

SBHE Funding Formula Study Ad Hoc Committee Meeting Minutes

February 9, 2024

The State Board of Higher Education Funding Formula Study Ad Hoc Committee met via Teams on February 9, 2024, at 10:30 a.m. CT.

SBHE Funding Formula Study Ad Hoc Committee members

- Mr. Kevin Black, Co-Chair
- Mr. Tim Mihalick, Co-Chair
- Mr. Bruce Bollinger, NDSU
- Ms. Rebecca Collins, BSC
- Ms. Karla Mongeon-Stewart, UND
- Mr. Leslie Wietstock, DSU

Institution Presidents/Representatives

DCB Dean Carmen Simone, **DSU** President Stephen Easton **LRSC** President Doug Darling, Ms. Joann Kitchens, **MaSU** Ms. Amber Hill, **MiSU** Ms. Krista Lambrecht, **NDSCS** Mr. Keith Johnson, **NDSU** Ms. Cynthia Rott, Ms. Karin Hegstad, Dr. David Bertolini **VCSU** President Alan LaFave, Ms. Erica Buchholz

System Office/CTS/Guests

VC. David Krebsbach, VC. Jerry Rostad, VC. Lisa Johnson, Ms. Jamie Wilke, Ms. Bethany Kadrmaz, Ms. Caitlin Magilke, Mr. Alex Cronquist

Call to Order

Co-chair Black called the meeting to order at 10:31 a.m. CT.

1. [Funding Formula Study Group](#)
2. January 26, 2024, [meeting minutes](#)
 - a. Ms. Karla Mongeon-Stewart requests to edit item D in the meeting minutes to reflect a request to invite Tammy Dolan and Renae Bloms to future meetings. Co-chair Mihalick moved, Mr. Bruce Bollinger seconded, to approve the January 26, 2024, meeting minutes as amended. Black, Mihalick, Bollinger, Collins, Mongeon-Stewart, and Wietstock voted yes. Motion passed 6-0.
3. Agenda
 - a. Co-chair Mihalick moved, Mr. Leslie Wietstock seconded, to approve the agenda as presented. Black, Mihalick, Bollinger, Collins, Mongeon-Stewart, and Wietstock voted yes. Motion passed 6-0.

New Business

4. [Funding Formula: How it Works](#) – Mr. Alex Cronquist, CPA, Senior Financial Analyst, ND Legislative Council
- a. The funding formula was originally enacted in 2013 and is performance based in that appropriations are based on weighted credits successfully completed. Appropriation is determined by multiplying adjusted student credit hours by a base dollar amount per adjusted student credit hour. Adjusted credit hours are determined by multiplying raw student credits by an academic program weighting factor, and then multiplying that by a credit completion factor that accounts for institution size.
 - b. Prior to the 21-23 biennium, there was an institutional size factor that would replace the credit completion factor if an institution's ratio of square footage to weighted credits was greater than or equal to 5.0. Historically the institutional size factor only applied to NDSCS. As enacted in 2013, the factor was 1.8 and was reduced to 1.7 in 2015 and then eliminated in 2021.
 - c. One issue is the backward-looking nature of raw credits that are used to determine weighted credits. Institutions need to plan ahead: if they have reduced credits they can plan for reductions in funding and if they experience growth, they will need to wait for additional funding to come in.
 - d. Section 15-18.2-02 of N.D.C.C. provides for successfully completed student credit hours to be weighted by an instructional program classification factor. Credits completed in typically more expensive programs provide more weight in the formula.
 - e. Historical changes to weighting since the formula's inception:
 - i. 2019 – medical school credits under the health sciences classification were decreased from 38 to 34.5, as part of the health care workforce initiative.
 - ii. 2019 – UND Law School legal credits were increased from a weight of 10.5 to 14 to increase funding for the School of Law.
 - iii. 2021 – increased weighting of CTE credits from 2.0 to 3.0, and 5.0 for certain unique, high-cost CTE programs including plumbing, HVAC, and diesel technology. This change was made in conjunction with the removal of the institutional size factor.
 - iv. 2021 – transferred computer and information sciences credits from the core disciplines cluster to the engineering cluster to increase funding for these higher cost programs.
 - v. 2023 – increased weighting of all CTE education credits to 5.0 to increase funding and encourage production in these high-need fields.
 - f. Credit completion factor ranges from 1.0 to 1.8 and is the formula's method of accounting for economies of scale. Larger institutions like UND and NDSU receive a credit completion factor of 1.0 and Bottineau, the smallest institution, receives 1.8.
 - g. In 2021 the Legislative Assembly established a credit growth factor to protect growing institutions from reductions under the formula. The credit growth factor provides for the weighted student credit hours to be multiplied by 1.0 for those credits in excess of the bracket that they were entitled to receive.
 - i. Co-chair Black asked if this adjustment is permanent or if it was a one-time fix for that specific legislative session. Mr. Cronquist shared that it is in N.D.C.C. and the 2017-19 biennium is used for determination. What an institution received in 2017-19 will not be reduced to a lower factor.

If an institution has a reduction in credits, they can receive a higher credit.

- ii. DSU asked if an institution has a reduction in credits and they would get a higher factor are there limitations on that higher factor. Mr. Cronquist stated that there are no limitations currently in law.
 - iii. BSC asked if an institution were to move down, for example, to a 1.2 credit completion factor and then grew in the number of credit hours, do they remain at the 1.2 base. Mr. Cronquist stated that according to N.D.C.C. it is specific to the 2017-19 biennium so what an institution received in 2017 is somewhat the bottom limit. If an institution moves to a higher factor and back down to a lower factor, unless they received the higher factor in 2017, they will move back to the lower factor.
- h. Base rates have gone up since 2017 and institutions are grouped by the two doctoral research institutions (UND and NDSU), the 4-year institutions (DSU, MiSU, MaSU, and VCSU), and the 2-year institutions (BSC, DCB, LRSC, NDSCS, and WSC). There are some adjustments provided in current law that would allow BSC to receive a 4-year institution rate for certain credits, and DSU to receive the 2-year institution rate for CTE credits.
- i. DSU asked if there is a correlation between where institutions fall within the credit completion factor and then what their biennial base rate is per credit hour, or are they determined independently of each other so that the per credit hour rate is set based on what the legislature chooses to do with the appropriations. Mr. Cronquist stated they are separate; the completion factor and base rate are not related.
 - ii. NDSU shared that since the 2017-19 biennium, this is the first time that the base rate has exceeded the rate in that biennium which was \$72.65 and is now \$73.15.
- i. The 2013 Legislative Assembly worked backwards in the formula from the base level appropriations to determine the institution base rates. The Legislative Assembly also provided an annual 5% inflationary increase to the base rates. The 2015 Legislative Assembly began adjusting those base rates to account for legislative priorities instead of providing a flat inflationary increase across the formula. The calculated new base rates will likely differ by institution due to differences in the number of adjusted student credit hours and differences in the cost of various legislative priorities.
- i. Calculation: Adjusted Student Credit Hours multiplied by prior biennium and the cost of legislative priorities are added which equals the targeted total funding which is then divided by the adjusted student credit hours to equal out to the calculate new base rate.
 - ii. Co-chair Black asked if the first part of the equation begins with the prior biennium base rate or is that the calculated new base rate. Mr. Cronquist stated that, for example, in 2023 they took the credits from 2019-21 and weighted them to get the adjusted student credit hour number which was multiplied by the 2021 base rate to determine base funding. The cost of salary, health insurance increases and the cost of freezing tuition is added to that base funding amount to get a targeted total funding by institution. That is then divided by the same adjusted student credit hour number to come up with the new base rate.

- j. Base rates are then equalized amongst the different tiers (doctoral, 4-year, and 2-year) to provide the same rates to similar institutions. The base rate equalization may result in increased funding for certain institutions and reduced funding for others.
 - k. The Minimum Amount Payable, also known as the hold harmless provision, provides that an institution may not receive less than 96% of the appropriation to which it was entitled under the formula during the previous biennium. This limits reductions in funding due to falling credit production to 96% of the prior biennium.
 - i. BSC asked if the sunset was removed. Mr. Cronquist stated in the 2019 Legislative Assembly this provision expired so it was not a factor in the 2021 session, but it was restored in 2023.
 - l. The 2023 Legislative Assembly increased the weighting for certain credits, increased the base rates for all institutions, and restored the 96% hold-harmless clause. If these changes had not happened, the NDUS would have been appropriated approximately \$9.3 million less for the 2023-25 biennium.
 - m. HB1029 (2019) provided for a Higher Education Funding Formula Review Committee to study the funding formula during the 2019-20 interim. The committee consisted of representatives from BSC, UND, NDSU, MiSU, the Chancellor, two members of the House, and two members of the Senate. All campuses provided input to the committee.
 - n. Other considerations that have not been approved by the Legislative Assembly include considering the amounts each institution receives from permanent trust fund distributions when determining formula base appropriations.
 - o. Co-chair Mihalick asked how a raw credit hour is defined. Mr. Cronquist stated if a student is enrolled in the course, typically an average course is 3 credits or it meets 3 hours per week, and a student typically needs 120 credits to graduate from a 4-year institution so that is where the raw credits come from.
5. Charges to the VPs/CFO
- a. Co-chair Black requests the ad hoc committee members to review the charges listed in the Funding Formula Study Group PPT.

Adjourn

Co-chair Black adjourned the meeting at 11:33 a.m. CT.

Approved March 22, 2024.