

**Department 215 - North Dakota University System Office  
Senate Bill Nos. 2003 and 2063**

**Executive Budget Comparison to Prior Biennium Appropriations**

	FTE Positions	General Fund	Other Funds	Total
2017-19 Executive Budget <sup>1,2</sup>	148.40	\$101,978,375	\$29,168,074	\$131,146,449
2015-17 Adjusted Legislative Appropriations <sup>3,4</sup>	104.39	141,697,318	5,011,216	146,708,534
Increase (Decrease)	44.01	(\$39,718,943)	\$24,156,858	(\$15,562,085)

<sup>1</sup>The 2017-19 biennium executive budget recommendation for higher education full-time equivalent employees reflects a reporting change. See the **FTE Positions** section below for additional information.

<sup>2</sup>The 2017-19 biennium executive budget recommendation includes the appropriation of certain special funds which were not specifically appropriated in previous bienniums. See the **Special Funds Appropriations** section below for additional information.

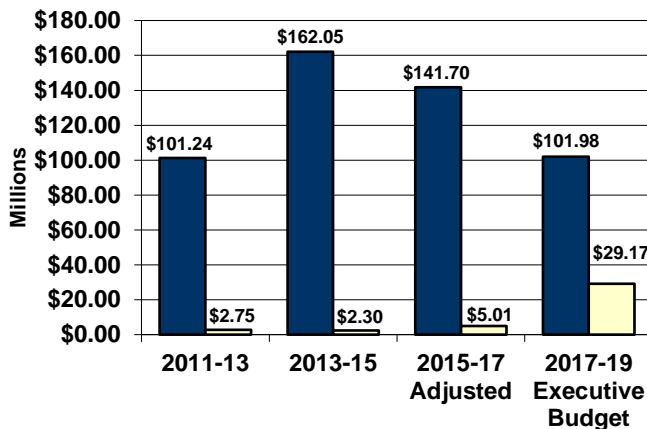
<sup>3</sup>The 2015-17 biennium institution appropriations amounts reflect general fund budget reductions made in August 2016.

<sup>4</sup>The 2015-17 biennium institution appropriations amounts reflect transfers to North Dakota University System institutions from the campus security funding pool, but exclude transfers from the deferred maintenance funding pool.

**Ongoing and One-Time General Fund Appropriations**

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2017-19 Executive Budget	\$101,978,375	\$0	\$101,978,375
2015-17 Adjusted Legislative Appropriations	110,229,818	31,467,500	141,697,318
Increase (Decrease)	(\$8,251,443)	(\$31,467,500)	(\$39,718,943)

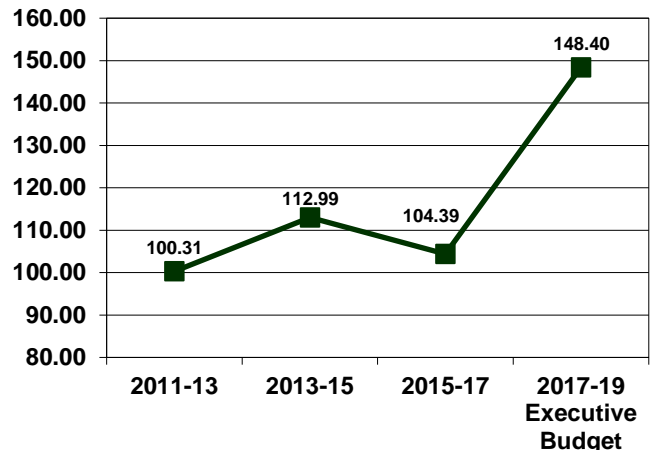
**Agency Funding**



■ General Fund □ Other Funds

Note: The 2017-19 biennium executive budget recommendation includes the appropriation of certain special funds. See the **Special Funds Appropriations** section below for additional information.

**FTE Positions**



Note: The 2017-19 biennium executive budget recommendation includes a change in reporting methods for North Dakota University System FTE positions. See the **FTE Positions** section below for additional information.

**Executive Budget Comparison to Base Level**

	General Fund	Other Funds	Total
2017-19 Executive Budget	\$101,978,375	\$29,168,074	\$131,146,449
2017-19 Base Level	110,229,818	2,511,216	112,741,034
Increase (Decrease)	(\$8,251,443)	\$26,656,858	\$18,405,415

**Executive Budget Highlights**

	General Fund	Other Funds	Total
1. Provides funding for employee salary and benefit increases, of which \$142,439 is for salary increases and \$414,993 is for health insurance increases	\$390,250	\$167,182	\$557,432
2. Underfunds salaries and wages	(\$578,097)		(\$578,097)
3. Adjusts funding for system governance	(\$256,270)		(\$256,270)

4. Adjusts funding for Core Technology Services	(\$2,405,072)	(\$2,405,072)
5. Reduces funding for student financial assistance grants	(\$1,968,854)	(\$1,968,854)
6. Reduces funding for academic and career and technical education scholarships	(\$1,117,347)	(\$1,117,347)
7. Reduces funding for competitive research grants	(\$560,475)	(\$560,475)
8. Reduces funding for capital bond payments	(\$296,135)	(\$296,135)
9. Adds one-time funding from the strategic investment and improvements fund to continue the higher education challenge grant program	\$3,000,000	\$3,000,000

### FTE Positions

The 2017-19 biennium executive budget recommendation includes authorization of all FTE positions for institutions and entities under the control of the State Board of Higher Education, including positions supported by special funds. Previously, only FTE positions supported by the general fund were authorized.

### Special Funds Appropriations

The 2017-19 biennium executive budget recommendation includes appropriation authority of all special funds received by the University System office and institutions. Previously, special funds appropriations for the University System office and institutions were provided only for certain items, such as capital projects.

### Other Bill Sections Recommended to be Added in the Executive Budget (As Detailed in Senate Bill No. 2063)

**Strategic investment and improvements fund** - Section 3 provides that funding for the higher education challenge grant program (\$3 million) and the Valley City State University fine arts building project (\$25,470,500) is from the strategic investment and improvements fund.

**Higher education funding formula** - Sections 4 and 5 make adjustments to the higher education funding formula established in North Dakota Century Code Chapter 15-18.2, including adjustments to the base credit-hour funding rates and extending the sunset clause on the hold-harmless provision in the formula through June 30, 2019.

**Carryover authority** - Section 6 continues the authorization through July 31, 2019, for institutions under the control of the State Board of Higher Education to carry over unexpended appropriations at the end of a biennium.

**Project management oversight** - Section 7 requires capital projects authorized by the State Board of Higher Education to have adequate project oversight by an institution official or representative of an external entity.

**Student loan trust fund** - Section 8 provides that \$1,504,744 of the special funds appropriated in the bill are from the student loan trust fund to be used for the professional student exchange program (\$465,307), for tribal college assistance grants (\$500,000), and for ConnectND project positions (\$539,437).

**University of North Dakota School of Medicine and Health Sciences funding** - Section 9 provides that a portion of the operations funding appropriated to the University of North Dakota (UND) be transferred to the UND School of Medicine and Health Sciences based on the recommendation of the Commissioner of Higher Education.

**Additional funds appropriation authority** - Section 10 appropriates any additional special funds received by entities under the control of the State Board of Higher Education to the respective entities.

**Transfer authority** - Section 11 provides that the State Board of Higher Education may transfer funds from an institution's operations line item to the institution's capital assets line item if the board determines that additional funds are needed for capital projects or extraordinary repairs.

**FTE positions** - Section 12 authorizes the State Board of Higher Education to adjust FTE positions as needed, subject to the availability of funds, for institutions and entities under its control.

**Bond issue authorization** - Section 13 authorizes the State Board of Higher Education to arrange for \$49,505,000 of revenue bonds for residence hall projects at North Dakota State University.

**Theodore Roosevelt Center carryover authority** - Section 14 authorizes the State Board of Higher Education to continue unexpended 2013-15 biennium appropriations for the Theodore Roosevelt Center project into the 2017-19 biennium.

**Challenge grants carryover authority** - Section 15 authorizes the State Board of Higher Education to continue unexpended 2013-15 biennium appropriations for the higher education challenge grant program into the 2017-19 biennium.

### Additional Funds Appropriation Authority

**Additional special funds received** - Section 10 of Senate Bill No. 2063 appropriates any additional federal, private, and other local funds received by entities under the control of the State Board of Higher Education, including tuition revenue, to the respective entities during the 2017-19 biennium.

## Deficiency Appropriation

**Minard Hall project** - House Bill No. 1024 provides a deficiency appropriation of \$1,634,854 from the strategic investment and improvements fund to North Dakota State University for unreimbursed costs relating to a building collapse during the Minard Hall project.

## Significant Audit Findings

The State Auditor's office reported the following significant audit findings for the University System during the 2015-16 interim:

- Internal control and fraud risk - The University System has not established adequate internal control policies or required a comprehensive fraud and control risk assessment at each institution.
- Capital projects funded from local funds - Several University System institution projects funded from local funds did not receive proper legislative authorization prior to construction.
- Institution foundation financial statements - The Dickinson State University Foundation financial statements were not in compliance with generally accepted accounting principles.
- Use of tuition waivers - A performance audit determined improvements are needed to provide for consistent uses of tuition waivers at system institutions.

## Major Related Legislation

**House Bill No. 1030 - Legislative approval of campus improvements** - Increases the minimum cost of higher education campus improvements that require the consent of the Legislative Assembly or the Budget Section from \$385,000 to \$700,000 and removes the authority of the Budget Section to approve the construction of any new building or any addition to a building under the control of the State Board of Higher Education.

**House Bill No. 1036 - Student Financial Assistance Grant Advisory Board** - Repeals the Student Financial Assistance Grant Advisory Board, which provides recommendations to the State Board of Higher Education regarding needs-based student financial assistance grants.

**House Bill No. 1171 - Tuition waivers for dependents of peace officers and firefighters** - Clarifies that a stepchild of a peace officer or firefighter killed in the line of duty is eligible for a tuition waiver at University System institutions.

**Senate Bill No. 2035 - Higher education funding formula minimum amount payable** - Removes the expiration date from Section 15-18.2-06, which establishes a minimum amount payable to an institution through the higher education funding formula.

**Senate Bill No. 2036 - Higher education challenge grant program** - Continues the higher education challenge grant program into the 2017-19 biennium and provides a \$23.5 million appropriation from the student loan trust fund for grants.

**Senate Bill No. 2037 - Teacher shortage loan forgiveness program award amount** - Increases the teacher shortage loan forgiveness program award amount from \$1,000 to \$1,500 per year.

**Senate Bill No. 2054 - Tuition and fee waivers for law enforcement officers** - Provides a tuition and fee waiver to full-time licensed law enforcement officers in the state who attend a higher education institution under the control of the State Board of Higher Education.

**Senate Bill No. 2073 - Permanent funds distributions** - Provides distributions to University System institutions from permanent funds established for the benefit of the institutions. The following is a comparison of distributions from permanent funds during the 2015-17 and 2017-19 biennium:

Institution	2015-17 Distribution	2017-19 Distribution	Increase
North Dakota State University	\$3,368,000	\$4,738,000	\$1,370,000
University of North Dakota	2,742,000	3,662,000	920,000
North Dakota State College of Science	1,066,000	1,446,286	380,286
Valley City State University	570,000	808,000	238,000
Mayville State University	382,000	542,000	160,000
Dakota College at Bottineau	78,000	186,286	108,286
Dickinson State University	78,000	186,286	108,286
Minot State University	78,000	186,286	108,286
Total	\$8,362,000	\$11,755,144	\$3,393,144

Senate Bill No. 2073 also includes one-time allocations from permanent funds due to errors in past distributions. The bill provides for the following one-time distributions to University System institutions:

Institution	One-Time Distribution
North Dakota State College of Science	\$89,698
Dakota College at Bottineau	89,698
Dickinson State University	89,698
Minot State University	89,698
Total	\$358,792

**Senate Bill No. 2143 - Jurisdiction of University System campus law enforcement officers** - Provides that law enforcement officers employed by a University System institution have jurisdiction on all property owned or leased by the State Board of Higher Education and up to one-quarter mile outside the boundary of the property.

**Senate Bill No. 2196 - Valley City State University integrated carbon plant** - Authorizes the issuance of \$22.5 million of revenue bonds for the construction of an integrated carbon plant at Valley City State University.

**University System Office - Budget No. 215**  
**Senate Bill Nos. 2003 and 2063**  
**Base Level Funding Changes**

	<b>Executive Budget Recommendation</b>			
	<b>FTE</b>			
	<b>Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2017-19 Biennium Base Level</b>	104.39	\$110,229,818	\$2,511,216	\$112,741,034
<b>2017-19 Ongoing Funding Changes</b>				
Compensation adjustments		\$390,250	\$167,182	\$557,432
Underfunds salaries and wages		(578,097)		(578,097)
Adjusts funding for system governance		(256,270)	676,007	419,737
Adjusts funding for core technology services		(2,405,072)	22,813,669	20,408,597
Adjusts funding for student financial assistance grants		(1,968,854)		(1,968,854)
Adjusts funding for academic and career and technical education scholarships		(1,117,347)		(1,117,347)
Adjusts funding for veterans' assistance programs		(47,125)		(47,125)
Adjusts funding for the scholars program		(306,469)		(306,469)
Adjusts funding for education incentive programs		(485,607)		(485,607)
Adjusts funding for the professional student exchange program		(242,412)		(242,412)
Adjusts funding for tribal college grants		(64,750)		(64,750)
Adjusts funding for Native American scholarships		(93,944)		(93,944)
Adjusts funding for two-year campus marketing		(140,100)		(140,100)
Adjusts internal audit funding pool		(50,850)		(50,850)
Adjusts funding for student mental health programs		(23,700)		(23,700)
Removes funding for faculty commendation grants		(4,486)		(4,486)
Adjusts funding for competitive research grants		(560,475)		(560,475)
Adjusts funding for capital bond payments		(296,135)		(296,135)
FTE position adjustment - Reporting change	44.01			0
Total ongoing funding changes	44.01	(\$8,251,443)	\$23,656,858	\$15,405,415
<b>One-time funding items</b>				
Challenge grant program			\$3,000,000	\$3,000,000
Total one-time funding changes	0.00	\$0	\$3,000,000	\$3,000,000
<b>Total Changes to Base Level Funding</b>	44.01	(\$8,251,443)	\$26,656,858	\$18,405,415
<b>2017-19 Total Funding</b>	148.40	\$101,978,375	\$29,168,074	\$131,146,449

**Other Bill Sections**

Strategic investment and improvements fund

**Executive Budget Recommendation**

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Higher education funding formula

Sections 4 and 5 make adjustments to the higher education funding formula established in Chapter 15-18.2, including adjustments to the base credit-hour funding rates and extending the sunset clause on the hold-harmless provision in the formula through June 30, 2019.

## Other Bill Sections

### Executive Budget Recommendation

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## Department 215 - University System Office

## Appropriations Comparisons to the Original and Adjusted Base Budgets

### General Fund Appropriations Adjustments (As a result of the August 2016 General Fund Budget Reductions)

	Ongoing	One-Time	Total
2015-17 original general fund appropriations	\$117,515,769	\$34,113,250	\$151,629,019
General fund reductions	(7,285,951)	(2,645,750)	(9,931,701)
Adjusted 2015-17 appropriations	\$110,229,818	\$31,467,500	\$141,697,318
Executive Budget changes	(8,251,443)	(31,467,500)	(39,718,943)
2017-19 Executive Budget	\$101,978,375	\$0	\$101,978,375

### Summary of August 2016 General Fund Budget Reductions

	Ongoing	One-Time	Total
Reduced funding for bond payments	(\$1,467,375)		(\$1,467,375)
Reduced funding for needs-based financial grants	(1,748,116)		(1,748,116)
Reduced funding for faculty commendation grants	(314)		(314)
Reduced funding for Core Technology Services	(1,927,472)		(1,927,472)
Reduced funding for tribal grants	(32,750)		(32,750)
Reduced funding for academic and career and technical education scholarships	(920,581)		(920,581)
Reduced funding for professional student exchange programs	(333,261)		(333,261)
Reduced funding for 2-year campus marketing	(52,400)		(52,400)
Reduced funding for student mental health	(7,900)		(7,900)
Reduced funding for competitive research grants	(461,775)		(461,775)
Reduced funding for system governance	(314,357)		(314,357)
Reduced funding for internal audit pool	(19,650)		(19,650)
Reduced funding for open educational resources		(2,750)	(2,750)
Reduced funding for deferred maintenance funding pool		(217,500)	(217,500)
Reduced funding for contingent appropriations		(1,050,000)	(1,050,000)
Reduced funding for higher education challenge grants		(1,375,500)	(1,375,500)
Total reductions	(\$7,285,951)	(\$2,645,750)	(\$9,931,701)
Percentage reduction to ongoing and one-time general fund appropriations	6.20%	7.76%	6.55%

### 2017-19 Executive Budget Changes to the Original and Adjusted Base Budgets

	Changes to Original Budget	Budget Reduction Adjustments	Changes to Adjusted Budget
Provides compensation and benefit adjustments	\$390,250	\$0	\$390,250
Underfunds salaries and wages	(578,097)	0	(578,097)
Adjusts funding for system governance	(570,627)	314,357	(256,270)
Adjusts funding for Core Technology Services	(4,332,544)	1,927,472	(2,405,072)
Reduces funding for student financial assistance grants	(3,716,970)	1,748,116	(1,968,854)
Reduces funding for academic and career and technical education scholarships	(2,037,928)	920,581	(1,117,347)
Reduces funding for veterans' assistance programs	(47,125)	0	(47,125)
Reduces funding for the scholars program	(306,469)	0	(306,469)
Reduces funding for education incentive programs	(485,607)	0	(485,607)
Reduces funding for professional student exchange programs	(575,673)	333,261	(242,412)

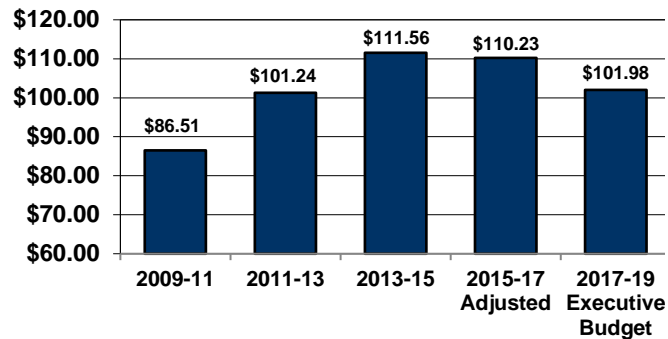
	<b>Changes to Original Budget</b>	<b>Budget Reduction Adjustments</b>	<b>Changes to Adjusted Budget</b>
Reduces funding for tribal college grants	(97,500)	32,750	(64,750)
Reduces funding for Native American scholarships	(93,944)	0	(93,944)
Reduces funding for 2-year campus marketing	(192,500)	52,400	(140,100)
Reduces funding for the internal audit funding pool	(70,500)	19,650	(50,850)
Reduces funding for student mental health services	(31,600)	7,900	(23,700)
Removes funding for faculty commendation grants	(4,800)	314	(4,486)
Reduces funding for competitive research grants	(1,022,250)	461,775	(560,475)
Reduces funding for capital bond payments	(1,763,510)	1,467,375	(296,135)
<b>Total</b>	<b>(\$15,537,394)</b>	<b>\$7,285,951</b>	<b>(\$8,251,443)</b>



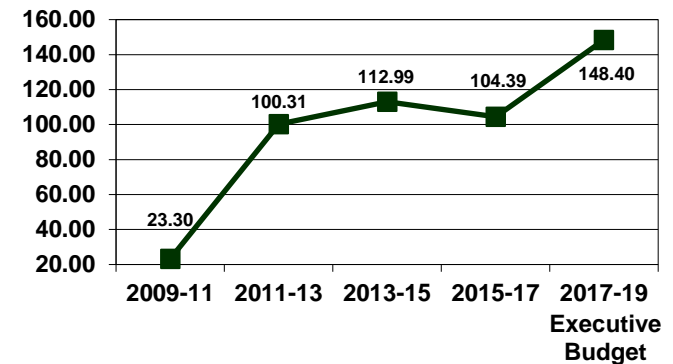
## Historical Appropriations Information

### Ongoing General Fund Appropriations Since 2009-11

Agency Funding (in Millions)



FTE Positions



Ongoing General Fund Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Executive Budget
Ongoing general fund appropriations	\$86,508,682	\$101,239,245	\$111,561,723	\$110,229,818	\$101,978,375
Increase (decrease) from previous biennium	N/A	\$14,730,563	\$10,322,478	(\$1,331,905)	(\$8,251,443)
Percentage increase (decrease) from previous biennium	N/A	17.0%	10.2%	(1.2%)	(7.5%)
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	17.0%	29.0%	27.4%	17.9%

### Major Increases (Decreases) in Ongoing General Fund Appropriations

#### 2011-13 Biennium

1. Increased funding for academic and career and technical education scholarships \$7,000,000
2. Increased funding for Core Technology Services for maintenance and upgrade costs of the Northern Tier Network, state data network, and ConnectND systems \$4,143,000
3. Changed the funding source for tribal college assistance grants from the permanent oil tax trust fund to the general fund \$1,000,000
4. Changed the funding source for certain expenses of Core Technology Services and the professional student exchange program from the student loan trust fund to the general fund \$1,100,000

#### 2013-15 Biennium

1. Added funding for system governance with specific uses to be determined by the State Board of Higher Education \$2,000,000
2. Transferred internal audit and legal positions from system institutions to the University System office \$3,126,066
3. Increased funding for needs-based student financial assistance grants \$2,220,085
4. Increased funding for the professional student exchange program \$953,577

#### 2015-17 Biennium (Original Amounts)

1. Increased funding for academic and career and technical education scholarships (This item was affected by the August 2016 general fund budget reductions) \$4,054,677
2. Increased funding for student financial assistance grants (This item was affected by the August 2016 general fund budget reductions) \$4,388,597
3. Reduced funding for system governance (\$2,000,000)
4. Transferred 7.6 legal FTE positions to the Attorney General (\$2,558,140)
5. Transferred 3 internal audit positions to the State Auditor (\$771,964)

#### 2017-19 Biennium (Executive Budget Recommendation)

1. Underfunds salaries and wages (\$578,097)
2. Adjusts funding for system governance (\$256,270)
3. Adjusts funding for Core Technology Services (\$2,405,072)

4. Reduces funding for student financial assistance grants	(\$1,968,854)
5. Reduces funding for academic and career and technical education scholarships	(\$1,117,347)
6. Reduces funding for competitive research grants	(\$560,475)