

HB1040

House Government and Veterans Affairs Committee

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Chair Schauer and members of the House Government and Veterans Affairs 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 here 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.

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 the ADEC for these employees is \$19.9 million for the biennium. 2023-2025 per institution amounts are as follows:

NDUS Entity	PERS Defined Benefit Plan Closure HB1040		
	HB1040 - Fiscal Note 2023-25 - NDUS Cost		
	General Fund	Special Fund	Total
NDUSO	\$ 535,552	\$ 212,309	\$ 747,861
BSC	435,544	620,630	1,056,174
LRSC	201,563	265,900	467,463
WSC	119,036	157,894	276,930
UND	1,697,565	5,729,833	7,427,398
NDSU	1,372,595	4,192,975	5,565,570
NDSCS	543,809	626,915	1,170,724
DSU	215,766	248,832	464,598
MaSU	285,299	443,910	729,209
MiSU	384,542	564,738	949,280
VCSU	227,965	226,564	454,529
DCB	133,363	118,072	251,435
Forest Service	343,707	11,087	354,794
Total	\$ 6,496,306	\$ 13,419,659	\$ 19,915,965

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 from tuition 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 \$19.9 million in increased costs of the ADEC.

This concludes my testimony. I will stand for questions from Committee members.