

## HB1040

Senate State and Local Government Committee

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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:

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

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:

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

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](mailto:david.krebsbach@ndus.edu)) or call me at 701-328-4116.