

2021 SENATE EDUCATION

SB 2031

2021 SENATE STANDING COMMITTEE MINUTES

Education Committee Room JW216, State Capitol

SB 2031
1/12/2021

A BILL to relating to a higher education funding formula minimum amount payable; relating to the higher education funding formula; relating to the institutional size factor of the higher education funding formula; to provide for a study; to provide for a report; and to provide legislative intent.

Chair Schaible opened hearing at 9:00 a.m.

Discussion Topics:

- Discussed recommendations to the funding formula.

Senator	Attendance
Chairman Schaible	P
Senator Elkin	P
Senator Conley	P
Senator Lemm	P
Senator Oban	P
Senator Wobbema	AB

Rep. Sanford, Dist. 17, Grand Forks, testified in support. #296.

Tammy Dolan, University System, testified in support. #555

Chancellor Mark Haggerott testified in support.

Chair Schaible closed the hearing.

Adjourned at 9:42 a.m.

Lynn Wolf, Committee Clerk

Current Funding Model

- Operations
 - Performance-based
 - Appropriations based on weighted credits completed

General Fund Base Appropriation Per Institution	=	Adjusted Student Credit Hour			X	Base \$\$ Amount Per Student Credit Hour
		Weighted Student Credit Hour (WSCH) (Completed Student Credit Hour X Instructional Program Factor)	X	Institutional Size Factor		

- Facilities
 - Campus requests for state appropriations

Projected 2021-23 Biennium Funding Current Model

Institution	Total Raw SCH	Weighted Credits	Credit Completion Factor	Inst Size Factor	Adjusted WSCH	2019-21 Base Funding Per Credit Hour	Est 2021-2023 Appropriation	2019-2021 Base Appropriation	\$ Change from 2019-21	% Change from 2019-21
BSC	143,405	261,426	1.10	1.00	287,569	\$97.06	\$27,911,447	\$31,068,227	(\$3,156,780)	(10.2%)
DCB	29,618	52,285	1.80	1.00	94,113	\$97.06	\$9,134,608	\$7,740,826	\$1,393,782	18.0%
LRSC	59,895	92,332	1.50	1.00	138,498	\$97.06	\$13,442,616	\$12,945,280	\$497,336	3.8%
NDSCS	116,370	210,176	1.00	1.70	357,299	\$97.06	\$34,679,441	\$36,542,022	(\$1,862,581)	(5.1%)
WSC	38,700	59,289	1.70	1.00	100,791	\$97.06	\$9,782,774	\$10,067,743	(\$284,969)	(2.8%)
DSU	60,655	140,885	1.50	1.00	211,328	\$90.98	\$19,226,621	\$18,393,063	\$833,558	4.5%
MASU	47,623	125,321	1.60	1.00	200,514	\$90.98	\$18,242,764	\$16,420,616	\$1,822,148	11.1%
MISU	139,042	399,350	1.10	1.00	439,285	\$90.98	\$39,966,149	\$39,896,693	\$69,456	0.2%
VCSU	64,159	171,141	1.40	1.00	239,597	\$90.98	\$21,798,535	\$22,658,933	(\$860,398)	(3.8%)
NDSU	693,495	2,179,824	1.00	1.00	2,179,824	\$60.87	\$132,685,887	\$132,714,983	(\$29,096)	0.0%
UND	670,553	3,334,178	1.00	1.00	3,334,178	\$60.87	\$202,951,415	\$202,539,508	\$411,907	0.2%
TOTAL	2,063,515	7,026,207			7,582,996		\$529,822,257	\$530,987,894	(\$1,165,637)	(0.2%)

Projected 2021-23 Biennium Funding Proposed Model

Institution	Total Raw 2017-2019	Weighted Credits	Credit Completion Factor	Adjusted SCH	2019-21		Est 2021-2023 Base	2019-2021 Base Funding	Final - Incr/Decr for 2021-2023	2021-23 Base % Incr/Decr	Change from Current Law
	SCH				Base Funding Per Credit Hour	Hold Harmless Amount					
BSC	143,405	296,335	1.10	325,969	\$97.06	\$0	\$31,638,551	\$31,068,227	\$570,324	1.84%	\$3,727,104
DCB	29,618	53,610	1.80	96,498	\$97.06	\$0	\$9,366,096	\$7,740,826	\$1,625,270	21.00%	\$231,488
LRSC	59,895	96,062	1.50	144,093	\$97.06	\$0	\$13,985,667	\$12,945,280	\$1,040,387	8.04%	\$543,051
NDSCS	116,370	274,179	1.30	356,433	\$97.06	\$484,954	\$35,080,341	\$36,542,022	(\$1,461,681)	(4.00%)	\$400,900
WSC	38,700	67,172	1.70	114,192	\$97.06	\$0	\$11,083,476	\$10,067,743	\$1,015,733	10.09%	\$1,300,702
DSU	60,655	145,954	1.50	218,604	\$90.98	\$0	\$19,888,592	\$18,393,063	\$1,495,529	8.13%	\$661,971
MASU	47,623	126,079	1.60	201,726	\$90.98	\$0	\$18,353,031	\$16,420,616	\$1,932,415	11.77%	\$110,267
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VCSU	64,159	175,334	1.50	260,922	\$90.98	\$0	\$23,738,684	\$22,658,933	\$1,079,751	4.77%	\$1,940,149
NDSU	693,495	2,241,649	1.00	2,241,649	\$60.87	\$0	\$136,449,175	\$132,714,983	\$3,734,192	2.81%	\$3,763,288
UND	670,553	3,371,201	1.00	3,371,201	\$60.87	\$0	\$205,205,005	\$202,539,508	\$2,665,497	1.32%	\$2,253,590
TOTAL	2,063,515	7,252,117		7,776,283		\$484,954	\$545,274,354	\$530,987,894	\$14,286,460	2.7%	\$15,452,097



Senate Bill 2031

Senate Education Committee

January 12, 2020

Tammy Dolan, Vice Chancellor for Administrative Affairs

701.328.4116 | tammy.dolan@ndus.edu

Chair Schaible and Committee Members: My name is Tammy Dolan, and I am here today to testify in support of Senate Bill 2031. The bill modernizes & improves the higher education funding model in a number of ways, including: modifying weighting factors; eliminating the institutional size factor; adjusting the credit completion factor; reinstituting a minimum amount payable; and deleting certain reductions in the payment rate. Finally, the bill requires the State Board for Higher Education (SBHE) to study the formula & instructional program classification factors and provide findings or recommendations to Legislative Management by June 30, 2022.

Formula History

In a historic move that improved both the transparency and equity of North Dakota higher education funding, the 2013 North Dakota Legislative Assembly established a cost-based funding model for higher education institutions that provides a fixed dollar amount per completed adjusted student credit hour. The process uses only successfully completed student credits hours (SCH), as measured at the end of each biennium. This performance funding model rewards institutions for students' progress towards completion of their academic program.

The formula creates a state general fund appropriation that is used by institutions to cover a portion of ongoing operational costs. The appropriation varies from biennium to biennium based on changes in actual student credit hour production, which is weighted by three factors: instructional program classification, credit completion volume and institutional size. While there have been a few formula changes since 2013, the existing weighting factors were developed utilizing actual costs and data from the 2009-11 biennium and are now more than 10 years old.

The 2019 Legislative Assembly created an Interim Higher Education Funding Formula Committee that conducted an in-depth review of the formula. NDUS fiscal officers worked closely with the committee, assisted with the analysis, and helped identify potential solutions for committee consideration. The committee proposed statutory funding formula changes as follows:

Section 1 creates a lower & upper division for career & technical education (CTE) credits and establishes weighting factors of 3.0 and 5.0, respectively. Cost analysis showed that not only are CTE courses are more costly to produce than the current 2.0 factor provides, some CTE courses cost much more than others. Due to their cost and unique nature, the following courses would be in the upper division: line worker; plumbing; powersports technology; heating, ventilating, air conditioning & refrigeration technology; diesel technology; mechanical systems; and machine tooling. Increasing the CTE weighting factors will result in increased funding for CTE programs which provide skilled employees for the high-need occupations in the state.

Section 2 modifies the credit completion factor to protect institutions with increasing enrollment from a reduction in funding caused by a decrease in the credit completion factor. Subsection 1 increase the thresholds at which the factor decreases. Subsection 2 establishes the 2017-19 credit completion factor as the new base factor. In the future, if credit production would cause an institution's factor to decrease, the credits above the 2017-19 level receive a 1.0 factor. Some unnecessary language is also removed.

Originally, the credit completion factor was developed to recognize efficiencies of scale at larger institutions as compared to smaller institutions. The factor increases as credit production decreases to account for the decreasing efficiencies of scale. The new base factor reflects the institution's credit completion factor used for the 2019-2021 appropriation. Efficiencies of scale for base credits are retained permanently. Funding loss from increased credit production is eliminated. All new credits above the base band receive a 1.00 weighing factor for all institutions.

Section 3 eliminates language that reduced payments to institutions for credits earned by licensed law enforcement officers. NDCC 15-18.2-06.1 provides 25% tuition & fee waiver to licensed law enforcement officers. When the waiver was established in 2017, the legislature also reduced the formula payments for credits earned by 25 percent, thereby cutting institution revenues for those credits by 50%. The interim committee decided the formula reduction should be eliminated.

Section 4 reinstates the 96% minimum amount payable that existed prior to July 1, 2019. The change establishes a funding floor for the general fund appropriation, which serves to slow funding decreases as credit production drops. This provides additional time for an institution to plan and reduce operational costs in response to the lower appropriation. Over time, unless credit production begins to increase, the institution's appropriation will continue to decrease.

Section 5 repeals the institutional size factor which has been a concern of some legislators since formula creation. The factor recognizes extraordinary space needs, particularly for CTE courses such as welding, which drive up the relative cost to educate. If an institution's total square footage divided by the weighted student credit hours was higher than 5.00, the institution received a 1.70 weighting factor. Only North Dakota State College of Science (NDSCS) receives this factor. Therefore, removing factor would reduce NDSCS's funding. Proposed increases in CTE credit weighting factors and restoration of the minimum amount payable clause help to reduce the negative impact from eliminating the institutional size factor.

Section 6 directs the SBHE to study the funding formula, especially the instructional program classification factors, to determine if additional changes are needed. The SBHE must report findings and recommended changes to the Legislative Management by June 30, 2022. The interim legislative committee, in conjunction with the higher education fiscal officers, conducted an extensive study of instructional program factors. Three changes were adopted by the committee and are reflected in Section 7 of the bill. Complexity of the analysis showed that more work is needed, resulting in this study recommendation.

Section 7 provides direction regarding the location of certain courses within the classification of instructional programs in NDCC 15-18.2-02. The instructional program factor uses the U.S. Department of Education’s “Classification of Instructional Program (CIP)” codes to differentiate between academic programs. The codes are updated every 10 years. CIP codes are a key component of the funding formula because they are used to organize the student credit hours into discipline clusters. Courses within each discipline cluster have common characteristics and similar relative costs to provide. These relative costs, coupled with level of instruction, were the basis for the weighting factors reflected in the model’s instructional program factor. The interim committee chose to provide legislative intent to the NDUS (which assigns CIP codes based on course content) related to the following to items:

- The 2020 CIP codes shifted several veterinary tech & pre-veterinary CIP codes from the Health Sciences discipline cluster to the Agriculture cluster, which has lower weighting factors. Due to the costs of these programs, the committee determined the credits should remain in the Health Sciences cluster.
- Computer & information science courses were originally placed in the Core Discipline cluster and had a 1.0 weighting factor. The interim analysis indicated that actual costs were much higher than for core disciplines, such as English, math or history. The committee determined these credits more accurately belong in the Engineering cluster, which has a 2.5 weighting factor and will generate additional funding for the institutions.

In conclusion, the NDUS strongly supports the funding formula changes in **SB2031** and respectfully requests a **Do Pass**.

Thank you for your time and consideration. I will gladly answer any question you may have.

2021 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

SB 2031
1/13/2021

A BILL to relating to a higher education funding formula minimum amount payable; relating to the higher education funding formula; relating to the institutional size factor of the higher education funding formula; to provide for a study; to provide for a report; and to provide legislative intent.

9:12 AM

Discussion Topics:

- Committee Work

Motion by Senator Oban to Do Pass and rerefer to Appropriations

Second by Senator Conley

Roll Call Vote 6-0-0

Motion passes. Senator Oban will carry the bill.

Additional written testimony: None

9:19 AM

Lynn Wolf, Committee Clerk

Senator	Attendance
Chairman Schaible	P
Senator Elkin	P
Senator Conley	P
Senator Lemm	P
Senator Oban	P
Senator Wobbema	P Via Zoom

SB 2031	Vote
Chairman Schaible	Y
Senator Elkin	Y
Senator Conley	Y
Senator Lemm	Y
Senator Oban	Y
Senator Wobbema	Y

REPORT OF STANDING COMMITTEE

SB 2031: Education Committee (Sen. Schaible, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2031 was rereferred to the **Appropriations Committee**.

2021 SENATE APPROPRIATIONS

SB 2031

2021 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2031
1/21/2021
Senate Appropriations Committee

A BILL for an Act to create and enact section 15-18.2-06.1 of the North Dakota Century Code, relating to a higher education funding formula minimum amount payable.

Senator Holmberg opened the hearing at 9:21 am.

Senators Holmberg, Krebsbach, Wanzek, Bekkedahl, Poolman, Erbele, Dever, Oehlke, Rust, Davison, Hogue, Sorvaag, Mathern, and Heckaman – all were present.

Discussion Topics:

- Higher Education Funding
- Dual Credit
- Weighted classes
- Funding Formulas

Rep Mark Sanford, District 17 – introduced bill, submitted testimony # 2140.

Tammy Dolan, NDUS testified in favor and submitted testimony #1791.

Additional written testimony: #1889

Senator Holmberg closed the hearing at 10:38 am.

Rose Laning, Committee Clerk

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		Weighted Student Credit Hour (WSCH) (Completed Student Credit Hour X Instructional Program Factor)	X	Institutional Size Factor		

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Senate Bill 2031

Senate Appropriations Committee

January 21, 2021

Tammy Dolan, Vice Chancellor for Administrative Affairs

701.328.4116 | tammy.dolan@ndus.edu

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- The 2020 CIP codes shifted several veterinary tech & pre-veterinary CIP codes from the Health Sciences discipline cluster to the Agriculture cluster, which has lower weighting factors. Due to the costs of these programs, the committee determined the credits should remain in the Health Sciences cluster.
- Computer & information science courses were originally placed in the Core Discipline cluster and had a 1.0 weighting factor. The interim analysis indicated that actual costs were much higher than for core disciplines, such as English, math or history. The committee determined these credits more accurately belong in the Engineering cluster, which has a 2.5 weighting factor and will generate additional funding for the institutions.

In conclusion, the NDUS strongly supports the funding formula changes in **SB2031** and respectfully requests a **Do Pass**.

Thank you for your time and consideration. I will gladly answer any question you may have.

**Senate Appropriations
SB2031**

January 21, 2021

Chairman Holmberg and members of the committee, my name is Wayde Sick, State Director of the Department of Career and Technical Education. I am submitting testimony in support of SB2031, specifically Section 1.

The Department of Career and Technical Education supports SB2031 as it would change the weighting factor in the Higher Education Funding Formula, to place a higher emphasis on courses considered as Career and Technical in nature. These courses are often times more expensive to operate, as equipment and supplies are necessary to appropriately teach students the needed skills to gain employment in the related occupational fields. The programs that will be positively impacted lead to high wage, in demand and high skill employment opportunities. You may also say that these occupations employ the “essential workers” during the COVID-19 pandemic.

The Department of Career and Technical Education will assist the State Board of Higher Education, as needed, to determine coursework that may be deemed Career and Technical Education in nature.

Thank you.

2021 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2031
2/17/2021
Senate Appropriations Committee

A BILL for an Act to create and enact section 15-18.2-06.1 of the North Dakota Century Code, relating to a higher education funding formula minimum amount payable.

Senator Holmberg opened the committee work at 8:37 a.m.

Senators present: **Holmberg, Krebsbach, Wanzek, Bekkedahl, Poolman, Erbele, Dever, Oehlke, Rust, Davison, Hogue, Sorvaag, Mathern, and Heckaman.**

Senator Poolman moved DO NOT PASS on SB 2031.
Senator Krebsbach second.

<i>Senators</i>		<i>Senators</i>	
<i>Senator Holmberg</i>	Y	<i>Senator Hogue</i>	Y
<i>Senator Krebsbach</i>	Y	<i>Senator Oehlke</i>	Y
<i>Senator Wanzek</i>	Y	<i>Senator Poolman</i>	Y
<i>Senator Bekkedahl</i>	Y	<i>Senator Rust</i>	Y
<i>Senator Davison</i>	Y	<i>Senator Sorvaag</i>	Y
<i>Senator Dever</i>	Y	<i>Senator Heckaman</i>	Y
<i>Senator Erbele</i>	Y	<i>Senator Mathern</i>	Y

Roll Call Vote – 14-0-0. Motion carried.

Senator Mathern will carry the bill.

Senator Holmberg closed the committee work at 10:18 a.m.

Rose Laning, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2031: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO NOT PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2031 was placed on the Eleventh order on the calendar.