543	750,238	1,400,781
MaSU	860,186	1,338,405	2,198,591
MiSU	1,159,409	1,702,706	2,862,115
VCSU	687,322	683,099	1,370,421
DCB	402,096	355,991	758,087
Forest Service	1,036,290	33,429	1,069,719
Total	\$ 21,275,487	\$ 43,062,333	\$ 64,337,820

The NDUS cannot absorb such a significant expense without a state appropriation that covers the total cost of this change. The alternative would be to use special funding sources, which for higher education are derived largely from tuition and fees for auxiliary services paid by students & their families. Raising the cost of education when families are already struggling to cover increasing prices of fuel, housing, and food would not benefit anyone and may lead to decreased enrollment in post-secondary education. This could in turn negatively impact the number of qualified employees in the ND workforce at a time when employees are desperately needed.

If HB1040 is moved forward, the NDUS respectfully requests the addition of a general fund appropriation to cover the \$1.6 million in increased costs of the 1% required employer contribution increase in the 2023-2025 biennium. NDUS also respectfully requests the Legislature provide intent to fund the general and special fund portions of the ADEC in the 2025-2027 biennium and beyond.

The NDUS would gladly provide additional information to the committee if needed. If committee members have questions, please let me know by email (david.krebsbach@ndus.edu) or call me at 701-328-4116.