TO: Members, State Board of Higher Education
FROM: Mark Hagerott, Chancellor
DATE: June 16, 2017
RE: 2017-18 Annual Budget for NDUS Office and Board

The FY18 annual budget (ATTACHMENT 1) was developed in accordance with the guidelines approved by the SBHE on 5/15/2017. The $65.8 million proposed budget is a $2.9 million decrease from FY17 is funded with $52.7 million from the state general fund and $13.1 million in special funds.

Connect ND fees, which support the Core Technology Services (CTS) budget, comprise the majority ($11.8 M) of special funds. Campus assessments (ATTACHMENT 2), Student and System Grant Programs and System Projects make up the remaining special fund budget.

This proposal includes a $90,000 budget (ATTACHMENT 3) for SBHE operations, which is the same level as FY17. The amount provides for per diem and travel expenses for board members.

**PROPOSED SBHE MOTIONS:** In accordance with SBHE policy 802.6 (g) which requires the “SBHE shall approve the Board and system office annual operating budgets,” and SBHE policy 302.3 which requires SBHE approval of “proposed campus assessments exceeding $10,000”, the FY18 NDUS Office and board budgets and anticipated campus assessments are approved as proposed.

The major components of the budget are:
FY18 Annual Budget
$52.7 million - general fund

- System Governance, $4,010,012, 7%
- System Grants & Projects, $8,937,825, 17%
- Student Grants, $20,964,309, 40%
- CTS, $18,782,057, 36%

FY18 Annual Budget
$13.1 million - special funds

- System Governance, $201,985, 2%
- System Grants & Projects, $147,000, 1%
- Student Grants, $765,307, 6%
- CTS, $11,981,616, 91%
System Office and Board Operations

System Governance – The FY18 annual budget anticipates expending $4.2 million of the $8.4 million 2017-19 appropriation recently approved by the Legislative Assembly. The System Governance budget includes the operations of the SBHE, NDUS office, Internal Audit, and Compliance departments. Significant items planned for FY18 include:

- In accordance with the annual budget guidelines, employees will not receive general salary increases.
- The Vice Chancellor of Strategic Engagement and one Administrative Support position may remain vacant. These positions may be reconsidered for the second year of the biennium.
- The budget assumes continuation of all other positions.

SBHE Operations – The proposed FY18 budget for Board operations is $90,000, the same as FY17. In the last six years, expenditures have averaged $72,000 and never exceeded $87,000. The budget is comprised of:

- Per diem pay and travel expenses for members to attend board, committee and legislative meetings, as well as professional development and conference travel;
- Travel expenses only for the student member, who receives a tuition and fee waiver for during the SBHE service term; and,
- $4,500 each for the campuses of the faculty and staff advisors to cover release time, compensation or other accommodations necessary for time spent on SBHE duties.

Anticipated Carryover - Approximately $600,000 of funds not expended in the 2015-17 biennium will be carried forward to the 2017-19 biennium. The majority of the carryover dollars resulted from vacant positions not filled in anticipation of the budget cuts and across-the-board reductions in professional development, travel and other operating expenses.

$300,000 of these carryover dollars are included in the FY18 budget but have not been allocated to specific projects. These one-time funds could be used for strategic engagement services, replacement of state funded financial aid program systems or to cover other unanticipated expenses.
Student Grant Programs

Highlights of the individual programs include the following:

**State Grant Program** – The ND Legislature appropriated $21.9 million (a decrease of $2.0 million) for the ND need-based state grant program. Individual awards may not exceed $975 per semester or $650 per quarter. Students are limited to 8 semesters or 12 quarters of eligibility based on full-time enrollment. Approximately 7,000 full and part-time students will be funded per year in the 2017-19 biennium.

**ND Scholars** – Appropriated funds total $1.8 million for the 2017-19 biennium, a decrease of $306,469. This funding and approximately $240,000 carryover will allow the continuation of all upper-classmen, plus approximately 35 new freshmen per year.

**ND Indian Scholarship Program** – Appropriated funds total $555,323 for this scholarship program, a decrease of $93,944. The program provides merit or need-based awards not to exceed $2,000 per academic year to eligible students. The ND Indian Scholarship Board administers the program and establishes annual award levels. Approximately 240 undergraduate and 20 graduate awards are made each year.

**ND Academic Scholarship & ND Career and Technical Education Scholarship** – The 2017-19 appropriation for the ND scholarships is $12,016,749, a decrease of $1,117,347. Available funding, including $3.0 million in carryover from 2015-17, will provide funding to maintain the scholarship at $750 per semester or $500 per quarter for the current cohorts for 4 full years (8 semesters or 12 quarters). Additionally, the appropriated funds will provide an estimated 1,500 new students per year a scholarship. The maximum award per student is $6,000.

**PSEP** - The $3,699,342 million appropriation and approximately $780,000 carryover from 2015-17, will continue to fund the current students in WICHE, Iowa State, University of MN and Kansas State. The estimated new slots per year are 7 dentistry, 6 optometry and 11 veterinary medicine.

**Education Incentive Program** – Appropriated funding of $2,863,393, provides support to the Teacher Shortage Loan Forgiveness Program, the STEM Occupation Loan Forgiveness Program and doctoral program funding at NDSU and UND. In accordance with SB2037, $500,000 is allocated to STEM awards, while $2,103,393 will go to teacher shortage awards. Additionally, the doctoral programs at UND and NDSU will each receive $130,000 for the biennium to promote doctoral program advancement at these schools.

**Tribal Community College Grants** – This program provides supplemental grant assistance to tribal colleges in North Dakota for non-beneficiary student enrollment. The 2017-19 appropriation is $600,000, which is a reduction of $367,250.
System Grant Programs and System Projects

The Legislature appropriated the following funds for 2017-19 as follows:

- **Veterans assistance grants - $277,875**: The appropriation was transferred in FY16 to NDSU in support of their Veteran’s Bound program which serves the whole System and was reduced by $47,125 during the 2017-19 legislative session.
- **Internal Audit Pool**: This appropriation line was eliminated in the 2017-19 legislative session and $229,500 transferred to System Governance for internal audit functions.
- **ND Higher Education Challenge Fund – $2,000,000**: The 2017-19 appropriation is $2,000,000 from the general fund. The 2015-17 appropriation was $22,124,500 after the allotments and is expected to be completely expended in FY17.
- **Capital Bond Payments - $6,605,326**: This budget is based solely upon estimates provided by the Industrial Commission. FY18 and FY19 bond payments are budgeted at $3,013,875 and $3,591,451 respectively.
- **EPSCoR - $6,027,750**: This appropriation was reduced by $1,022,250 from the 2015-17 biennium. EPSCoR funds are used to match National Science Foundation grants at UND and NDSU. The funds are budgeted at $3,013,875 for each year of the biennium.
- **Title II Grant - $1,006,472**: This competitive federal grant, which provides services to K-12 teachers for improving the teaching-learning process in math and science, was discontinued. No state general fund dollars are utilized. FY18 expenditures are estimated at $115,000. The remaining $115,000 will be expended in FY18.
- **Student Mental Health - $348,400**: This appropriation includes $284,400 from the general fund and special funds of $64,000 for campus staff training. This program provides after-hours crisis intervention and psychiatric service for students. The budget for each year of the 2017-19 biennium is $174,200.
- **Core Technology Services - $61,527,347**: This appropriation includes $37,964,115 from the general fund and $23,023,795 of special fund authority. Core Technology Services supports the continued operations of PeopleSoft, ancillary, document imaging and data center systems for campuses, continued implementation of PAR, Starfish, Standard Application, Email Consolidation/Archiving, Identity Access Management, and security.

Attachments (3)
### NORTH DAKOTA UNIVERSITY SYSTEM OFFICE

Estimated Budget for 2017-18 LEGISLATIVE APPROPRIATION BY LINE ITEM

<table>
<thead>
<tr>
<th>2017-2018 All funds</th>
<th>2015-16 Expenditures</th>
<th>2016-17 Estimated Expenditures</th>
<th>2017-18 Estimated Budget</th>
<th>Incr(Decr) from 2016-17</th>
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<tr>
<td></td>
<td>$</td>
<td>$</td>
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<td><strong>System Governance:</strong></td>
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<td>[1]</td>
<td>[1]</td>
<td>[1]</td>
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<td>Salary, F8 and Operations</td>
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<td>Subtotal general fund appropriation</td>
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<td>4,720,012</td>
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**Student Grant Programs:**

- Student Financial Assistance Grants: 11,000,000, 10,622,327, 10,098,665, 336,638, 3.2%
- Scholars Program: 1,024,583, 1,015,750, 993,508, (11,252), -1.1%
- ND Indian Scholarship Program: 333,924, 319,900, 277,661, (33,239), -10.7%
- Professional Student Exchange Program *: 1,955,739, 1,721,574, 1,849,671, 128,097, 7.4%
- Education Incentive Programs: 1,679,400, 1,555,533, 1,431,897, (123,636), -8.0%
- Academic and Technical Education Scholarships: 6,232,000, 6,426,469, 6,008,375, (420,090), -6.5%
- Tribal Community College Grants *: 486,075, 477,375, 300,000, (177,375), -37.2%
- ND Higher Education Challenge Fund (HB1151): 14,095,744, 10,530,652, 2,000,000, (6,530,692), -61.0%
- Veterans Assistance Program: 326,000, 0, 277,875, 277,875, 100.0%

Subtotal all funds: 37,132,319, 32,662,663, 24,007,491, (6,655,174), -26.5%

- Less estimated income: 864,355, 100,372, 765,307, 664,935, 682.5%

Subtotal general fund appropriation: 36,267,964, 32,562,292, 23,242,184, (9,325,109), -28.6%

**System Program Grants:**

- EPScOR: 3,525,000, 3,063,225, 3,013,875, (49,350), -1.6%
- Title II Grant *: 266,085, 205,311, 115,000, (90,311), -90.7%
- Student Mental Health: 180,045, 155,526, 174,220, 18,694, 12.0%
- Open Educational Resources Initiative: 62,720, 44,531, 0, (44,531), -100.0%
- Internal Audit Pool: 104,451, 175,899, 0, (175,899), -100.0%
- Faculty Commenorative Grants (HB1201): 0, 4,488, 0, (4,488), -100.0%
- Deferred Maintenance Pool: 5,722,659, 1,092,930, 0, (1,092,939), -100.0%
- Campus Security Pool: 3,000,000, 0, 0, 0.0%

Subtotal all funds: 12,886,059, 5,701,918, 3,303,075, (2,388,843), -42.1%

- Less estimated income: 2,766,095, 265,311, 147,000, (118,311), -44.6%

Subtotal general fund appropriation: 10,120,964, 5,436,607, 3,156,075, (2,280,532), -42.1%

**System Projects:**

- Core Technology Services *: 24,098,788, 44,403,493, 30,763,673, (13,639,820), -30.7%
- Pilot Study-Dual-Credit and HB2244: 0, 0, 200,000, 200,000, 100.0%
- Shared Campus Services: 0, 0, 250,000, 250,000, 100.0%
- Two-Year Campus Study: 0, 0, 40,000, 40,000, 100.0%
- Capital Assets-Bond Payments: 165,514, 44,138, 0, (44,139), -100.0%

Subtotal all funds: 2,955,717, 46,413,393, 3,013,875, (1,262,524), -35.1%

- Less estimated income: 273,024, 539,437, 11,851,616, 11,442,179, 2121.1%

Subtotal general fund appropriation: 28,281,693, 48,053,903, 22,283,932, (9,769,971), -54.5%

**TOTAL**

- Total all funds: 82,863,583, 91,655,083, 65,780,111, (25,885,873), -28.2%
- Less estimated income: 3,922,201, 905,120, 13,065,908, 12,190,786, 1346.5%

Total general fund appropriation: 78,941,382, 90,750,663, 52,694,203, (38,056,661), -41.5%

* Contains Student Loan Trust Fund Dollars
### 2017-19 Proposed Campus Assessments

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<tr>
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<th>FY2018 Budget</th>
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<th>2017-19 Budget</th>
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SBHE Policy 302.3 revised 10/27/2016 requires Budget & Finance Committee approval of proposed campus assessments exceeding $10,000.
### 2017-18 Proposed SBHE Budget

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<tr>
<th>SBHE Members</th>
<th>Per Diem @ $148</th>
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