



North Dakota Legislative Council

Prepared for the Higher Education Funding Review Committee
LC# 27.9033.01000
August 2025

HIGHER EDUCATION FUNDING METHODS STUDY - BACKGROUND MEMORANDUM

Section 45 of Senate Bill No. 2003 (2025) creates the Higher Education Funding Review Committee to study funding methods for higher education in the state, including:

- The higher education funding formula;
- The university system capital building fund;
- Permanent funds distributions;
- Property tax allocations;
- Oil and gas gross production and oil extraction tax revenue allocations;
- Other statutory funds for higher education and research; and
- Other funding appropriated to institutions and entities under the control of the State Board of Higher Education (SBHE).

Subsection 5 of Section 6 of Article VIII of the Constitution of North Dakota directs the Legislative Assembly to provide adequate funds for the proper carrying out of the functions and duties of SBHE. Subdivisions d and e of Subsection 6 of Section 6 of Article VIII of the Constitution of North Dakota provide:

- d. It shall be the duty of the heads of the several state institutions hereinbefore mentioned, to submit the budget requests for the biennial appropriations for said institutions to said state board of higher education; and said state board of higher education shall consider said budgets and shall revise the same as in its judgment shall be for the best interests of the educational system of the state; and thereafter the state board of higher education shall prepare and present to the state budget board and to the legislature a single unified budget covering the needs of all the institutions under its control. "Said budget shall be prepared and presented by the board of administration until the state board of higher education organizes as provided in subsection 6a." The appropriations for all of said institutions shall be contained in one legislative measure. The budgets and appropriation measures for the agricultural experiment stations and their substations and the extension division of the North Dakota State University of agriculture and applied science may be separate from those of state educational institutions.
- e. The said state board of higher education shall have the control of the expenditure of the funds belonging to, and allocated to such institutions and also those appropriated by the legislature, for the institutions of higher education in this state; provided, however, that funds appropriated by the legislature and specifically designated for any one or more of such institutions, shall not be used for any other institution.

HIGHER EDUCATION FUNDING FORMULA

The Legislative Assembly, through Senate Bill No. 2200 (2013), adopted a new higher education funding method beginning with the 2013-15 biennium based on an adjusted student credit-hour calculation. The calculation involves multiplying a base amount per student credit-hour by an adjusted student credit-hour calculation for each institution. The resulting equalized base budget is then adjusted for inflation to determine total funding for an institution.

The adjusted student credit-hour amount for an institution is determined as follows:

1. Completed student credit-hours are determined for each institution. A completed credit-hour is one for which a student met all institutional requirements and obtained a passing grade.
2. A weighted completed student credit-hour calculation is determined by multiplying each institution's completed student credit-hours by an instructional program classification factor. The factor amount for each program classification is based upon historical costs of instruction in each program.
3. The weighted completed student credit-hour amount for each institution is then adjusted for a credit completion factor, which is based on total credits completed at an institution. Institutions that have a lower credit-hour output receive a greater weighting factor.

The adjusted student credit-hours are then multiplied by a base per-credit amount which varies based on institution type. The following is a summary of the base rates for each institution:

Institutions	Biennial Base Rate Per Credit-Hour		
	2021-23	2023-25	2025-27
North Dakota State University, University of North Dakota	\$61.81	\$73.15	\$79.57
Dickinson State University, Mayville State University, Minot State University, Valley City State University	\$92.60	\$103.76	\$111.55
Bismarck State College, Dakota College at Bottineau, Lake Region State College, North Dakota State College of Science, Williston State College	\$98.84	\$110.38	\$119.91

For the 2025-27 biennium, the Legislative Assembly provided an appropriation of \$699.9 million from the general fund for the higher education funding formula.

CAPITAL BUILDING FUND PROGRAM

The Legislative Assembly established a capital building fund program for the 2019-21 biennium in Sections 29 and 30 of House Bill No. 1003 (2019), including one-time appropriations of \$17 million from Bank of North Dakota (BND) profits and \$2 million from the general fund which were to be matched by other institutional funds. The Legislative Assembly continued the capital building fund program for the 2021-23 biennium in Sections 6, 7, and 14 of Senate Bill No. 2003 (2021), including a transfer of \$19 million from the strategic investment and improvements fund (SIIF) to the university system capital building fund. The allocations by school remained the same as for the 2019-21 biennium and continuing appropriation authority was established to spend from the fund in North Dakota Century Code Section 15-54.1-01. The 2023 Legislative Assembly increased funding for the program by \$5 million to provide a total of \$24 million from SIIF for the 2023-25 biennium.

The 2025 Legislative Assembly increased funding for the program by \$2.5 million to provide a total of \$26.5 million from SIIF for the 2025-27 biennium as follows:

	Tier II		Tier III	
	SIIF	Institution Match (\$1 to \$1)	SIIF	Institution Match (Varied)
Bismarck State College	\$770,505	\$770,505	\$700,000	\$700,000
Dakota College at Bottineau	201,537	201,537	700,000	700,000
Lake Region State College	233,263	233,263	700,000	700,000
North Dakota State College of Science	1,214,738	1,214,738	700,000	700,000

	Tier II		Tier III	
	SIIF	Institution Match (\$1 to \$1)	SIIF	Institution Match (Varied)
Williston State College	322,154	322,154	700,000	700,000
Dickinson State University	516,884	516,884	700,000	700,000
Mayville State University	332,070	332,070	700,000	700,000
Minot State University	906,412	906,412	700,000	700,000
Valley City State University	452,403	452,403	700,000	700,000
North Dakota State University	4,695,895	4,695,895	2,600,000	5,200,000
University of North Dakota	5,354,139	5,354,139	2,600,000	5,200,000
Total	\$15,000,000	\$15,000,000	\$11,500,000	\$16,700,000

PERMANENT FUNDS DISTRIBUTIONS

Article IX of the Constitution of North Dakota provides all property received by the state from whatever source for any specific educational or charitable institution must remain in a perpetual trust fund for the creation and maintenance of such institution. Sections 12 and 13 of Article IX provide for the establishment of higher education institutions in Grand Forks, Fargo, Valley City, Mayville, Wahpeton, Minot, Dickinson, and in the counties of McHenry, Ward, Bottineau, or Rolette. The Board of University and School Lands manages the education trusts for the institutions. Senate Bill No. 2013 (2025) provides for the Board of University and School Lands to distribute money to University System institutions from permanent funds established for the benefit of the institutions as follows:

Institution	2023-25 Distribution	2025-27 Distribution	Increase (Decrease)
North Dakota State University	\$7,648,000	\$8,770,000	\$1,122,000
University of North Dakota	5,986,000	6,948,000	962,000
North Dakota State College of Science	2,259,700	2,570,284	310,584
Valley City State University	1,354,000	1,566,000	212,000
Mayville State University	894,000	1,102,000	208,000
Dakota College at Bottineau	343,700	406,284	62,584
Dickinson State University	343,700	406,284	62,584
Minot State University	343,700	406,284	62,584
Total	\$19,172,800	\$22,175,136	\$3,002,336

PROPERTY TAX ALLOCATIONS

Section 10 of Article X of the Constitution of North Dakota provides for the annual levy of one mill upon all of the taxable property within the state for the University of North Dakota School of Medicine and Health Sciences. The revenue generated is to be expended as directed by the Legislative Assembly for the development, maintenance, and operations of the school. The University of North Dakota School of Medicine and Health Sciences estimates the institution will receive \$14.7 million in property tax revenue during the 2027-29 biennium.

OIL AND GAS TAX ALLOCATIONS

Section 15-11-40 establishes the State Energy Research Center at the University of North Dakota Energy and Environmental Research Center. Section 57-51.1-07.9 provides for the deposit of 1 percent of oil and gas gross production tax and oil extraction tax revenues in the state energy research center fund, up to \$7.5 million per biennium. All money deposited in the State Energy Research Center fund and interest earned in the fund are appropriated on a continuing basis to the Industrial Commission for distribution to the State Energy Research Center.

OTHER FUNDS

Economic Diversification Research Fund

The 2023 Legislative Assembly enacted Section 6-09-53 to establish the economic diversification research fund with BND to provide grants to institutions under the control of SBHE for economic diversification research. The State Board of Higher Education is directed to develop guidelines for the economic diversification research grants, the purpose of which is to:

- Stimulate economic activity across the state through innovation of new technology, concepts, and products;
- Promote job creation and career and wage growth;
- Enhance health care outcomes;
- Address loss of revenue and jobs in communities with economies that depend primarily on the fossil fuel industry; and
- Provide experiential learning opportunities for students.

The 2023 Legislative Assembly transferred \$5.5 million from SIIF to the economic diversification research fund, however the 2025 Legislative Assembly did not transfer or appropriate any additional funding for the grant program.

Skilled Workforce Student Loan Repayment Program and Scholarship Funds

The 2019 Legislative Assembly enacted legislation to create the skilled workforce student loan repayment and scholarship programs. The programs were created to assist businesses in attracting and retaining talent in high-demand and emerging occupations. Known collectively as ND Career Builders, the workforce development programs have two components--scholarships for students enrolled in qualifying programs and student loan repayment for employees in the state who graduated from qualifying programs. Sections 15-10-38.1 and 15-10-38.2 establish funds with continuing appropriation authority for the programs. The 2021 Legislative Assembly provided for the transfer of up to \$4.5 million from BND profits and the 2023 Legislative Assembly transferred \$6.8 million from Bank profits to the special funds created for ND Career Builders. The 2025 Legislative Assembly did not transfer additional funding for the program; however, the North Dakota University System estimated program carryover funding totaling \$8 million to be available for the 2025-27 biennium.

Tuition Revenue

The State Board of Higher Education defines tuition as the basic charge assessed enrolled students, on a per-credit hour basis or at a flat rate assessed at either 12 or 13 semester hours, for classes or programs for which students earn academic credit that may be applied toward a degree. Tuition may be assessed in differential tuition tiers that differ by academic program or course subject based on programmatic needs. Institutions may also charge varying tuition rates based on student residency and the course delivery method. Section 15-10-19.1 defines a resident student for tuition purposes generally as an individual who is a legal resident of the state and has resided in the state for 12 months immediately prior to the beginning of the academic term. In its 2024-25 annual budget report, the North Dakota University System reported estimated tuition and fee income for the fiscal year to be \$439.4 million.

Other Local Funds

Other local funds appropriated to institutions under the control of SBHE include revenues generated from various fees, room and board, auxiliary enterprises, sales, gifts, grants, donations, investment income, and other revenues.