

# HIGHER EDUCATION COMMITTEE

The Higher Education Committee was directed to study higher education institutions under the control of the State Board of Higher Education (SBHE).

The committee was delegated by the Legislative Management the responsibility to:

- Receive annual reports from the SBHE regarding the number of North Dakota academic scholarships and career and technical education (CTE) scholarships provided and demographic information pertaining to the recipients, pursuant to North Dakota Century Code Section 15-10-59.
- Receive a biennial report from the University of North Dakota (UND) School of Medicine and Health Sciences Advisory Council regarding the strategic plan, programs, and facilities of the school, pursuant to Section 15-52-04.
- Receive a report from any tribally controlled community college receiving a grant under Chapter 15-70 detailing grant expenditures and recipient demographics, pursuant to Section 15-70-05.
- Receive a report from the SBHE pursuant to Section 31 of House Bill No. 1003 (2019) regarding the use of funding in each institution's capital building fund line item, the source of matching funds, and each institution's 5-year plan for capital construction spending.
- Receive a report from the SBHE regarding the transfer of appropriation authority among the operations, capital assets, and capital building fund line items within subdivisions 2 through 14 of Section 1 of House Bill No. 1003.
- Receive a report from the Higher Education Funding Formula Review Committee pursuant to House Bill No. 1029 (2019) regarding the committee's review of the higher education funding formula.

Committee members were Representatives Mark Sanford (Chairman), Rick Becker, Larry Bellew, Matt Eidson, Karla Rose Hanson, Richard G. Holman, Dennis Johnson, Donald W. Longmuir, Bob Martinson, David Monson, Gary Paur, and Mike Schatz and Senators Brad Bekkedahl, Robert Erbele, Karen K. Krebsbach, Erin Oban, Larry J. Robinson, and Jim P. Roers.

## BACKGROUND

The Legislative Management has established a Higher Education Committee each interim since 1999. These committees have reviewed higher education funding, expectations of the North Dakota University System, and accountability and reporting measures for the University System. The committees, at times, have gathered input through the use of a higher education roundtable, which consisted of members of the Higher Education Committee and representatives from the SBHE, business and industry, the executive branch, and higher education institutions, including tribal and private colleges.

### University System Information

The University System consists of 11 higher education institutions under the control of the SBHE. Of the 11 institutions, 2 are doctoral-granting institutions, 2 are master's-granting institutions, 2 are universities that offer baccalaureate degrees, and 5 are colleges that offer associate and technical degrees. Bismarck State College (BSC) has received authority to transition into a polytechnic institution that offers baccalaureate degrees in technical fields and Dickinson State University (DSU) has received authority to transition into a dual-mission institution that offers associate degrees and certificates. In addition, the North Dakota Forest Service is administratively under North Dakota State University (NDSU).

## HIGHER EDUCATION STUDY

The Legislative Management directed the committee to study higher education institutions under the control of the SBHE. The study must include:

- Higher education trends, including enrollment, space needs, and distance education, and their impact on higher education institutions and the state;
- Higher education research relating to agriculture, energy, and other sectors, including its economic impact, available funding, and the impact of institution and systemwide administrative structures on research;
- Higher education facilities, including campus and legislative funding expectations and the role of the new three-tier capital building fund program; and
- The role of higher education in meeting the state's workforce needs, including TrainND, dual missions, and interstate cooperation.

## Legislative Appropriations

Legislative appropriations for the 2019-21 biennium for higher education institutions, the North Dakota Forest Service, and the University System office total \$2,999,878,919, of which \$660,517,805 is from the general fund. Of the total general fund appropriation, \$11,850,000 is considered one-time funding. The following is a history of legislative appropriations for higher education since the 1997-99 biennium:

Biennium	General Fund	Special Funds	Total
1997-99	\$306,825,098	\$323,595,863	\$630,420,961
1999-2001	\$334,449,287	\$713,538,799	\$1,047,988,086
2001-03	\$366,953,836	\$80,367,201	\$447,321,037
2003-05	\$364,029,938	\$110,546,775	\$474,576,713
2005-07	\$387,157,893	\$178,552,108	\$565,710,001
2007-09	\$472,036,237	\$165,419,701	\$637,455,938
2009-11	\$593,355,047	\$202,764,364	\$796,119,411
2011-13	\$657,838,539	\$108,817,759	\$766,656,298
2013-15	\$910,632,494	\$177,980,941	\$1,088,613,435
2015-17	\$837,849,212	\$66,644,264	\$904,493,476
2017-19	\$679,438,630 <sup>1</sup>	\$2,059,950,275	\$2,739,388,905
2019-21	\$660,517,805	\$2,339,361,114	\$2,999,878,919

**NOTE:** The special funds amounts for the 1997-99 biennium reflect the appropriation of tuition income. The special funds amounts for the 1999-2001, 2017-19, and 2019-21 bienniums reflect the appropriation of tuition and local funds.

<sup>1</sup>The 2017-19 biennium general fund amount includes \$53.6 million of supplemental funding appropriated by the 2019 Legislative Assembly.

The following is a summary of ongoing and one-time general fund appropriations for the University System since the 2007-09 biennium:

General Fund Appropriations			
Biennium	Ongoing Appropriations	One-Time Appropriations	Total
2007-09	\$443,654,169	\$28,382,068	\$472,036,237
2009-11	\$534,062,895	\$59,292,152	\$593,355,047
2011-13	\$606,525,437	\$51,313,102	\$657,838,539
2013-15	\$679,271,846	\$231,360,648	\$910,632,494
2015-17	\$681,876,059	\$155,973,153	\$837,849,212
2017-19	\$613,242,154	\$66,196,476 <sup>1</sup>	\$679,438,630
2019-21	\$648,667,805	\$11,850,000	\$660,517,805

<sup>1</sup>The 2017-19 biennium one-time amount includes \$53.6 million of supplemental funding appropriated by the 2019 Legislative Assembly.

## Higher Education Delivery Methods

Higher education institutions offer course delivery through several different methods. The following is a summary of various delivery methods:

Delivery Method	Description
Face-to-face on campus	A traditional classroom environment in which both the instructor and students are physically located in the same classroom.
Face-to-face off campus	Both the instructor and students are physically located in the same classroom in an off-campus facility.
Correspondence	Instruction is provided through mail, email, or fax.
One-way video	A video connection that allows for the faculty member to be heard and seen by students.
Two-way video	A video and audio connection among two or more sites that allows for communication between faculty members and students.
Synchronous Internet	Online classes that require faculty members and students to be online at the same time for interactive learning.
Asynchronous Internet	Online classes in which faculty members and students are not required to be online at the same time. Faculty members provide learning materials and assignments that may be completed by a student anytime during a specified time period.
Hybrid/blended	Classes in which multiple delivery methods are utilized.

The University System reported the total degree credit headcount enrollment of the University System was 44,938 students during the fall 2019 semester. Of the total enrollment, 31,124, or 69.3 percent of students, were enrolled in at least one traditional classroom course while 13,814, or 30.7 percent of students, did not have an on-campus presence. The following schedule details the number of students at each institution who had an on-campus presence:

	Students With an On-Campus Presence		Students Without an On-Campus Presence	
Bismarck State College	1,992	53.3%	1,747	46.7%
Dakota College at Bottineau	403	40.1%	603	59.9%
Lake Region State College	384	19.4%	1,598	80.6%
North Dakota State College of Science	1,395	46.9%	1,582	53.1%
Williston State College	647	57.2%	485	42.8%
Dickinson State University	1,034	76.6%	316	23.4%
Mayville State University	484	39.9%	728	60.1%
Minot State University	2,096	67.2%	1,025	32.8%
Valley City State University	851	51.1%	814	48.9%
North Dakota State University	12,150	92.2%	1,023	7.8%
University of North Dakota	9,688	71.3%	3,893	28.7%
Total	31,124	69.3%	13,814	30.7%

## Enrollment

The University System reported a total degree credit headcount enrollment of 44,938 students and a total degree credit full-time equivalent (FTE) enrollment of 35,353 students in the fall 2019 enrollment report. The following is a summary of University System degree credit headcount and FTE fall enrollments by campus for 2010 through 2019:

Fall Headcount Enrollment <sup>1</sup>										
Institution	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Bismarck State College	4,177	4,392	4,109	4,062	4,002	4,078	3,976	3,756	3,778	3,739
Dickinson State University	2,485	2,346	1,837	1,449	1,479	1,317	1,386	1,425	1,392	1,350
Lake Region State College	1,913	2,056	1,974	1,898	1,988	1,918	1,947	1,972	2,072	1,982
Mayville State University	982	970	1,020	1,065	1,081	1,110	1,130	1,140	1,184	1,212
Minot State University	3,866	3,657	3,560	3,533	3,410	3,348	3,412	3,216	3,189	3,121
Dakota College at Bottineau	863	812	774	793	753	692	811	909	996	1,006
North Dakota State College of Science	2,833	3,127	3,066	3,168	3,033	3,123	3,003	2,985	2,957	2,977
North Dakota State University	14,407	14,399	14,443	14,629	14,747	14,516	14,432	14,358	13,796	13,173
University of North Dakota	14,194	14,697	15,250	15,143	14,906	14,951	14,648	14,406	13,847	13,581
Valley City State University	1,285	1,384	1,362	1,366	1,378	1,422	1,452	1,522	1,547	1,665
Williston State College	932	993	808	909	883	1,038	1,039	1,098	1,124	1,132
Total	47,937	48,833	48,203	48,015	47,660	47,513	47,236	46,787	45,882	44,938

<sup>1</sup>Headcount enrollment includes all students enrolled at an institution regardless of the number of credit-hours the student is enrolled in.

Fall Full-Time Equivalent Enrollment <sup>1</sup>										
Institution	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Bismarck State College	3,208	3,209	2,990	2,955	2,909	2,912	2,860	2,646	2,611	2,598
Dickinson State University	2,054	1,959	1,454	1,201	1,176	1,070	1,114	1,128	1,090	1,093
Lake Region State College	921	988	973	943	978	981	971	995	1,005	975
Mayville State University	704	704	759	749	798	796	782	784	817	801
Minot State University	3,002	2,795	2,731	2,710	2,600	2,570	2,592	2,467	2,483	2,399
Dakota College at Bottineau	540	524	474	502	518	459	490	527	590	596
North Dakota State College of Science	2,217	2,366	2,354	2,295	2,272	2,305	2,298	2,253	2,126	2,076
North Dakota State University	12,708	12,606	12,707	12,797	12,934	12,834	12,783	12,784	12,394	11,704
University of North Dakota	12,018	12,319	12,729	12,606	12,420	12,455	12,182	11,964	11,585	11,164
Valley City State University	957	1,011	995	975	990	1,031	1,044	1,086	1,096	1,164
Williston State College	570	608	537	593	579	738	756	764	806	783
Total	38,899	39,089	38,703	38,326	38,174	38,151	37,872	37,398	36,603	35,353

<sup>1</sup>The FTE enrollment of an institution is calculated by dividing undergraduate student credit-hours by 15 and by dividing graduate student credit-hours by 12. Full-time professional program students are counted as 1 FTE enrollment.

## Electronic Course Enrollment

The University System reported 22,599 students enrolled in at least one degree-credit course with an electronic delivery method during the fall 2019 semester. The following table summarizes the enrollment by campus for each type of distance delivery method:

Enrollment in Courses With Electronic Delivery Methods (Fall 2019)					
	Interactive Video	Synchronous Internet	Asynchronous Internet	Hybrid	Total <sup>1</sup>
Bismarck State College	181		1,824	468	2,473
Dakota College at Bottineau	272		460	71	803
Lake Region State College	166		885	19	1,070
North Dakota State College of Science	107	50	701	534	1,392

<b>Enrollment in Courses With Electronic Delivery Methods (Fall 2019)</b>					
	<b>Interactive Video</b>	<b>Synchronous Internet</b>	<b>Asynchronous Internet</b>	<b>Hybrid</b>	<b>Total<sup>1</sup></b>
Williston State College	141		644	313	1,098
Dickinson State University	74	52	505	31	662
Mayville State University	144		705	56	905
Minot State University	49	43	1,281		1,373
Valley City State University			915		915
North Dakota State University	51	29	5,257	1,160	6,497
University of North Dakota		783	5,329	1,187	7,299
<b>Total</b>	<b>1,185</b>	<b>957</b>	<b>18,506</b>	<b>3,839</b>	<b>24,487</b>

<sup>1</sup>Duplicated total in which students taking courses through multiple delivery methods are counted more than once.

### University System Space Utilization

The committee received an update regarding University System campus space utilization. The University System reported the criteria for determining space utilization includes room schedules and density. Room scheduling is the amount of time classrooms and laboratories are being used. Room density is the number of students occupying the available student space in each room compared to total capacity. The utilization rate is calculated by multiplying its scheduling rate times its density rate. The space utilization goal is for each classroom to be used at least 30 hours per week with an occupancy rate of at least 80 percent of capacity. The space utilization goal for laboratories is for each laboratory to be used at least 20 hours per week with an occupancy rate of at least 75 percent of capacity.

Information provided by the University System indicated University System institutions generally have below average space utilization rates. Utilization rates of classrooms at institutions range from 37 to 78 percent while the utilization rates of laboratories at institutions range from 35 to 101 percent.

### Higher Education Research

The University System reported estimated research expenditures of \$255.5 million in fiscal year 2018, including \$109.8 million at UND and \$145.7 million at NDSU. The Legislative Assembly, in House Bill No. 1003 (2019), provided \$6.03 million from the general fund for competitive research. The following is a summary of funding for the competitive research program:

<b>Biennium</b>	<b>General Fund</b>
1999-2001	\$1,971,000
2001-03	\$4,000,000
2003-05	\$4,750,000 <sup>1</sup>
2005-07	\$5,190,000
2007-09	\$5,650,000
2009-11	\$7,050,000 <sup>2</sup>
2011-13	\$7,050,000
2013-15	\$7,050,000
2015-17	\$6,588,225
2017-19	\$6,027,750
2019-21	\$6,027,750 <sup>3</sup>

<sup>1</sup>The 2003 Legislative Assembly provided \$100,000 of the \$4.75 million be used for a public-private partnership for establishment of a design center at UND.

<sup>2</sup>The 2009 Legislative Assembly provided \$400,000 of the \$7.05 million be used for the National Aeronautics and Space Administration's (NASA) Established Program to Stimulate Competitive Research (EPSCoR).

<sup>3</sup>The 2019 Legislative Assembly provided \$342,000 of the \$6,027,750 be used for NASA EPSCoR.

The Legislative Assembly, in House Bill No. 1020 (2019), appropriated \$150,161,980, including \$71,618,352 from the general fund, \$940,465 from the strategic investment and improvements fund, and \$77,603,163 from other funds, for NDSU agricultural research as follows:

	<b>2019-21 Biennium Appropriation</b>
Main Research Center	\$111,360,566
Dickinson Research Center	7,015,862
Central Grasslands Research Center	3,510,825
Hettinger Research Center	5,112,403
Langdon Research Center	3,052,060
North Central Research Center	5,137,570
Williston Research Center	5,286,833
Carrington Research Center	9,685,861
<b>Total</b>	<b>\$150,161,980</b>

Testimony from representatives of NDSU indicated 25 percent of the state's economic output is connected to agriculture and agriculture has an \$11 billion economic impact on the state. In addition, the institution generated nearly \$2 million in license and patent revenue in fiscal year 2017.

The Legislative Assembly, in Senate Bill No. 2249 (2019), established the State Energy Research Center at the UND Energy and Environmental Research Center (EERC) and provided for 1 percent of oil and gas tax collections, up to \$5 million per biennium, to be deposited in the State Energy Research Center fund. The University of North Dakota reported EERC conducted nearly \$50 million of research in fiscal year 2020, resulting in over \$100 million of economic impact.

### Workforce Training

The University System summarized workforce training provided by TrainND and reported the following statistics for fiscal years 2016 through 2019:

	2016	2017	2018	2019
Businesses served	1,076	843	701	730
Employees receiving training	11,908	10,917	8,205	9,540
Business satisfaction with training	99%	99%	99%	99%
Participant satisfaction with training	98%	98%	99%	99%
Businesses requesting additional training	67%	61%	47%	53%
Revenue generated from training fees (in millions)	\$4.9	\$4.4	\$4.4	\$5.1

Representatives of DSU reported the institution's previous role as a 4-year regional institution prevented the institution from providing certain educational programming needed for the workforce in western North Dakota. The report indicated DSU is evolving into a dual-mission university to offer certain certificate, 2-year, and graduate programs in demand in the region. New programs will include a Master of Entrepreneurship, an Associate of Administration, and certificates in wellness, strength and conditioning, corrective exercise, and allied health. Dickinson State University also reported it is considering adding programs for welding, commercial truck driver training, and peace officer training.

Representatives of BSC reported the institution is transitioning into a polytechnic institution, including an expansion of its mission to include certain 4-year technical degree programs. This change is in response to increasing demands from the community and private sector. New programs include Bachelor of Applied Sciences degrees in energy management and cybersecurity and a degree in automation management is being developed.

## NORTH DAKOTA CAREER AND TECHNICAL EDUCATION SCHOLARSHIPS AND ACADEMIC SCHOLARSHIPS

The 2009 Legislative Assembly created the CTE and academic scholarship programs. Eligibility criteria for the scholarship programs, which are in Chapter 15.1-21, were adjusted by the Legislative Assembly in 2011, 2013, 2015, 2017, and 2019. The eligibility criteria provide a student must be a resident of the state and meet the following program requirements for the scholarships:

Career and Technical Education Scholarship	Academic Scholarship
Complete 4 units of English language arts	Complete 4 units of English language arts
Complete 3 units of mathematics, including 1 unit of Algebra II and 2 units of other mathematics	Complete 3 units of mathematics, including 1 unit of Algebra II, 1 unit of mathematics for which Algebra II is a prerequisite, and 1 unit of other mathematics, which may include computer science
Complete 3 units of science	Complete 3 units of science
Complete 3 units of social studies	Complete 3 units of social studies
Complete 1 unit of physical education or .5 unit of physical education and .5 unit of health	Complete 1 unit of physical education or .5 unit of physical education and .5 unit of health
Complete 2 units of a coordinated study plan as recommended by the Department of Career and Technical Education or an education pathway approved by the Superintendent of Public Instruction	Complete 2 units of the same foreign language, the same Native American language, American sign language, or CTE from a coordinated study plan approved by the Superintendent of Public Instruction
Complete 1 unit selected from foreign language, Native American language, American sign language, fine arts, or CTE	Complete 1 unit selected from foreign language, Native American language, American sign language, fine arts, or CTE
Complete 5 additional units, 2 of which must be in the area of CTE	Complete any 5 additional units
Obtain a cumulative grade point average of at least 3.0 on a 4.0 grading scale for all courses taken or only for courses taken that are required for the scholarship	Obtain a cumulative grade point average of at least 3.0 on a 4.0 grading scale for all courses taken or only for courses taken that are required for the scholarship
Obtain a grade of at least "C" in each unit or .5 unit required for the scholarship	Obtain a grade of at least "C" in each unit or .5 unit required for the scholarship

<b>Career and Technical Education Scholarship</b>	<b>Academic Scholarship</b>
Receive a composite score of at least 24 on the ACT Aspire or a score of at least 5 on each of 3 WorkKeys assessments	Receive a composite score of at least 24 on the ACT Aspire  Fulfill 1 unit required for the scholarship through an advanced placement course or fulfill .5 unit required for the scholarship through a dual-credit course

Any student who meets the requirements for a CTE scholarship or an academic scholarship is eligible to receive a scholarship of \$750 per semester, or \$500 per quarter, for each period the student is enrolled full-time at a North Dakota higher education institution and maintains eligibility up to a maximum amount of \$6,000. Scholarships may be provided to students for up to 6 years following the student's graduation from high school.

The 2019-21 biennium legislative appropriation provides \$12,016,749 from the general fund for the program, the same amount as provided for the 2017-19 biennium.

Section 15-10-59 requires the SBHE to provide an annual report to the Legislative Management regarding the number of North Dakota academic and CTE scholarships awarded and demographic information pertaining to the recipients. Representatives of the University System reported of the 7,962 high school seniors in the state who graduated in 2019, a total of 1,868, or 23 percent, qualified to receive an academic or CTE scholarship. Since the program began in 2010, there have been 79,643 high school graduates in the state and 16,099, or 20 percent of those graduates were eligible to receive an academic or CTE scholarship. Of the 16,099 eligible students, 9,703 students qualified for an academic scholarship and 6,396 students qualified for a CTE scholarship.

The University System reported a total of 5,025 students received an academic or CTE scholarship during the fall 2019 semester as follows:

	<b>Type of Institution Attended by Scholarship Recipients (Fall 2019 Semester)</b>				
	<b>2-Year Public or Tribal Institution</b>	<b>4-Year Public Institution</b>	<b>Public Research Institution</b>	<b>Private Institution</b>	<b>Total</b>
Academic scholarship recipients	171	296	2,142	319	2,928
CTE scholarship recipients	490	429	977	201	2,097
<b>Total</b>	<b>661</b>	<b>725</b>	<b>3,119</b>	<b>520</b>	<b>5,025</b>

To supplement the \$12.0 million appropriated for the program for the 2019-21 biennium, the University System reported \$2.5 million was transferred from the student financial assistance grants line item to the academic and CTE scholarships line item due to a funding shortfall for the program. The University System estimates \$16.4 million will be needed for academic and CTE scholarships during the 2021-23 biennium.

### **UNIVERSITY OF NORTH DAKOTA SCHOOL OF MEDICINE AND HEALTH SCIENCES ADVISORY COUNCIL**

The UND School of Medicine and Health Sciences Advisory Council consists of 16 members, including a majority party member and minority party member from both the Senate and House of Representatives. Other members to the advisory council are selected by the Department of Human Services, SBHE, State Department of Health, North Dakota Medical Association, North Dakota Hospital Association, the Department of Veterans' Affairs hospital in Fargo, the North Dakota Center for Nursing, the UND Center for Rural Health, and the Dean of the School of Medicine and Health Sciences.

#### **Report**

Section 15-52-04 requires the UND School of Medicine and Health Sciences Advisory Council to provide a biennial report to the Legislative Council. The report is to provide recommendations regarding the strategic plan, programs, and facilities of the school. Recommendations for implementing strategies through the school must address the health care needs of the people of the state and provide information regarding the state's health care workforce needs. Recommendations of the advisory council may address the areas of medical education and training, recruitment and retention of health care professionals, factors influencing the practice environment of health care professionals, access to health care, patient safety, quality of health care, and financial challenges in the delivery of health care.

The committee received a report from representatives of the UND School of Medicine and Health Sciences Advisory Council regarding the strategic plan, programs, and facilities of the school. According to the report, the UND School of Medicine and Health Sciences has implemented the health care workforce initiative. The initiative includes four major initiative areas:

- Reduce disease burden to lower the demand for health care services and related costs;

- Train more physicians and health care providers by increasing medical and health science class sizes and expanding residency programs;
- Retain more health care providers in the state through programs, such as the RuralMed scholarship program; and
- Improve the efficiency of the health care delivery system by training health care providers in interprofessional health care teams and by the use of learning communities.

### GRANTS TO TRIBALLY CONTROLLED COMMUNITY COLLEGES

Chapter 15-70 creates an assistance program for tribally controlled community colleges located in the state. Funding is to be distributed to the tribally controlled community colleges to defray the costs of education associated with the enrollment of nonbeneficiary students.

To qualify for a grant, a qualified institution must submit an application to the SBHE which documents the enrollment status of each student for whom financial assistance is sought. If an application is approved, the SBHE distributes an annual payment to the institution for each nonbeneficiary student enrolled at the institution. The amount of payment is equal to the per student payment provided to institutions under the federal Tribally Controlled Colleges and Universities Assistance Act of 1978 or a prorated amount if funding is limited.

Each tribal college receiving a grant under Chapter 15-70 is to submit a report to the Legislative Council detailing the expenditures of the grant funds received by the institution. Additionally, each college is to submit a copy of the institution's latest audit report and documentation of the enrollment status of each student for whom financial assistance is requested. Any institution that fails to meet the reporting requirements is ineligible to receive future grants until the required information is submitted.

The following table details legislative appropriations for grants to tribally controlled community colleges:

Biennium	General Fund	Permanent Oil Tax Trust Fund	Student Loan Trust Fund
2007-09		\$700,000	
2009-11		\$700,000	
2011-13	\$1,000,000		
2013-15	\$1,000,000		
2015-17	\$500,000		\$500,000
2017-19	\$100,000		\$500,000
2019-21	\$1,000,000		

Representatives of the University System provided a report to the committee regarding the allocation of tribal college assistance grants. The University System reported \$7,356 of grant funding was awarded per FTE nonbeneficiary student during the 2019-20 academic year. The committee reviewed the following schedule detailing the allocation of grant funding during the 2019-20 academic year:

Tribal College Assistance Grants - 2019-20 Academic Year			
Institution	Headcount of Nonbeneficiary Students	FTE Enrollment of Nonbeneficiary Students	Grant Funds Provided
Cankdeska Cikana Community College	19	14.1	\$121,762
Nueta Hidatsa Sahnish College (Formerly Fort Berthold Community College)	17	13.7	118,307
Sitting Bull College	7	3.2	27,634
Turtle Mountain Community College	17	11.7	101,036
United Tribes Technical College	20	15.2	131,261
<b>Total</b>	<b>80</b>	<b>57.9</b>	<b>\$500,000</b>

### CAPITAL BUILDING FUND PROGRAM

Section 31 of House Bill No. 1003 (2019) required the SBHE to report to the Legislative Management regarding the use of funding in each institution's capital building fund line item, the source of matching funds, and each institution's 5-year plan for capital construction spending. The 2019 Legislative Assembly established a capital building fund program for the 2019-21 biennium in Sections 29 and 30 of House Bill No. 1003, including one-time appropriations of \$17 million from Bank of North Dakota profits and \$2 million from the general fund which are to be matched by other institutional funds as follows:

	Tier II		Tier III	
	Bank of North Dakota Profits	Institution Match (\$1 to \$1)	General Fund and Bank of North Dakota Profits	Institution Match (\$2 to \$1)
Bismarck State College	\$425,693	\$425,693	\$500,000	\$1,000,000
Dakota College at Bottineau	106,064	106,064	500,000	1,000,000

	Tier II		Tier III	
	Bank of North Dakota Profits	Institution Match (\$1 to \$1)	General Fund and Bank of North Dakota Profits	Institution Match (\$2 to \$1)
Lake Region State College	177,375	177,375	500,000	1,000,000
North Dakota State College of Science	500,695	500,695	500,000	1,000,000
Williston State College	137,947	137,947	500,000	1,000,000
Dickinson State University	268,862	268,862	500,000	1,000,000
Mayville State University	240,029	240,029	500,000	1,000,000
Minot State University	572,801	572,801	500,000	1,000,000
Valley City State University	309,137	309,137	500,000	1,000,000
North Dakota State University	2,899,596	2,899,596	2,250,000	4,500,000
University of North Dakota	4,361,801	4,361,801	2,250,000	4,500,000
<b>Total</b>	<b>\$10,000,000</b>	<b>\$10,000,000</b>	<b>\$9,000,000</b>	<b>\$18,000,000</b>

The funding in Tier II was appropriated directly to the institutions and the funding in Tier III was appropriated to the University System office with a directive to allocate the money as identified in the schedule above as matching funds are secured. An additional \$11.1 million from the general fund, which must be matched by each institution with \$2 from operations or other sources for each \$1 of extraordinary repairs funding used for a project, was appropriated in the capital assets line item of each institution for extraordinary repairs. This amount is considered Tier I of the capital building fund program. After an institution has matched 75 percent of the funding appropriated from the general fund as Tier I for institution extraordinary repairs and subject to SBHE approval, the institution may use money from Tier II and Tier III of its capital building fund for extraordinary repairs and deferred maintenance projects that do not exceed \$700,000 and do not increase the square footage of a building. In addition, the Legislative Assembly authorized the use of capital building fund money for specific capital projects at Lake Region State College, the North Dakota State College of Science (NDCS), Minot State University (MiSU), Valley City State University (VCSU), and Dakota College at Bottineau.

Representatives of the University System reported of the \$33.3 million appropriated for Tier I of the capital building fund program, including \$11.1 million from the general fund and \$22.2 million of institution matching funds, \$20.8 million, or 62 percent, had been utilized as of September 9, 2020. According to the report, UND and Williston State College (WSC) had fully utilized their Tier I funds; BSC had utilized 75 percent of its Tier I funds and transferred the remainder to operations pursuant to Section 23 of House Bill No. 1003 (2019), as amended by Section 25 of Senate Bill No. 2015 (2019); and seven other institutions had partially utilized their Tier I funds.

Of the \$20 million appropriated for Tier II of the capital building fund program, including \$10 million from Bank of North Dakota profits and \$10 million from institution matching funds, \$1.1 million, or 5 percent, had been utilized as of September 9, 2020. The report from the University System indicated WSC had fully utilized its Tier II funds, BSC and DSU had partially utilized their Tier II funds, and the other eight institutions had not met matching fund requirements. Four institutions did not expect to utilize any Tier II funds during the 2019-21 biennium.

The University System reported of the \$27 million appropriated for Tier III of the capital building fund program, including \$7 million from Bank of North Dakota profits, \$2 million from the general fund, and \$18 million from institution matching funds, \$1.5 million, or 6 percent, had been utilized as of September 9, 2020. Williston State College had fully utilized its Tier III funds and the other 10 institutions had not met matching fund requirements. Four institutions did not expect to utilize any Tier III funds during the 2019-21 biennium.

### **TRANSFERS BETWEEN LINE ITEMS**

Section 23 of House Bill No. 1003 (2019), as amended by Section 25 of Senate Bill No. 2015 (2019), requires the SBHE to provide a report regarding the transfer of appropriation authority among the operations, capital assets, and capital building fund line items by University System institutions. Section 23 allows institutions to transfer appropriation authority from the operations line item to the capital assets and capital building fund line items for matching fund requirements. Section 23 also allows institutions to transfer appropriation authority from the capital assets line item to the operations line item after the institution has matched and used 75 percent of the funding in the capital assets line item appropriated from the general fund for institution extraordinary repairs.

The University System reported BSC transferred \$104,418 from the capital assets line item to the operations line item and VCSU transferred appropriation authority from the operations line item (\$1,125,775) to the capital assets line item (\$816,638) and the capital building fund line item (\$309,137) for extraordinary repairs matching funds.

### **HIGHER EDUCATION FUNDING FORMULA REVIEW COMMITTEE**

The Higher Education Funding Formula Review Committee was assigned to study the higher education funding formula pursuant to House Bill No. 1029 (2019). The study was to include the appropriateness of certain credit-hour weighting factors and the potential or need for additional weighting factors. The Legislative Management directed the



Higher Education Funding Formula Review Committee to report to the interim Higher Education Committee regarding the study.

### Adjusted Student Credit-Hour Funding Method

The Legislative Assembly, in Senate Bill No. 2200 (2013), adopted a 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 institutional funding.

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. 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.
  - b. An institutional size factor based on the square footage of facilities at an institution. Institutions that have a large amount of infrastructure may receive an additional factor adjustment.

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		
	2015-17	2017-19	2019-21
North Dakota State University, University of North Dakota	\$72.63	\$58.65	\$60.87
Dickinson State University, Mayville State University, Minot State University, Valley City State University	\$107.33	\$86.95	\$90.98
Bismarck State College, Dakota College at Bottineau, Lake Region State College, North Dakota State College of Science, Williston State College	\$114.88	\$93.03	\$97.06

Through June 30, 2019, the calculation of funding through the adjusted student credit-hour funding method was to ensure an institution would not receive less than 96 percent of the state funding to which the institution was entitled during the previous biennium. The minimum amount payable requirement resulted in an additional \$710,879 appropriation for MiSU for the 2019-21 biennium, \$2,309,626 for DSU for the 2017-19 biennium, and \$972,723 for DSU for the 2015-17 biennium. The minimum amount payable requirement was not continued by the 2019 Legislative Assembly for use in the funding formula calculation for the 2021-23 biennium.

Under the adjusted student credit-hour funding formula, funding for extraordinary repairs is included in the base amount determined by the formula; however, funding for major capital projects is appropriated separately from the formula. The Legislative Assembly appropriated \$11,117,046 from the general fund for the 2019-21 biennium for extraordinary repairs under the adjusted student credit-hour funding formula. This funding is considered Tier I funding under the capital building fund program.

### Preliminary 2021-23 Biennium Funding Formula Calculations

The 2021-23 biennium higher education funding formula calculations will be based on student credit-hours completed during the 2017-19 biennium. The preliminary calculations for the 2021-23 biennium based on current law indicate 7,582,996 adjusted student credit-hours were completed at institutions during the 2017-19 biennium. This represents a decrease of 567, or 0 percent, in completed adjusted student credit-hours from the 2015-17 biennium.

The following preliminary funding formula calculations are based on current law for the 2021-23 biennium:

Institution	2019-21 Biennium Base Funding	2021-23 Biennium Preliminary Funding Formula Calculation	Increase (Decrease)	
Bismarck State College	\$31,068,227	\$27,911,447	(\$3,156,780)	(10.2%)
Dakota College at Bottineau	7,740,826	9,134,608	1,393,782	18.0%
Lake Region State College	12,945,280	13,442,616	497,336	3.8%
North Dakota State College of Science	36,542,022	34,679,441	(1,862,581)	(5.1%)
Williston State College	10,067,743	9,782,774	(284,969)	(2.8%)
Dickinson State University	18,393,063	19,226,621	833,558	4.5%

Institution	2019-21 Biennium Base Funding	2021-23 Biennium Preliminary Funding Formula Calculation	Increase (Decrease)	
Mayville State University	16,420,616	18,242,764	1,822,148	11.1%
Minot State University	39,896,693	39,966,149	69,456	0.2%
Valley City State University	22,658,933	21,798,535	(860,398)	(3.8%)
North Dakota State University	132,714,983	132,685,887	(29,096)	(0.0%)
University of North Dakota	202,539,508	202,951,415	411,907	0.2%
Total	\$530,987,894	\$529,822,257	(\$1,165,637)	(0.2%)

### Report

The Higher Education Funding Formula Review Committee received testimony from representatives of the University System regarding the higher education funding formula, including the results of a survey of institutions regarding the formula. The Higher Education Funding Formula Review Committee also reviewed instructional program costs and received testimony from representatives of the University System regarding the capital building fund program.

The Higher Education Funding Formula Review Committee, through the Legislative Management Chairman, forwarded the following three committee recommendations to the SBHE for consideration by the board:

1. Consider not recognizing the change in the classification of instructional programs (CIP) code to move certain veterinary-related courses from the health sciences cluster to the agriculture cluster.
2. Consider reviewing the institutional size factor of the higher education funding formula during the 2019-20 interim and performing biennial reviews of the higher education funding formula beginning with the 2021-23 biennium.
3. Consider meeting with legislative leadership regarding the capital building fund program and requested funding for capital projects before each legislative session.

The Higher Education Funding Formula Review Committee also recommended two bill drafts, one to amend the higher education funding formula and one to establish the capital building fund program in the Century Code. The Higher Education Committee considered, but did not recommend either of the bill drafts recommended by the Higher Education Funding Formula Review Committee; however, the Higher Education Committee did consider the bill drafts in its recommendations.

### OTHER INFORMATION RECEIVED

During the interim, the committee held meetings on the campuses of several University System institutions, received updates regarding unique issues affecting the campuses, and conducted tours of selected campus buildings at DSU, WSC, NDSU, and NDSCS. The committee intended to tour additional campuses, but was unable to due to the Coronavirus (COVID-19) pandemic.

### Student Financial Assistance Programs

The committee received information regarding various state student financial assistance programs. The committee reviewed the following schedule which provides details regarding the programs:

Program	Description	Award Amount	2019-21 Biennium General Fund Appropriations
Student financial assistance grants	Needs-based grants awarded to students based on free application for federal student aid (FAFSA) information	Maximum grant of \$1,100 per semester	\$23,917,306
Scholars program	Scholarships awarded to the top-ranked high school graduates based on ACT Aspire scores	Full amount of tuition	\$1,807,115
Academic and CTE scholarship program	Scholarships awarded to resident students who achieve certain academic standards in high school	\$750 per semester	\$12,016,749
Native American scholarship program	Merit- or needs-based scholarships awarded to students who are enrolled members of a federally recognized Indian tribe	Up to \$2,000 per academic year	\$555,323
Professional student exchange program	Secures admission opportunities and reduces tuition costs for North Dakota students who enroll in veterinary medicine, dentistry, and optometry programs at certain out-of-state institutions	The amount of tuition reduced varies by program	\$3,699,342

The University System reported that in addition to the state financial assistance programs, several institutional scholarship programs provide student financial assistance. Funding for most of the scholarships are provided by foundations or donors for various purposes, such as athletics or fine arts scholarships. Approximately \$32.6 million of institutional scholarships were awarded in the 2018-19 academic year.

### **Higher Education Challenge Grant Program**

The committee received information regarding the higher education challenge grant program. The program is used to provide grants to University System institutions to match private donations. The 2019 Legislative Assembly appropriated \$9.65 million of one-time funding from the general fund for the grant program during the 2019-21 biennium. Of the funding appropriated, \$1.7 million each was designated to be available to UND and NDSU; \$950,000 each was designated to be available to BSC, MiSU, and NDSCS; \$700,000 each was designated to be available to DSU, Mayville State University, and VCSU; \$350,000 each was designated to be available to Dakota College at Bottineau, Lake Region State College, and WSC; and \$250,000 was designated to be available to the UND School of Law. The University System reported of the \$9.65 million available for higher education challenge grants, approximately \$6.9 million had been awarded through June 2020. The University System reported 88 percent of the \$6.9 million awarded to campuses is for student scholarships.

## **COMMITTEE RECOMMENDATIONS**

The committee recommends:

1. A bill draft [21.0144.01000] to continue the higher education challenge grant program at its current funding level with an appropriation of \$9.65 million from the general fund.
2. A bill draft [21.0145.01000] to amend the higher education funding formula to:
  - a. Increase funding for credits completed in CTE;
  - b. Modify the credit completion factor to protect institutions with increasing enrollment from a reduction in funding caused by a decrease in the credit completion factor;
  - c. Restore the minimum amount payable clause at 96 percent;
  - d. Eliminate the funding formula reduction attributable to the law enforcement tuition waiver;
  - e. Eliminate the institutional size factor;
  - f. Direct the SBHE to conduct an instructional program cost analysis during the 2021-22 interim using 2019-21 biennium financial data;
  - g. Provide legislative intent that the SBHE transfer computer science credits from the core disciplines cluster to the engineering discipline cluster;
  - h. Provide legislative intent that the SBHE not recognize the change in the CIP code to move certain veterinary-related courses from the health sciences cluster to the agriculture cluster; and
  - i. Provide legislative intent that the SBHE place certain unique, high-cost CTE courses in an upper division created under the CTE discipline cluster.

This bill draft is estimated to increase funding for higher education institutions by \$15.5 million from the general fund for the 2021-23 biennium.

3. A bill draft [21.0186.02000] to amend the higher education funding formula to provide for a reduced base funding amount for upper division non-CTE credits completed at 2-year institutions and an increased base funding amount for CTE credits completed at 4-year regional institutions. This bill draft is estimated to decrease funding for BSC by \$131,267 from the general fund for the 2021-23 biennium.
4. A bill draft [21.0187.01000] to establish the capital building fund program in the Century Code with no funding limitation on deferred maintenance and extraordinary repairs projects. The bill draft also creates a capital building fund under the control of the SBHE, provides specific carryover authority for capital building fund money and authorizes NDSU and UND to use capital building funds for certain capital projects, including Dunbar Hall, the agriculture products development center, and Gamble Hall.