NORTH DAKOTA
STATE UNIVERSITY

NDSU

2013-15
BIENNIAL BUDGET REQUEST
NDSU — AGENCY 235
DEAN L. BRESCIANI PRESIDENT

HOUSE APPROPRIATIONS —
EDUCATION AND ENVIRONMENT DIVISION
REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

MARCH 2013

GIVEN ANOTHER YEAR'S GROWING LEVELS OF ACHIEVEMENT, NORTH DAKOTA STATE UNIVERSITY IS PLEASED TO SUBMIT FOR CONSIDERATION THIS ANNUAL AGENCY REVIEW AND SUMMARY FOR THE 2013-2015 BIENNIAL BUDGET REQUEST.

INTRODUCTION

NDSU's evolution in recent years, which is projected to continue into the next biennium, reflects its increasing efficiency and productivity. At the same time, NDSU remains deeply committed to its land-grant mission focused on educating students and serving state interests in a manner demonstrating sound stewardship and accountability. A variety of measures suggest that it is an exemplar in doing those things and more. NDSU's success has led to higher national and international visibility not just for itself but the entire state, and most importantly, more substantial contributions to the success of North Dakota and the nation, at levels never before attained by a North Dakota higher education institution.

That success is resulting in increased demand from both in- and out-of-state students seeking a traditional full-time, residential experience leading to graduation in four years from a rigorous research university environment. In fact, NDSU leads the state in the enrollment of first-time freshmen, and NDSU remains the largest university in the state in terms of overall full-time enrollment. NDSU graduates also enjoy an exceptional job placement rate — in their field of study, exhibit a steadily increasing level of residency in the state after graduation, and record-setting contributions to the state's tax base.

From another perspective, the university's success also has led to another year of record research and development expenditures, licensing revenues, and new business growth as well as subsequent job creation. NDSU leads the state in those categories as well.

NDSU's success, which is a major component of our state's success, is only constrained by the resources available to it. Recent external economic impact analysis seems to suggest that there is no single greater investment opportunity and subsequent return on investment of state resources than NDSU. Its impact on the prosperity of students, local and service region communities and statewide economic interests it serves can be argued to be without comparison other than "collectively" North Dakota's agricultural industry, and even the record setting success of North Dakota agricultural sector, is heavily reliant on the contributions of NDSU. Given the increasingly irrefutable evidence of NDSU's contributions, we urge you to further invest in this proven and state-leading opportunity to better realize the potentials of North Dakota.

AGENCY OVERVIEW

STATUTORY AUTHORITY – ND CONSTITUTION, SECTION 215, NORTH DAKOTA CENTURY CODE CHAPTER 15-12

AGENCY DESCRIPTION

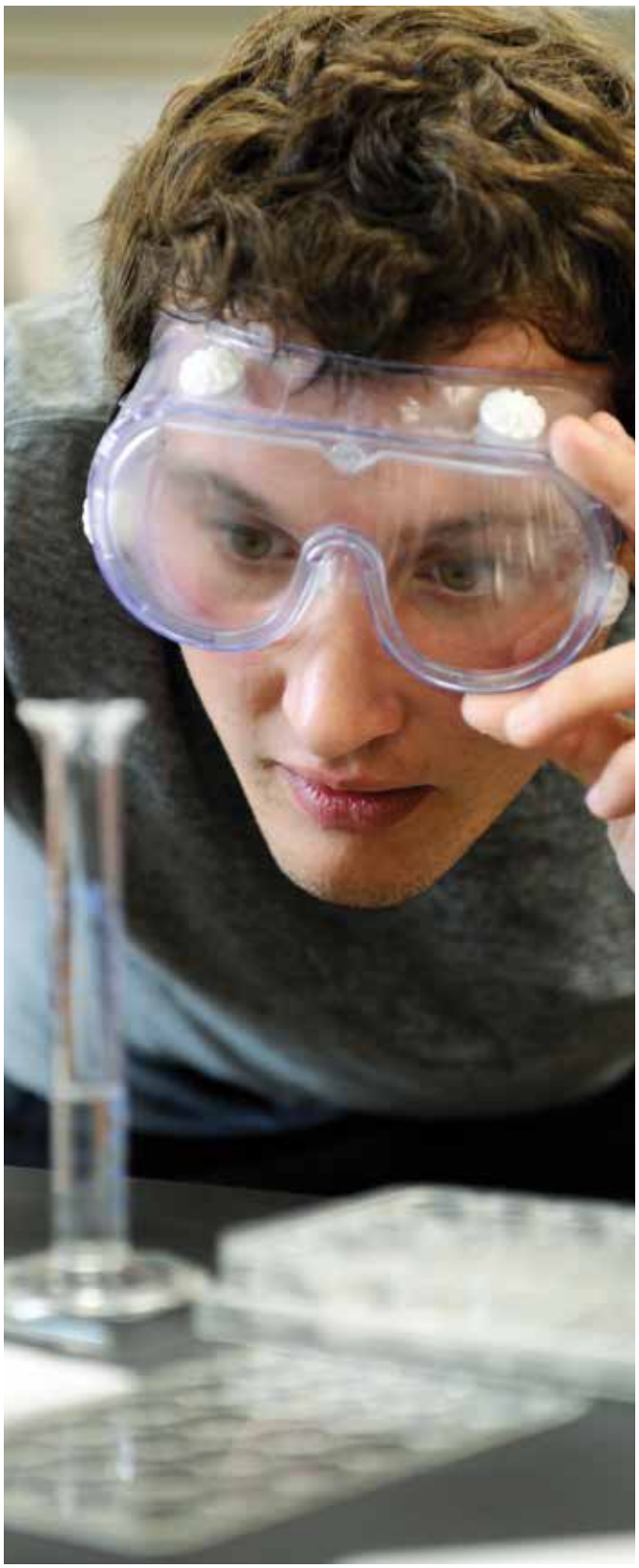
North Dakota State University (NDSU) has in recent years solidified its position as one of the state's two flagship research universities. Perhaps more importantly in terms of its capacity to serve the state's interests, NDSU has become the first and remains the only North Dakota university ranked in the top tier of the Carnegie Commission on Higher Education and the ranks of the National Science Foundation's top 100 research universities (39th of those without a medical school), with more than $134 million in annual sponsored scholarly research and expenditure activity reported for the most recent national survey. Those rankings have opened up a steady progression of new partnership and funding opportunities with other leading universities, private business, corporate entities and federal agencies never before possible for a North Dakota university.

Nonetheless, NDSU is proud of its tradition as the state's student-focused, land-grant, research university. It embraces that responsibility as a cornerstone of its future productivity and the contributions it can increasingly provide to North Dakota and the state's residents, as well as the nation's current and future interests.

NDSU also hosts the largest and most diverse full-time student enrollment in the state. The university enjoys its location in a vibrant and growing area of the state; and, with a growing number of major corporate partners, has shared a responsibility for creation of an environment that compliments and blends the experiences of its students, faculty, and staff with the community in which they live while attending NDSU.

MISSION STATEMENT

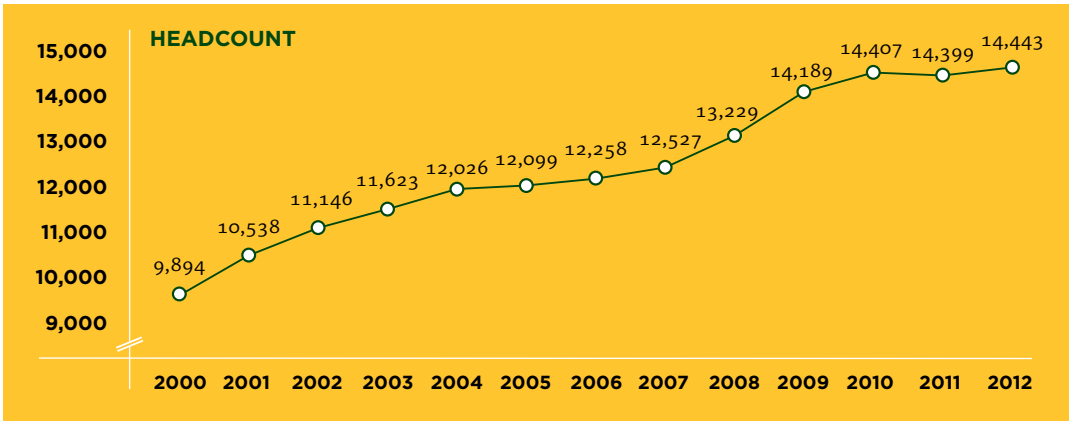
With energy and momentum, North Dakota State University addresses the needs and aspirations of people in a changing world by building on our land-grant foundation.



ENROLLMENT OVERVIEW

FALL ENROLLMENT DATA

From 2000 to 2012, student demand has increased by 4,549 additional students, or approximately 46 percent.

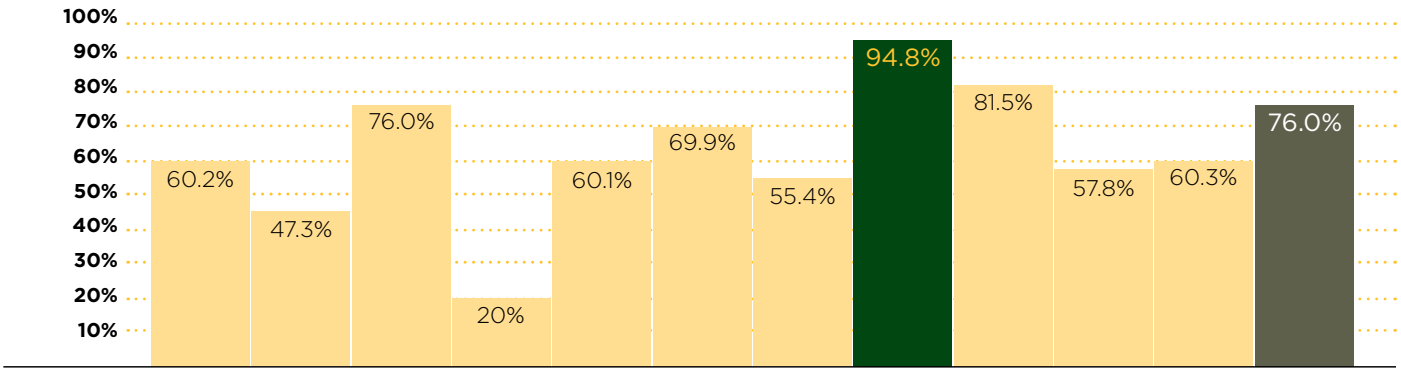


	FT	FTE
2002	8,880	9,950
2003	9,177	10,294
2004	9,536	10,692
2005	9,894	10,752
2006	10,053	10,890
2007	10,342	11,221
2008	11,004	11,794
2009	11,679	12,577
2010	11,857	12,708
2011	11,675	12,606
2012	11,733	12,704

Headcount: All students, regardless of number of credit hours **Full-Time (FT):** Students enrolled in 12 credit hours or more **Full-Time Equivalent**: UGRD student credit hours divided by 15 = FTE; GRAD student credit hours divided by 12 = FTE

FACE-TO-FACE FALL 2012 ON-CAMPUS PERCENTAGES

At NDSU, 13,653 of 14,443 students are face-to-face with faculty in traditional classroom settings.



Source: NDUS 2012 Fall Enrollment Report

MAJOR ACCOMPLISHMENTS

1. NDSU has become North Dakota's first and remains the only top-ranked research university in the nation based on both the Carnegie Commission on Higher Education and the National Science Foundation, the two most recognized objective measures of university success.

2. Increased demand by prospective undergraduate students, in spite of efforts in recent years to slow enrollment growth and the necessitated elimination of most marketing budgets, has been reflected in new full time student enrollment records every year for the past 11 years, which in the fall of 2011 reached 14,399 students.

3. Continued improvement in the diversity of the NDSU student body, including in the fall of 2011 a record 1,282 international students representing 88 countries, and an increasing number of U.S. born students reflecting ethnic, cultural, and geographical diversity.

4. Steadily increasing segments of NDSU's out-of-state-students are choosing to stay in North Dakota for their first job after graduation and contribute back above state averages to the tax base.

5. Increased demand by graduate students set new records with enrollment reaching 2,376 in the fall of 2011.

6. Initiated efforts to improve the sense of welcome and support; retention and graduation rates; focus on students from historically under-represented populations, veterans, and others; and addressed high risk behaviors and other student issues.

7. Student job placement, in their major field of study, has reached a record 89%. That success meets and exceeds many of the best universities in the nation.

8. Completed construction of the Beef Cattle Research Center and nearing completion of the Research Greenhouse Complex's final phase. Both represent "game changing" state-of-the art facilities that will draw national and international attention and resources.

9. Continued the involvement with the Research and Technology Park and emerging technology firms that have created several thousand new jobs, including employment of more than 100 NDSU undergraduate and graduate students. Received national and international awards, including the "2010 Outstanding Incubator Graduate of the Year."

10. Expansion of "Research I" in the Research and Technology Park, funded completely through federal Department of Commerce resources, will allow uninhibited commercialization of NDSU-produced discoveries.

11. Enhanced academic computing infrastructure including upgrading the computer fiber network, routing and switching equipment and extending the state's Internet2 connection through the Northern Tier Network has further extended NDSU as the SBHE's designated Center for Computing within the NDUS.

NDSU has established itself as one of the most successful overall NCAA Division I athletic programs in the nation, and in the 2011-2012 season was tied for most of the year with the University of North Carolina at Chapel Hill and the University of Alabama for the top program in the nation. Early in 2012 the football team won the Division I national championship, with most other sports going on to post-season league and NCAA championship play. The national visibility and attention drawn to not just NDSU but all of North Dakota have been substantial. Most impressive, however, has been the program's elevation of student-athlete success in the classroom; their overall GPA now exceeds that of the overall NDSU student body.

RESEARCH OVERVIEW

NDSU IS THE ONLY NORTH DAKOTA UNIVERSITY RANKED IN THE NATION'S TOP PRIVATE AND PUBLIC UNIVERSITIES

TOP 2%

CARNEGIE COMMISSION ON HIGHER EDUCATION: "VERY HIGH RESEARCH ACTIVITY"

> This tier represents the top 2% of all private and public universities in the nation.

TOP 100

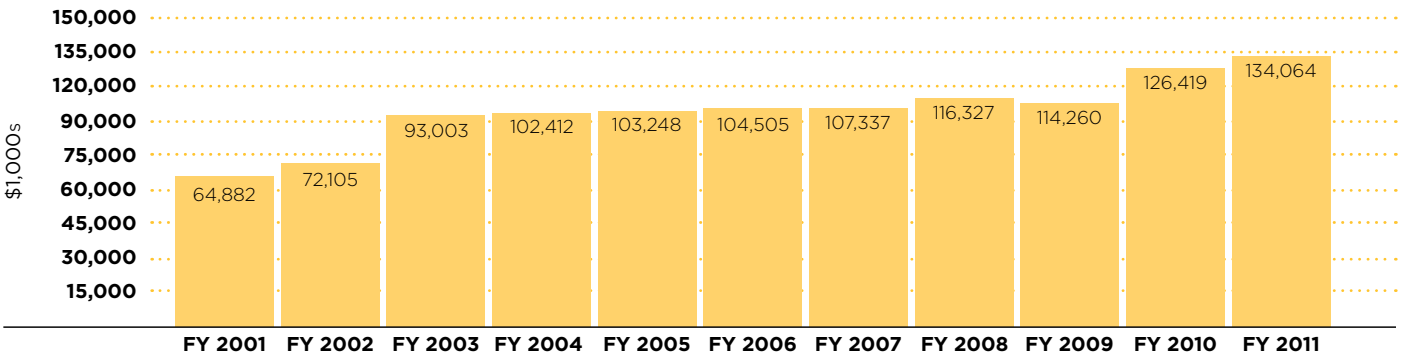
NATIONAL SCIENCE FOUNDATION TOP 100 RESEARCH UNIVERSITY IN CHEMISTRY, AGRICULTURAL, PHYSICAL SCIENCES, SOCIAL SCIENCES, AND COMPUTER SCIENCES

- Architecture and pharmacy are ranked highly by independent parties.
- NDSU graduates about 1% of all engineers in the U.S. annually.
- Cultivars alone contribute about $250M/yr in terms of economic development impacts to North Dakota.

GROWTH OF NDSU RESEARCH AND DEVELOPMENT EXPENDITURES

$1B RESEARCH EXPENDITURES SINCE FY2004; $134M IN FY2011

> Growing in an otherwise receding national landscape for R&D funding



Source: National Science Foundation survey of academic research and development expenditures.

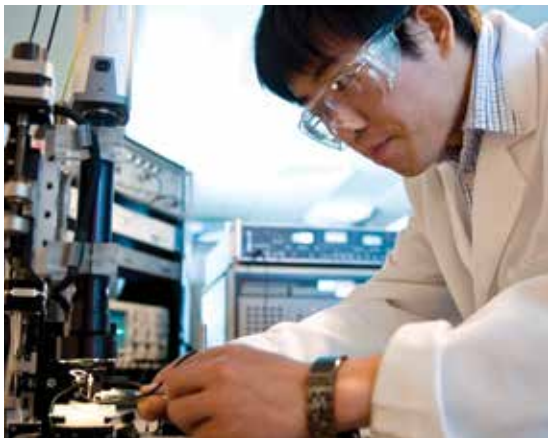
NDSU RESEARCH ACCOMPLISHMENTS

- Processing an average of one research award every 1.15 business days (1,800+ over six years)

- Processing an average of one research contract with private sector partners each week (300+ over six yrs.)
  - > Sponsored R&D with more than 130 different industry sponsors
  - > N.D. Centers of Excellence R&D with 30 industry partners
    - ✦ 1-6 research projects each

RESEARCH PROPOSALS SUBMITTED (ALL TYPES)	
PRIVATE SECTOR (INCLUDES "FEDERAL FLOW FUNDING")	69
COMMODITY GROUPS	239
FEDERAL AGENCIES	565
FOUNDATIONS	159
OTHER	7
STATE/LOCAL	142
TOTAL	**1,180**

NDSU CORPORATE SPONSORS

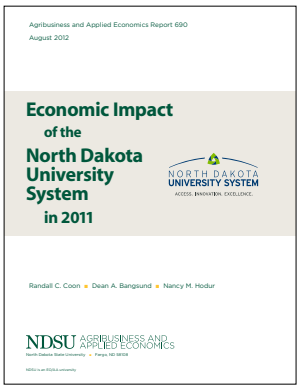


ND-BASED OPERATIONS

American Crystal Sugar
Amity
Appareo
Bobcat/Doosan Infracore
Caterpillar
Datacom International, Inc.
Deere & Company
Intelligent InSites
Killdeer Mountain Mfg.
Marvin Windows and Doors
MidAmerica/MOOG
Monsanto
Pedigree Technologies
Phoenix International
Space Age Synthetics, Inc.
Sanford Health
Technology Appl. Group
Triton Systems, Inc.

WORLDWIDE OPERATIONS

3M
Alien Technology
Akzo Nobel
Arkema
Bayer
Cargill
CertainTeed
Dow Chemicals
DuPont
Hercules/Ashland
Hempel
Honeywell
Intel
INVISTA
Nippon Shokubai
Nissan Chemical
Peregrine Semiconductor
Pfizer
Pioneer
PPG
Sherwin Williams
Starkey Labs
Syngenta
Symyx
Tessera
Textron Defense
and more



EXCERPTS FROM AGRIBUSINESS AND APPLIED ECONOMICS REPORT 690, AUGUST 2012 ECONOMIC IMPACT OF THE NORTH DAKOTA UNIVERSITY SYSTEM IN 2011

NORTH DAKOTA STATE UNIVERSITY

Each of the state's college campuses is an important component of that area's local economy. This brief analysis will provide highlights of an economic impact analysis of North Dakota State University in the Fargo area. Key economic indicators estimated in the analysis include direct impacts, total level of economic activity, personal income, retail trade, tax revenues, and employment. All dollar values are presented in terms of current year dollars, i.e., the effects of inflation have not been removed. The Consumer Price Index indicates that inflation during the 12-year period from 1999-2011 was 35 percent.

Expenditures by North Dakota State University comprise the direct impacts, or "first round effects". Expenditures by North Dakota State University were $167.6 million in FY1999, $246.8 million in FY2004, $284.7 million in FY2006, $346.0 million in FY2008, $355.4 million in FY2009, and $404.3 million in FY2011 (Appendix Table B8). Expenditures increased over the 12-year period by $236.7 million or by 141 percent.

Total impacts associated with North Dakota State University were estimated by applying the North Dakota Input-Output Model coefficients to total direct expenditures. Total economic contribution was estimated to be $490.8 million in FY1999, $730.6 million in FY2004, $835.6 million in 2006, $1.0 billion in FY2008, $1.04 billion in FY2009, and $1.2 billion in FY2011. The sector with the largest impact was *households* (i.e., personal income of area residents) for each year presented. Personal income increased from $194.2 million in FY1999 to $478.5 million in FY2011 or by 146 percent. Other sectors receiving major contributions included *retail trade, construction, finance, insurance, and real estate, and business* and *personal services*. Increased retail trade activity was estimated to be $125.3 million in FY1999, $171.7 million in FY2004, $206.4 million in FY2006, $250.8 million in FY2008, $255.6 in FY2009, and $287.3 million in FY2011. This represents a $162.0 million (129.3 percent) increase for the 12-year period. Increased levels of retail trade activity would generate $13.3 million in sales and use tax collections for FY2011, compared to $5,800,000 in FY1999 and $11.8 million in FY2009. Personal income tax collections were estimated to be $2.9 million in FY1999, $4.4 million in FY2004, $5 million in FY2006, $5.7 million in FY2008, $6.1 million in FY2009, and $7.2 million in FY2011 as the result of increased economic activity in the household sector.

Levels of business activity resulting from North Dakota State University expenditures would support 3,215 secondary (indirect and induced) jobs in 2011. These jobs are in addition to the 3,916 positions (excluding student jobs) employed at North Dakota State University in 2011. In the Fall of 2010, 12,708 full-time equivalent students were enrolled at North Dakota State University.

In addition to the economic impact resulting from the institution's expenditures, spending by students also contributes to the local economy. Direct impacts of student spending in the Fargo area was $139.0 million in FY2011. The total economic contribution of student spending was $345.6 million. Student spending was estimated to generate an additional $7.2 million in sales and use tax revenue and $1.3 million in personal income tax collections. This level of student spending would create enough business activity to support 711 secondary (indirect and induced) jobs. A detailed analysis of the economic impact resulting from student expenditures is presented in Appendix Table A15.

Appendix Table B8. Direct and Total Economic Impacts for North Dakota State University, Fiscal Years 1999, 2004, 2006, 2008, 2009, and 2011 (Current Year Dollars)

Item	FY1999	FY2004	FY2006	FY2008	FY2009	FY2011	Change FY1999-2011	Change FY2009-2011
	$000						%	
Direct Impacts:								
General Fund	67,041	70,715	76,513	88,150	98,272	102,250	52.5	4.1
Nongeneral Fund	95,014	155,899	193,757	232,749	239,061	274,916	189.3	15.0
Capital Improvements	5,581	20,139	14,411	24,765	18,051	27,153	386.5	50.4
TOTAL	167,636	246,753	284,681	345,664	355,384	404,319	145.6	13.8
Direct Impacts by I-O Sector:								
Construction	5,581	20,139	14,411	24,765	18,051	27,153	386.5	50.4
Communication and Public Util	8,168	10,185	9,966	11,993	12,696	13,246	62.2	4.3
Retail Trade	24,448	20,002	34,301	48,811	43,043	38,694	58.3	-10.1
Finance, Insurance, Real Estate	21,879	32,862	36,489	43,731	44,038	57,134	161.1	29.7
Business and Personal Services	22,510	35,840	45,494	59,668	64,159	58,669	160.6	-8.6
Households	85,050	127,725	144,020	156,696	173,397	209,423	146.2	20.8
TOTAL	167,636	246,753	284,681	345,664	355,384	404,319	141.2	13.8
Total Impacts:								
Construction	17,762	38,417	35,149	49,111	43,680	57,042	221.1	30.6
Communications and Public Util	24,968	35,257	38,690	46,173	48,534	54,384	117.8	12.1
Retail Trade	125,268	171,687	206,409	250,758	255,641	287,276	129.3	12.4
Finance, Insurance, Real Estate	44,531	66,886	75,136	89,009	91,838	112,833	153.4	22.9
Business and Personal Services	31,395	49,228	60,743	77,609	83,082	80,691	157.0	-2.9
Professional Social Services	12,585	18,903	21,432	24,895	26,391	31,000	146.3	17.5
Households	194,198	291,865	330,539	382,838	406,494	478,454	146.4	17.7
Other[1]	40,073	58,373	67,452	80,499	83,475	96,318	140.4	15.4
TOTAL	490,780	730,616	835,550	1,000,892	1,039,135	1,197,998	144.1	15.3

[1] Includes agriculture, mining, manufacturing, transportation, and government.

FUTURE CRITICAL ISSUES

The essence of NDSU's critical challenge is that of all 11 North Dakota system institutions, NDSU is the lowest funded four-year institution relative to its NDUS-established ranking among its peer institutions and/or general fund per student N.D. funding. Furthermore, most of those national peers are not among the far more successful institutions NDSU has recently joined in ranks with as one of the National Science Foundation's top 100 research universities.

If to generalize NDSU's future critical issues in one framework, it might be said that the university is a victim of its own success. NDSU's productivity and resulting visibility have led to a decade of unprecedented increases in demand by both undergraduate and graduate students and an increasing ability to attract scholars and entrepreneurs eager to bring their research and business ideas to an environment that supports their success. The increasing attractiveness and national visibility of NDSU and the surrounding community, and the state's current economic strength, all contribute to a university with substantial and growing capacity to contribute more to the state and nation — but hamstrung by resources designed to support a comprehensive undergraduate institution with only limited research productivity, much less a leading role in statewide economic development. To put a finer point on the challenge, of all 11 North Dakota system institutions, NDSU is the lowest funded four-year institution in terms of general fund dollars per student.

Nonetheless, the legislative requirement to replace the past state funding model with a new calculus bodes an exciting recognition and response to past funding inequities. NDSU recognizes the work and support both of the State Board of Higher Education and the state Legislature to take corrective action regarding those inequities and enthusiastically looks forward to realizing its full potentials once they are resolved. Already recognized by Moody's Investor Service as one of the leading economic engines in North Dakota, NDSU has historically been a major contributor to the North Dakota economy, and in the past decade has emerged as one of the state's most likely sources of future economic diversification, demographic correction, and general prosperity. NDSU's current and future capacity to address those state concerns, while generating a return on investment that has been calculated to approximately $7 for every $1 of state general fund support it receives, has become well documented and confirmed.

Unfortunately, NDSU's success and potential for an even more impressive contribution to the future of North Dakota are in a critically vulnerable position. Without adequate support, the university's capacity to meet student demand, bring in new interests and resources from out of state, and contribute to the economic diversity and strength of North Dakota's future will not simply be stopped at current levels, but due to inflationary factors and years of past budget rescissions, will require a retrenchment. More specifically, NDSU is in critical need of additional resources to support classroom instruction, academic support functions, and facilities renovation and replacement.

- Current resources available to support faculty and staffing of academic areas largely reflect the NDSU of a decade ago. Meeting student demand, while maintaining reasonable faculty-to-student ratios, has required an increasing utilization of nontenured, part-time, and other staffing options. While those "bridging" approaches are adequate in some educational settings, they are not complimentary or commonly employed as an on-going approach in a flagship land-grant research university.

- A recent external risk analysis contracted by the State Board of Higher Education singled out NDSU from its 10 sister institutions, indicating that understaffing in academic through administrative segments of the university represents the majority of its highest risks.

- Academic support functions meeting the demands of a growing student body, and the more sophisticated academic support needs of an enhanced student profile, have by and large been left unaddressed during NDSU's past decade of development. Existing faculty and academic staff have been stretched beyond reason to meet student demands, and a widening gap is evident in terms of the university's capacity to provide even modestly reasonable levels of support.

▪ Campus facilities are increasingly falling behind on even minimal levels of maintenance and renovation. NDSU's ability to continue attracting the best students, faculty, staff, and outside agencies that support the university's development and contributions back to the state, are increasingly being inhibited. The situation also results in an inability to pursue measures that would provide important cost savings in terms of safety, security, energy efficiency, and cost containment available through federal facilities and administrative financial support. It is troubling that state physical assets, much less their potential productivity, are hampered by facility conditions that do not provide the opportunity for even minimal much less on-going, long-term strategic planning of maintenance, renovation, and replacement.

At the same time, NDSU has a responsibility to evaluate and purposefully consider opportunities for efficiencies across its academic programs and all other activities. The university, both individually and as part of the NDUS, cannot appropriately grow and excel on all possible fronts. It has over the past two years undergone a comprehensive strategic planning process to evaluate those areas in which it is best positioned to lead, support, or contribute to the success of its constituencies. Reciprocally, NDSU also has identified those areas in which it is not best positioned or cannot efficiently lead with excellence in addressing demands of the state and nation, and must support collaboration with or redirection of state necessities to N.D. System institutions better positioned to meet such demands. NDSU's future strategic focus will be toward science, engineering, and agricultural fields represented by STEM disciplines.

In fact, NDSU is already pursuing a number of measures designed to do the above through modest state-supported startup initiatives in a variety of STEM disciplines. That has been complimented by external campus master planning, and strategic study of the university's image and marketing.

At the same time, the university also has pursued a number of initiatives ranging from curriculum reviews and restructuring of tuition, fees, and course load expectations, and has pursued purposeful collaboration with other state post-secondary institutions. Just a few current examples of such collaboration include development of undergraduate and graduate programs with Minot State (social work and human development), UND (public health), and NDSCS (the "Pathways" program, and the establishment of a two-year liberal arts preparatory program in the Fargo area). NDSU also has proposed extension of engineering-related efforts in transportation and logistics to the Dickinson State University campus.

Mirroring those examples of growing academic collaborations have been system-wide support of academic support functions in system IT-based data storage, academic computing, communication, emergency response and support technologies that provide the backbone of many N.D. System institutions and the support of their collective academic communities. By blending system resources with the campus-based expertise requisite to major research university environments, NDSU is in many areas best positioned to efficiently provide services to its sister institutions.

AGENCY UPDATE

NORTH DAKOTA STATE UNIVERSITY
ANALYSIS OF 2011-13 FINAL ENGROSSED HB 1003

	FINAL HB1003	HB 1003+ EQUITY ALLOC
2009-11 General Fund Appropriation-Base Operations	**$108,715,082**	**$108,715,082**
2009-11 Deferred Maint/Extraordinary Repairs	**1,692,225**	**1,692,225**
2009-11 Adjusted General Fund Appropriation	**110,407,307**	**110,407,307**
Prioritized SBHE Needs-Based Request		
1. Parity/costs to continue existing salary base	9,067,447 [1]	9,067,447
2. Equity	- [2]	6,005,607
3. College affordability	- [2]	-
4. Facility and infrastructure regular repair and maintenance	1,040,019 [3]	1,040,019
Employee retirement contributions	794,560	794,560
Master's in Public Health (1/2 NDSU, 1/2 SMHS)	607,609	607,609
STEM teacher education base funding adjustment	(250,000)	(250,000)
Total Increase in GF Base Funding	**11,259,635**	**17,265,242**
GF base funding increase over 2009-11	*10.20%*	*15.64%*
Total Base General Fund Request, Recommendation and Engrossed HB1003	**121,666,942**	**127,672,549**
One-time General Fund Budget Requests:		
Pay-off special assessments	272,683 [4]	272,683
Total One-time General Fund Budget Request, Recommendation and Engrossed HB1003	**272,683**	**272,683**
2011-13 Small-Medium Projects	-	-
2011-13 State-Funded Projects	-	-
Total General Fund Request, Recommendation and Engrossed HB1003	**$121,939,625**	**$127,945,232**

[1] **Parity-Costs to continue existing salary base (state share)**

a. Costs to continue FY11 legislatively funded salary increases (+ new positions)	$2,288,204
b. Total estimated health insurance based on funded premium of **$999.05** per month	906,679
c. Estimated cost of compensation package at **3% per year**	4,385,006
d. Estimated operating inflation – NOT FUNDED	-
e. Estimated actual utility increases	1,064,975
f. Estimated utility costs of new buildings coming online – Minard Hall, leased academic and administrative space	442,583
Total Parity/Costs to Continue	**$9,067,447**

[2] **Equity and College Affordability**
HB 1003 section 6 included a $15,240,565 equity and affordability funding pool for distribution among the university institutions, based on existing formulas. NDSU received an allocation of **$6,005,607** for equity and college affordability combined, which was used to support general operations, including salaries for faculty and staff, operating costs and equipment.

[3] **Facility Infrastructure Repair and Maintenance**
Base funding increased by $1,040,019 from $1,692,226 to $2,732,244

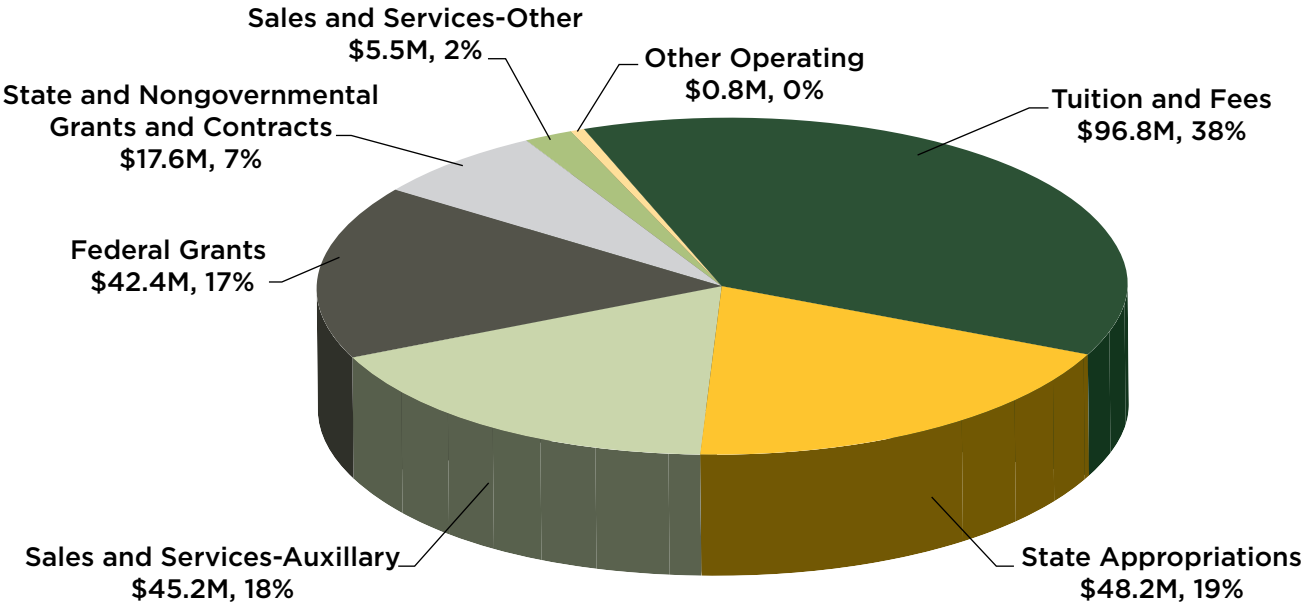
[4] **One-time: Special Assessment 2011-13 Payments**

Principal	$94,264
Interest	178,419
	$272,683

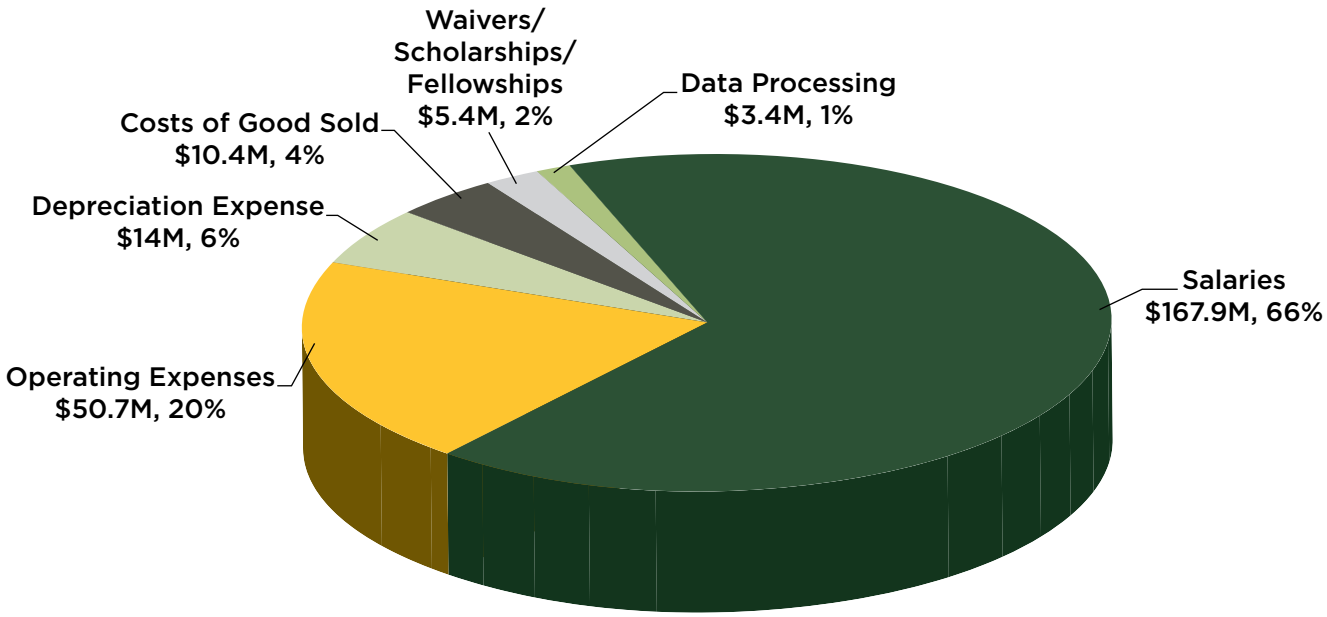
Source: FY2012 NDSU unaudited financial statements
Operating revenues do not include nonoperating revenues (gains/losses on capital assets, endowment/investment income, interest, insurance proceeds, tax revenues, capital grants and gifts). Although state appropriations and federal grants, contracts and appropriations are classified as "nonoperating revenue" for financial statement purposes (per GASB), they are included in "operating revenue" for this presentation because the revenue from these sources funds operating expenses.

The above information represents NDSU, excluding the Agricultural Experiment Station and Research Centers, Extension Service, ND Forest Service, Upper Great Plains Transportation Institute, Northern Crops Institute.

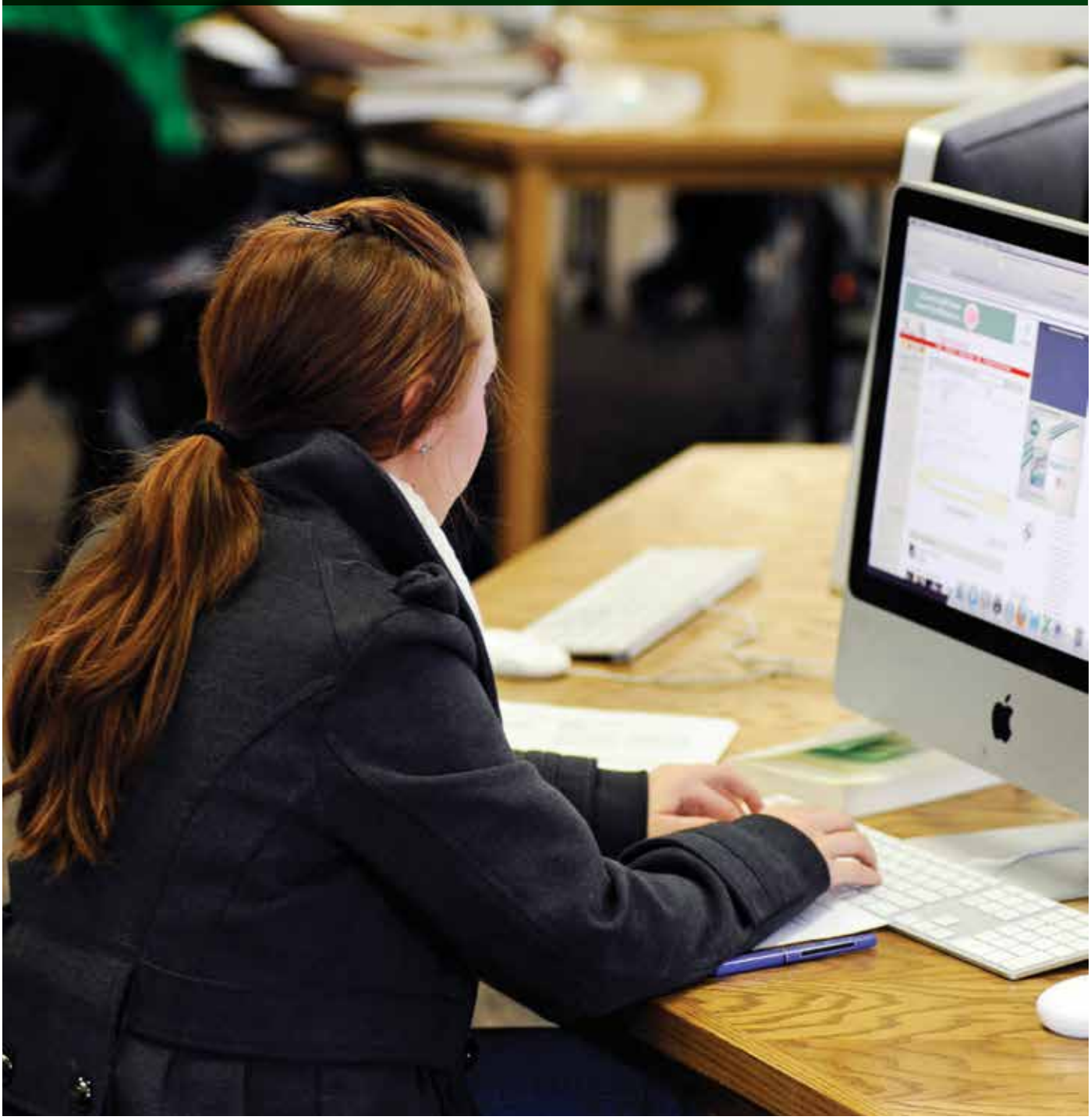
NORTH DAKOTA STATE UNIVERSITY
Operating Revenues FY12 - $256.7M



NORTH DAKOTA STATE UNIVERSITY
Operating Expenses FY12 - $251.9M



NDSU 2013-15 **BIENNIAL BUDGET REQUEST SUMMARY**



NDSU 2013-15 BIENNIAL BUDGET REQUEST SUMMARY

BASE FUNDING

Costs to Continue	$7,255,435
Facility and Infrastructure Regular Repair and Maintenance *Funding for this request will increase the base from $2,732,244 to $2,820,577*	$88,333
Security/Emergency Preparedness	$185,000
Total Base Funding Increase	$7,528,768

STATE PRIORITY INITIATIVE REQUEST SUMMARY

PRIORITY	DESCRIPTION	REQUEST
Priority 1	Library Collaboration with UND	$238,679
Priority 2	Senior Global Ambassadors	$180,000
Priority 3	Transportation and Logistics	$394,250
Priority 4	Research Compliance Management	$491,940
Priority 5	Energy Specialist	$147,006
Priority 6	Genomics and Bioinformatics Linking Initiative	$10,000,000
Total State Priority Requests		$11,451,87

CAPITAL PROJECTS

STATE FUNDED

STEM Classroom/Laboratory Building	$29,600,000

NON-STATE FUNDED

Low Rise Lavatory Renovation-Phase I	$1,000,000
Memorial Union Food Court Redesign	$975,000
Low Rise Lavatory Renovation-Phase II	$1,030,000
Nutrition, Dietetics and Hospitality Laboratories	$750,000
Total Capital Projects-Non-State Funded	$3,755,000

REAUTHORIZATION NON-STATE FUNDED

Sanford Health Athletic Complex	$35,404,356

AMENDMENT-CAPITAL PROJECTS NON-STATE FUNDED

Center for Computationally Assisted Science and Technology	$660,000

CAPITAL PROJECTS

STEM CLASSROOM/LAB BUILDING

NDSU PRIORITY #1 - $29,600,000
NDUS #2 RECOMMENDED PROJECT

NDSU is requesting funding to construct a new state-of-the-art STEM (science, technology, engineering, mathematics) instruction building on campus to address the classroom and laboratory needs of students. We believe that the "universal" design of the building also will serve as a statewide model for other colleges and universities. Most current classrooms and laboratories are 40-100 years old and do not have the technology, infrastructure or environment required to meet teaching needs of NDSU today or in the future. In addition, the shortage of classroom and limited office space on campus has made it difficult to renovate outdated, deteriorating academic buildings.

This project would 1) provide state-of-the-art, safe spaces for science and technology instruction; 2) free up and allow better use of existing space to support research and teaching in STEM areas; 3) support the unanimous top capital project priority of all colleges, deans, and senior academic leadership at NDSU, the business community, and the state of North Dakota by providing excellent educational opportunities in the STEM fields of study; and 4) align with the third goal of the SBHE, which states "Economic development through quality education, research, training, and service." This project addresses $150,000 in deferred maintenance issues.

Project Description
Spaces in the building would be devoted exclusively to labs and traditional science and engineering classrooms as well as modular "open frame" flexible classrooms that would range in size from 20 to an auditorium that would house 250-500 students. The building also would add much needed classroom space to the campus as student enrollment has outgrown the available space, and there are no accommodations for any future growth.

The proposed building does not have a final program or design to determine the exact number or size of each room; however, some of its features could include:

- Accommodation for Echo 360 or streaming video capability
- Modular open frame seminar classrooms with space that can be broken down into pods of less than 20 and/or less than 50 students
- Biology and physics teaching labs – visibility into these spaces from public areas or a student commons may be desirable
- New construction: 145,000 sq. feet
- New construction-cost per square foot: $94 excluding mechanical, electrical, infrastructure, FFE, fees

KEY FACTORS

- NDSU has been unable to offer certain classes; students have been on lengthy waiting lists because of limitation of physical classroom size.
- Students have requested particular classes on a more regular basis, but NDSU is unable to comply with this request because of the shortage of classroom space.
- Accreditation groups have voiced concerns with NDSU's limited classroom/lab space.
- Undergraduate teaching classroom and lab spaces are currently commingled with research lab, faculty and graduate student office spaces.
- Department teaching and research space is being leased off-campus; rented space is the most cost inefficient means to meet space demands and a huge drain on campus resources.

PROJECT COSTS

DESCRIPTION	Estimated Total Cost
Planning, Permits and Insurance (design costs associated with current project, OMB preplanning revolving funds, architect and engineer fees, permits, insurance)	$1,700,000
Demolition and Disposal (C.I. Nelson building)	$100,000
Construction (foundation and building construction or renovation, including fixed equipment, landscape, infrastructure and utilities, mechanical and electrical, parking and driveways or roadways)	$24,460,000
Institutional Work (value of work completed by institutional staff)	$50,000
Contingency	$1,850,000
Hazardous Material Abatement	$15,000
Other (including 3rd party costs, survey/geotech)	$25,000
SUBTOTAL	$28,200,000
Furniture, Fixtures and Equipment (FF&E)	$1,400,000
TOTAL	**$29,600,000**

SBHE CAPITAL CRITERIA

Life, health, and safety issues	• No campus classroom with appropriate ventilation for conducting science demonstrations • Sharing of lab space between scientists, graduate and undergraduate students • Same labs used for research and teaching, creating safety hazards for undergraduate students unfamiliar with advanced research equipment, procedures, and chemicals • Inadequate/inoperable/insufficient infrastructure for today's research lab requirements
Compliance with local, state, or federal law or requirements	• Improved ADA classroom/lab/building accessibility and elevators • Conform to building safety codes
Significant deferred maintenance or critical maintenance needs which could result in structural damage to building if neglected	• Relocating classrooms from buildings will allow easier remodeling/renovations of individual areas in those buildings
Compelling programmatic or accreditation justification	• Accreditation groups have voiced concerns with NDSU's limited classroom/lab space • New teaching space will improve accreditation status in engineering and pharmacy • Separating teaching labs from research labs will assist in obtaining research funding • Building is vital for improving research options on campus
Specific program or activity advancement (high state priority)	• STEM graduates are state and national priority • Building will support spectrum of majors at NDSU, including agriculture, biology, chemistry, engineering, exercise science, mathematics, nursing, pharmacy
Urgent infrastructure need	• Classroom space on main campus has not kept pace with student growth in past decade • Fewer campus classrooms today than prior to the 50% increase in student population • 25 seat (and above) classrooms filled to capacity during peak times of day (9 a.m. – 3 p.m.)
Consistent with campus master plan and highly rated by campus	• Classroom-type building previously listed in 2006, 2008, 2010 Campus Master Plans • Consensus from all parts of campus (e.g., student affairs, financial affairs, academic affairs) as number one need for NDSU • Consistent with mission of student-focused, land-grant, research university • Every student would have class in the building at some point in their academic career
Necessary based on clearly demonstrated condition of existing space	• More than half of NDSU's classroom laboratories are in similar condition to that when constructed in mid-1960s
Fosters consolidation of services or enhances operating efficiencies	• Numerous operating efficiencies for classroom support (stockrooms, storage spaces, grad assistant teaching offices, etc.) by locating in the same building • Spaces can be shared across many disciplines being taught in the building

COST BENEFIT ANALYSIS

The majority of teaching labs on campus have a capacity of 20 to 22 students per lab, with safety and effective teaching methods as reasons for this ratio. However, there are as many as 24 students per lab in the introductory and nonmajors biology courses (Biol 150L Biol 151L, Biol 111L, Biol 126L, Biol 124L, Biol 220L and Biol 221.) Teaching labs are resource demanding and require adequate supervision during student use. Teaching assistants (TAs) provide instruction and supervision for these labs, and the university has requirements that limit the number of labs a TA can teach in a certain time period. This becomes an additional factor in the number of labs that can be offered per semester.

It also is important to note that NDSU has a number of upper division courses with labs incorporated into the course (i.e., no separate Lab sections would show up in the institutional data) that serve additional students and use teaching lab space (Biol 478/678, Zoo 280, Zoo 380, Zoo 450/650, Zoo 452/652, Zoo 454/654, Zoo 456/656, Zoo 458/658, Zoo 470/670, Zoo 472/672, Zoo 474/674, Zoo 476/676, Zoo 477/677, Bot 372). In these cases, faculty are teaching the labs and class sizes are limited by not being able to accommodate the students in the lab. In recent years accommodating students in these classes has been difficult because of space limitations.

Many of NDSU's 100- and 300-level courses required by many majors (e.g. General Biology Lab I and II (Biol 150L and Biol 151L), General Chemistry Lab I and II (Chem 121L and Chem 122L), World Food Crops (Plsc 110), and Genetics (Plsc 315) are oversubscribed and students must register for them later in their degree program. Since many of these classes are prerequisites for other courses, delayed enrollment can delay graduation by one to two semesters. Our goal is to encourage and provide opportunities for students to complete undergraduate degrees in four years.

The initial design concept includes 145,000 square feet of general classroom space, STEM laboratory, and student study areas. The classroom space ranges from 20-450 students in size alone, and the STEM specific laboratory space will vary based on nature of the instruction. Many of the teaching labs will have capacity of 20-30 students. Every NDSU student would have a class in this building at some point during his/her academic career. The addition of the STEM building will allow NDSU to address the current space and room deficiencies experienced on the main campus as well as address future academic needs. Student demand for STEM related instruction has grown by 37% during the past 10 years. Providing this type of facility on the main campus will be a more cost efficient option than renovating or leasing similar type space off campus.

CIVIL INDUSTRIAL ENGINEERING #104

View of room from doorway

Classroom and teaching lab

Research lab and graduate center office (behind curtain)

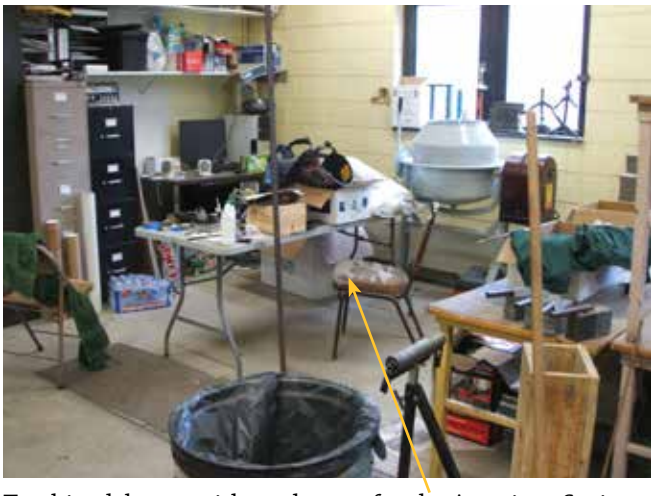
Graduate student office within research lab

SPACE IS USED FOR FOUR FUNCTIONS:

- Teaching classroom
- Teaching lab
- Research lab
- Graduate student offices

CIVIL INDUSTRIAL ENGINEERING #108

Teaching lab space also used as storage area; supplies are moved when instruction needs to take place



Teaching lab area with workspace for the American Society of Civil Engineering student organization

Storage issue in area so items are stored from ceiling

DOLVE #131

Classroom and teaching lab; research lab and graduate student space on opposite side of movable partition

From the rear of classroom/teaching lab space; note lack of space for 20-30 students who participate in class/lab

DOLVE #144

Research lab side of room with graduate student area; laser technology takes place in the research side and should not be combined with academic classroom activities

Former restroom area converted into needed teaching lab space; water hoses are hooked to previous restroom piping

DOLVE #128

Flame device in teaching lab with makeshift intake and vent

Storage space is an issue in this teaching lab

ELECTRICAL AND COMPUTER ENGINEERING ROOMS

Former classrooms (#235 and #237) were converted into teaching labs for 200+ students each; there are only eight workstations in each lab, so 24-hour card access was added to the rooms in order to accommodate accessibility for student lab and project needs

(#223) Teaching lab/graduate student office/senior design lab is commingled in one area with research activities also taking place here

STEVENS HALL ROOMS

(#107) Teaching lab that also is used as classroom; chairs are moved around table when class is in session

(#118) Faculty office is located in former custodial closet (note drain in floor)

(#204) Shared research lab space

(#233) Former storage space; now is shared graduate student and faculty office spaces with single entrance

(#136) Middle school sized, outdated furniture; class size would be reduced if larger, more appropriate sized furniture were used

REQUESTED AUTHORIZATION — NON-STATE-FUNDED CAPITAL PROJECTS

PROJECT	COST	DESCRIPTION
LOW RISE LAVATORY RENOVATION – PHASE I	$1,000,000	The project consists of remodeling the low-rise residence halls bathrooms by replacing the piping stacks, mechanical (including improved ventilation) and more private areas for showers, sinks, and lavatories. This project would be completed in five phases, beginning with the residence hall with the most damaged stacks. The residence halls in this project include: Stockbridge Hall, Reed and Johnson Halls, North and South Weible, Dinan, and Burgum. Energy conservation will be utilized along with long lasting and sustainable finishes.
MEMORIAL UNION FOOD COURT REDESIGN	$975,000	A study was completed to evaluate the lighting, signage and circulation in the food court area of the Memorial Union. The result of the study was that a renovation of the area would improve all three items. The lighting in some areas is down to 10 footcandles, which is far below the recommended standards. The current circulation pattern has created many issues including customers spilling food on each other. Signage improvements will help in many aspects, including circulation.
LOW RISE LAVATORY RENOVATION – PHASE II	$1,030,000	The project consists of remodeling the low-rise residence hall's bathrooms by replacing the piping stacks, mechanical (including improved ventilation), and more private areas for showers, sinks, and lavatories. This project would be completed in five phases, beginning with the residence hall with the most damaged stacks. The residence halls in this project include: Stockbridge Hall, Reed and Johnson Halls, North and South Weible, Dinan, and Burgum. Energy conservation will be utilized along with long lasting and sustainable finishes.
NUTRITION, DIETETICS AND HOSPITALITY LABORATORIES	$750,000	The project consists of renovation of the current space in the College of Human Development and Education's Family Life Center (FLC) 310, 311 and 312 to provide up-to-date food production laboratory space and equipment. The original space was designed to meet the needs of students in the 1970s but those needs have changed dramatically. The project would include asbestos abatement, demolition where required, new construction/ renovation, design expenses, and equipment.

CAPITAL PROJECT REAUTHORIZATION — SANFORD HEALTH ATHLETIC COMPLEX

$35,404,356 – PRIVATE FUNDS

Dedicated in 1970 as the Fieldhouse and the Physical Education Classroom Building, the Sanford Health Athletic Complex (former Bison Sports Arena) featured the largest indoor seating capacity of any building of its type in the state, and was opened as one of the finest multipurpose facilities in the region, consisting of 150,639 square feet of space.

The Sanford Health Athletic Complex remains the primary facility for the athletics department. This multipurpose facility has been overwhelmed by the increase in sports, teams and athletes. A major renovation is critical to meet growing demands of the NCAA Division I athletic program.

The renovation would provide an increased level of quality and safety for the athletes, the campus and the community with an emphasis on improving the existing facilities and structure. Renovation plans include: HVAC upgrades, ADA compliance, locker room expansion/upgrades, athletic training areas, security, classroom technology enhancements, replacement of the unsafe playing surfaces and bleacher systems along with relocating offices/ conference/meeting rooms for maximum space efficiency. This project will also replace the existing roof, add new entrances to the north and south, a new practice gym, improvements for wrestling, golf, softball and baseball programs, an academic center, and an addition to the west side of the building to accommodate the strength and conditioning area for all student athletes.

Approximately $4,092,000 in deferred maintenance is addressed in this project.

On September 26, 2012, NDSU sought and was granted authorization by the SBHE to:
"Amend the 13-15 SBHE capital project request to include $35,404,356, an increase of $6,304,356 over the currently authorized amount of $29,100,000, for the Sanford Health Athletic Complex, funded from private funds. Furthermore, authorize NDSU to proceed with a fundraising campaign of $35,404,356 for the project."

PROJECT DESCRIPTION

NDSU requested an increase in spending authorization of $6,304,356 for the project due to the following reasons [approximately $2,260,000 for contingency and $4,040,000 for construction]:

- Fundraising efforts have taken longer than previously anticipated, delaying project start time
- Estimated construction costs have increased from 2010 to the proposed 2013 project start time
- Code changes since 2010 have resulted in an increase in construction costs
- Contingency is being increased from 5% to approximately 12% due to the complexity of the building remodeling; industry contingency standards for building renovations range from 10-15%
- The new Sanford Health Center being built could result in increased construction costs in the area
- Requested capital project amount does not include FF&E estimated total of $2,725,645 as per SBHE policy.

CENTER FOR COMPUTATIONALLY ASSISTED SCIENCE AND TECHNOLOGY

$660,000 – FEDERAL FUNDS

THIS PROJECT RECEIVED SBHE APPROVAL ON JANUARY 17, 2013 AS AN AMENDMENT TO THE 2013-15 APPROPRIATIONS BILL.

AS NOTED IN THE SBHE MINUTES:

Approve NDSU request for ratification of the Chancellor's interim approval to request an amendment to the 2013-2015 appropriations bill to include the upgrade of a portion of Research 2 (R2) for the Center for Computationally Assisted Science and Technology in the amount of $660,000 to be funded by federal grant funds; further, following legislative approval, authorization to proceed with the project.

PROJECT DESCRIPTION

The NDSU Center for Computationally Assisted Science and Technology (CCAST) is administering the Department of Energy's National Nuclear Security Administration (DOE NNSA) federal grant entitled "Center for High Performance Computing" (Project No. DE-FG52-08NA28921, PI: VPRCATT Philip Boudjouk). The grant is dedicated to development of high-performance computing (HPC) infrastructure (infrastructure, hardware, and software) and to development of competencies in computational research (personnel, research programs, and outreach) for NDSU. A portion of this funding is directed toward improvements to the specialized computer room in the NDSU Research and Technology Park R2 building where new CCAST hardware and software infrastructure is scheduled be housed. The improvements are imperative to ensure that necessary power, cooling, fire protection, space and security requirements of modern HPC equipment are met within the building. The current condition of the room cannot support operation of such equipment. These improvements are also time-critical due to additional, already awarded as well as submitted, federal grants which call for the HPC equipment to be placed in the room in the near future. CCAST has recently obtained a no-cost extension from DOE NNSA for the duration of the grant until September, 2013. However, the grant cannot be extended beyond that date and the fund will be lost to NDSU if not used by September 30, 2013.

This upgrade, dictated by the current saturation of the extant power and cooling lines, is absolutely necessary to assure continuation of the growth of the Center for Computationally Assisted Science and Technology (CCAST) at NDSU. Currently CCAST has no ability to add or refresh hardware in its high-performance computing (HPC) facility and without this upgrade, its HPC operations will be severely impeded. The upgrade will make available to NDSU additional 0.5 MW of cooled power and will provide support for CCAST HPC hardware maintenance and expansion for the next five to seven years, consistent with the primary objective and within the scope of the Department of Energy efforts. The upgrades are necessary to support establishment and development of CCAST as well as the growth of the center being funded by federal grants – including both DOE and NSF.

Currently, the grant is also funding the installation of a new Uninterruptable Power Supply (UPS) in the building. This UPS is a standalone system being replaced because of its age, condition and size. The current equipment is too small for present building needs so a new UPS is being installed that is large enough to cover future needs. The renovation costs for installing the UPS are less than $250,000, excluding FFE.

CONSISTENCY WITH CAMPUS FACILITY MASTER PLAN AND BUDGET

The project directly affects the three traditional principal responsibilities of land-grant universities as stated in the NDSU Campus Master Plan: Teaching – Research – Public Service. The upgrade is necessary to assure continuation of the growth of the Center for Computationally Assisted Science and Technology (CCAST) at NDSU.

SBHE AND/OR LEGISLATIVE HISTORY

None

ESTIMATED TOTAL PURCHASED OR DONATED COSTS (ALL costs should be included in the estimate, unless specifically noted otherwise.)	AMOUNT
Planning, Permits and Insurance (design costs associated with current project, OMB preplanning revolving funds, architect and engineer fees, permits, insurance)	**$70,000**
Land/Building Preparation and Purchase or Donated Costs (land acquisition and site preparation/development)	**$**
Demolition and Disposal	**$**
Construction (foundation and building construction or renovation, including fixed equipment, landscape, infrastructure and utilities, mechanical and electrical, parking and driveways or roadways	$510,000
Institutional work (value of work completed by institutional trade staff)	**$7,500**
Contingency	**$72,500**
Hazardous Material Abatement	**$**
Other, including 3rd party costs (please describe)	$
SUBTOTAL	**$660,000**
Furniture, Fixture and Equipment (FF&E)	**$240,000**
TOTAL	**$**

No other work, other than that specified within this request, is required for the completion of the project not is other work planned to supplement this project using funding or authority not included within this request.

FUTURE OPERATING/IMPROVEMENT COSTS AND FUNDING SOURCES

Operating costs are estimated at approximately $4000 per month for utilities in the beginning, which may increase as capacity is increased in the system. Funding will be provided by local and grant/contract funds.

SOURCE AND AVAILABILITY OF FUNDS (INCLUDING FF&E)

Department of Energy's National Nuclear Security Administration (DOE NNSA) federal grant entitled "Center for High Performance Computing" (Project No. DE-FG52-08NA28921, PI: VPRCATT Philip Boudjouk).

Available budget in the grant as of the end of November, 2012: $1,655,040

ESTIMATED PROJECT TIMELINE AND COMPLETION DATE

Project to start once approved with a completion of September 30, 2013

SBHE CAPITAL CRITERIA (address each of the criteria below)

- **Project addresses current life, health and safety issues**
  N/A

- **Project addresses compliance with local, state or federal law or other requirements**
  N/A

- **Project corrects significant deferred maintenance**
  N/A

- **Project addresses a critical maintenance need defined by situations which must be addressed, and which, if neglected, could result in substantial damage to the structural integrity of the building**
  N/A

- **Project meets a compelling programmatic or accreditation justification consistent with campus mission and strategic goals**
  The project is necessary to assure continuation of the growth of the Center for Computationally Assisted Science and Technology (CCAST) at NDSU, the development of high-performance computing (HPC) infrastructure (infrastructure, hardware, and software) and for the development of competencies in computational research (personnel, research programs, and outreach) for NDSU

- **Project has been partially funded by the legislature in a previous biennium, but is not yet complete**
  N/A

- **Project is supported by significant outside funding**
  Yes, Department of Energy's National Nuclear Security Administration (DOE NNSA) federal grant entitled "Center for High Performance Computing" (Project No. DE-FG52-08NA28921, PI: VPRCATT Philip Boudjouk).

- **Space will be used to advance a specific program or activity that is a high priority of the state**
  Yes, see narrative above.

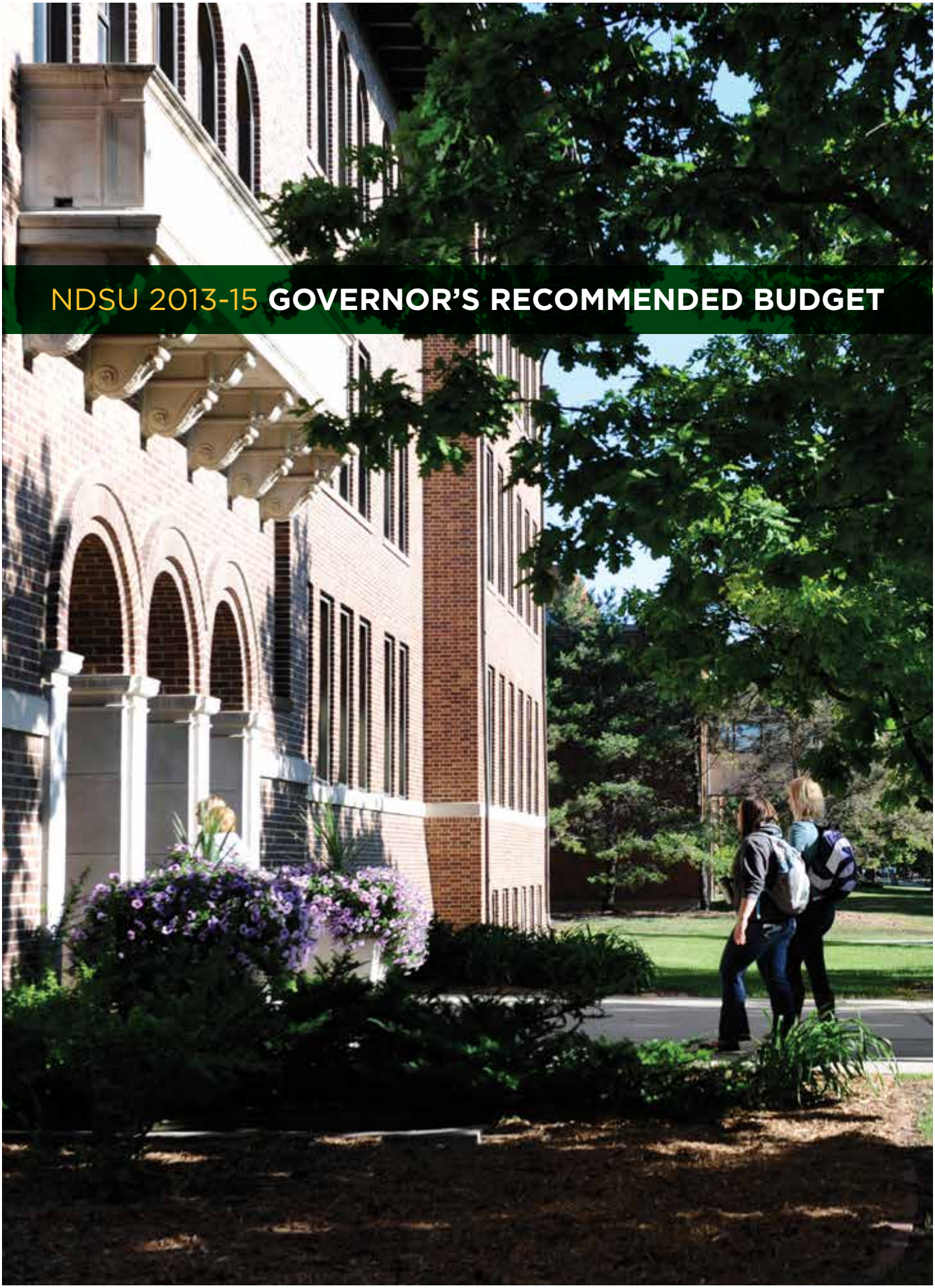
- **Project addresses an urgent infrastructure need**
  Yes, a portion of this funding is directed toward improvements to the specialized computer room in the NDSU RTP R2 building where new CCAST hardware and software infrastructure is scheduled be housed. The improvements are imperative to ensure that necessary power, cooling, fire protection, space and security requirements of modern HPC equipment are met. The current condition of the room cannot support operation of such equipment.

- **Project is consistent with campus master plan and is highly rated by the campus**
  The project directly affects the three traditional principal responsibilities of land-grant universities as stated in the NDSU Campus Master Plan: Teaching – Research – Public Service. The upgrade is necessary to assure continuation of the growth of the Center for Computationally Assisted Science and Technology (CCAST) at NDSU.

- **Project is necessary based on clearly demonstrated condition of existing space**
  A new UPS is currently being installed but existing cooling capacity is not sufficient to cool the larger demand of new computers, nor is the area set up to handle the new equipment.

- **Project fosters the consolidation of services or enhances operating efficiencies**
  The upgrade will make available to NDSU additional 0.5 MW of cooled power and will provide support for CCAST HPC hardware maintenance and expansion for the next five to seven years, consistent with the primary objective and within the scope of the Department of Energy efforts. The upgrades are necessary to support establishment and development of CCAST as well as the growth of the center being funded by federal grants – including both DOE and NSF.

- **Project enables the institution to remove obsolete or unnecessary facilities**
  N/A



NDSU 2013-15 **GOVERNOR'S RECOMMENDED BUDGET**

NDUS Campuses
Comparison of SBHE General Fund Budget Request
And Executive Recommendation

	(4)	(5)	(6)
	North Dakota State University		
	SBHE 2013-15 Prioritized GF Budget Request	**Executive Recommendation**	**Executive Recommendation Over (Under) Budget Request**
2011-13 Adjusted General Fund Appropriation	**$ 135,666,454**	**$ 135,666,454**	**$ -**
Base Adjustments	**(7,918,905)**	**(7,918,905)**	**-**
2011-13 Adjusted General Fund Appropriation, Net of Base Adjustments	**127,747,549**	**127,747,549**	**-**
SBHE Requested Increases:			
Cost to continue 2012-13 salary and retirement increases	4,193,068		(4,193,068)
Cost to continue FY13 growth in resident positions and medical and allied health students			
Operating inflation	2,421,596		(2,421,596)
Utilities increases (usage, rates & new facilities)	640,771		(640,771)
Regular repair and maintenance	88,333		(88,333)
Security/emergency preparedness	185,000		(185,000)
Statewide nursing consortium			-
State priorities	11,451,875	-	(11,451,875)
Equalization payment - New funding model 1/		6,431,392	6,431,392
Formula payment 2/		12,841,542	12,841,542
Total Requested Increase in GF Base Funding	18,980,643	19,272,934	292,291
Total Base General Fund Request & Recommendation	**146,728,192**	**147,020,483**	**292,291**
2013-15 State-funded Capital Projects	**29,600,000**	**29,600,000**	**-**
Total 2013-15 General Fund Request & Recommendation	**$ 176,328,192**	**$ 176,620,483**	**$ 292,291**

1/ Provides additional base general fund dollars to equalize funding between the campuses within each of the three tiers, (i.e. 2-year campuses, 4-year campuses and research universities), based on the new SCH funding model.

2/ The formula payment includes an increase of 6.15% per year on the annualized GF base (after equalization payment) to fund the "state share" of the cost to continue FY13 salary and retirement increases, operating inflation, utility increases and 2013-15 salary, health insurance & retirement increases. An additional 2.5% provides funding for campus security and student mental health at all campuses except UND and NDSU. At NDSU and UND, an additional .08% is included for the nursing consortium. Taken together, the formula ultimately funds all 2-year campuses at $117.60 per adjusted student credit hour (ASCH), 4-year campuses at $110.80/ASCH and the research universities at $72.70/ASCH.

State share of the costs to continue, as included in the Governors Recommended budget, provides 60% of the total funding necessary. The remaining 40% is provided through student tuition. As calculated by the university system office, NDSU would need an estimated annual tuition increase of 3.94% in order to fund the remaining share of the costs to continue.

North Dakota State University

Statutory Authority
ND Constitution Section 215, North Dakota Century Code Chapter 15-12.

Agency Description
North Dakota State University (NDSU) has in recent years solidified its position as one of the state's two flagship research universities. Perhaps more importantly in terms of its capacity to serve the state's interests, NDSU has become the first and remains the only North Dakota university ranked in the top tier of the Carnegie Commission on Higher Education and the ranks of the National Science Foundation's top 100 research universities (39th of those without a medical school), with over $134.0 million in annual sponsored scholarly research activity reported for the most recent national survey. Those rankings have opened up a steady progression of new partnership and funding opportunities, with other leading universities, private entities, and federal agencies, never before possible for a North Dakota university.

Nonetheless, NDSU is proud of its tradition as the state's student focused, land-grant, research institution. It embraces that responsibility as a cornerstone of its future productivity, and the contributions it can increasingly provide to North Dakota and the state's residents, as well as the nation's current and future interests.

The University also hosts the largest and most diverse full-time student enrollment in the state. The University enjoys its location in a vibrant and growing area of the state, and with a growing number of major corporate partners has shared a responsibility for creation of an environment that compliments and blends the experiences of its students, faculty and staff with the community in which they live while attending NDSU.

Major Accomplishments
1. Remained the state's first and only top ranked research university in the nation based on both the Carnegie Commission on Higher Education and the National Science Foundation, the two most recognized objective measures of university success.
2. Increased demand by prospective undergraduate students, in spite of efforts in recent years to slow enrollment growth and the necessitated elimination of most marketing budgets, has been reflected in new full time student enrollment records every year for the past 11 years, which in the fall of 2011 reached 14,399 students.
3. Continued improvement in the diversity of the NDSU student body, including in the fall of 2011 a record 1,282 international students representing 88 countries, and an increasing number of U.S. born students reflecting ethnic, cultural and geographical diversity.
4. Continued steadily increasing segments of NDSU's out-of-state-students are choosing to stay in North Dakota for their first job after graduation and contribute back above state averages to the tax base.
5. Set new records with record enrollment of graduate students reaching 2,376 in the fall of 2011.
6. Initiated efforts to improve the sense of welcome and support; retention and graduation rates; focus on students from historically under-represented populations, veterans, and others; and addressed high risk behaviors and other student issues.
7. Achieved a record 89 percent in student job placement in their major field of study. That success meets and exceeds many of the best universities in the nation.
8. Completed construction of the Beef Cattle Research Center and are nearing completion of the Research Greenhouse Complex's final phase. Both represent "game changing" state of the art facilities, which will draw national and international attention and resources.
9. Continued the involvement with the Research and Technology Park and emerging technology firms that have created several thousand new jobs, including employment of over 100 NDSU undergraduate and graduate students. Received national and international awards, including the "2010 Outstanding Incubator Graduate of the Year."
10. Enhanced academic computing infrastructure including upgrading the computer fiber network, routing and switching equipment and extending the state's Internet2 connection through the Northern Tier Network.
11. Established NDSU as one of the most successful overall NCAA Division-I athletic programs in the nation, and in the 2011-12 season was tied for most of the year with the University of North Carolina at Chapel Hill and the University of Alabama for the top program in the nation. Early in 2012 the football team won the Division-I national championship, with most other sports going on to post-season league and NCAA championship play.

Executive Budget Recommendation
- Recommends $29.6 million from the general fund for construction of a STEM Classroom and Laboratory building.
- Provides $6.4 million from the general fund to equalize funding between the research universities.
- Appropriates $12.8 million from the general fund for campus operations at $72.70 per adjusted student credit hour.

REQUEST/RECOMMENDATION COMPARISON SUMMARY

235 North Dakota State University **Bill#: SB2003**

Biennium: 2013-2015

Description	Expenditures Prev Biennium 2009-2011	Present Budget 2011-2013	2013-2015 Requested Incr(Decr)	2013-2015 Requested % Chg	Requested Budget 2013-2015	2013-2015 Recommended Incr(Decr)	2013-2015 Recommended % Chg	Executive Recommendation 2013-2015
By Major Program								
North Dakota State University	146,698,091	217,336,396	(37,253,204)	(17.1%)	180,083,192	(1,556,557)	(0.7%)	215,779,839
Total Major Programs	146,698,091	217,336,396	(37,253,204)	(17.1%)	180,083,192	(1,556,557)	(0.7%)	215,779,839
By Line Item								
Operating Expenses	110,087,802	125,015,305	18,892,310	15.1%	143,907,615	19,272,934	15.4%	144,288,239
Capital Assets	8,409,934	3,004,927	29,415,650	978.9%	32,420,577	29,327,317	976.0%	32,332,244
Capital Assets Carryover	3,889,215	7,646,222	(7,646,222)	(100.0%)	0	(7,646,222)	(100.0%)	0
Capital Projects - Non-State	232,115	43,402,185	(39,647,185)	(91.3%)	3,755,000	(4,242,829)	(9.8%)	39,159,356
Capital Projects Carryover - Non-State	19,687,139	38,267,757	(38,267,757)	(100.0%)	0	(38,267,757)	(100.0%)	0
Deferred Maintenance	4,391,886	0	0	0.0%	0	0	0.0%	0
Total Line Items	146,698,091	217,336,396	(37,253,204)	(17.1%)	180,083,192	(1,556,557)	(0.7%)	215,779,839
By Funding Source								
General Fund	125,006,117	135,666,454	40,661,738	30.0%	176,328,192	40,954,029	30.2%	176,620,483
Federal Funds	0	0	0	0.0%	0	0	0.0%	0
Special Funds	21,691,974	81,669,942	(77,914,942)	(95.4%)	3,755,000	(42,510,586)	(52.1%)	39,159,356
Total Funding Source	146,698,091	217,336,396	(37,253,204)	(17.1%)	180,083,192	(1,556,557)	(0.7%)	215,779,839
Total FTE	562.71	495.21	16.00	3.2%	511.21	0.00	0.0%	495.21

12/19/2012

NDUS 2013-15 Major Capital Projects

Comparison of SBHE's Approved Health and Safety Projects Request/Priorities to Executive Recommendation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			Project	*2013-15 Request*			Deferred Maint	2013-15
	Project Description	Campus	Type	State	Other	Total	Addressed	Exec Recommendation
			A=addition; R=renovation; NC=new construction					
1	Old Gymnasium Replacement & Improvements	MaSU	NC	$5,800,000		$5,800,000	$867,000	*$5,800,000 GF*
2	STEM Classroom/Laboratory Building	NDSU	NC	$29,600,000		$29,600,000	$150,000	*$29,600,000 GF*
3	Campus Backup Generator	DCB		$395,600		$395,600		*$395,600 GF*
	Total State Funded Health & Safety Ranked Projects Requested			*$35,795,600*	*$0*	*$35,795,600*	*$1,017,000*	*$35,795,600 GF*

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12/19/2012

NDUS 2013-15 Major Capital Projects

Comparison of SBHE's Approved Other Projects Request/Priorities to Executive Recommendation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
			Project	2013-15 Request				Deferred Maint	2013-15
	Project Description	Campus	Type	State	Other	Total	Other Source	Addressed	Exec Recommendation
			A=addition; R=renovation; NC=new construction						
Section 1: CAMPUSES - STATE FUNDED RANKED PROJECTS RECOMMENDED FOR INCLUSION IN 2013-15 BUDGET REQUEST									
1	SoMHS Renovation/Addition	UND	A, R, NC	$38,500,000		$38,500,000		$4 - $10 M	***$68,300,000 GF***
2	Communications & Creative Arts Center	BSC	NC	$20,404,000	$20,404,000	$40,808,000	private	$1,650,000	***$13,300,000 GF***
3	Old Main Renovation (including demo of Hektner and Burch)	NDSCS	R	$8,511,452		$8,511,452		$1,842,500	***$8,511,452 GF***
4	Renovation of Law School, Incl $100,000 for space utilization study	UND		$4,350,000		$4,350,000		$240,000	***$12,000,000 GF***
5	Systemwide deferred mainteance ($10 million) + systemwide facility master plan and space utilization study ($1 million)	System	R	$11,000,000		$11,000,000			***$11,000,000 GF***
6	Stevens Hall Renovation	WSC	R	$12,242,478		$12,242,478		$3,500,000	***$12,242,478 GF***
7	Campus-wide Drainage Improvements	MaSU	R	$2,267,000		$2,267,000			***$2,267,000 GF***
8	Vangstad Hall Renovation	VCSU	A, R	$3,636,466		$3,636,466		$1,038,774	***$3,636,466 GF***
9	Erlandson Tech Center Addn/Renovation	LRSC	A, R	$5,947,562		$5,947,562		$677,790	***$5,947,562 GF***
10	Campus Drive	WSC	R	$1,800,000		$1,800,000			***$1,800,000 GF***
11	Plant Services Building	MiSU	A	$1,821,905	$678,095	$2,500,000	$1,785 local; $676,310 GF 09-11 Swain Hall carryover		***$1,821,905 GF $1,785 OF $676,310 Carryover***
	Hillside Slope Failure (Not included in request)	VCSU				$0			***$505,800 GF $100,000 OF***
	Total State Funded Other Ranked Projects Requested - Campuses			***$110,480,863***	***$21,082,095***	***$131,562,958***		***$8,949,064***	***$141,332,663 GF $101,785 OF $676,310 Carryover***
Section 2: OTHER UNRANKED STATE FUNDED PROJECTS NOT INCLUDED IN 2013-15 BUDGET REQUEST									
	Armory Renovation	BSC	R	$3,720,000		$3,720,000		$1,891,000	
	Student Center Multi-purpose Addition	LRSC	A, R	$4,380,954		$4,380,954		$266,000	
	Ladd/Dunbar Renovation	NDSU	R	$12,900,000		$12,900,000		$5,400,000	
	Crop Quality & Food Science Facility (Harris Hall Replacement)	NDSU	NC	$20,400,000		$20,400,000		$1,900,000	
	Campus Water, Sewer Infrastructure	NDSCS	A	$9,459,000		$9,459,000		$8,759,000	
	Conversion to Geothermal - Area B	MiSU	R	$9,000,000		$9,000,000			
	W.E. Osmon Fieldhouse Renovation of Academic and Administrative Areas (Phase I)	VCSU	R	$1,315,790		$1,315,790		$523,500	
	Heating System Upgrade - Thatcher Hall	DCB	R	$810,000		$810,000			
	Total Other State Funded Projects NOT Included in the Request - Campuses			***$61,985,744***	***$0***	***$61,985,744***		***$18,739,500***	***$0***

12/19/2012

NDUS 2013-15 Major Capital Projects

Comparison of SBHE's Approved Other Projects Request/Priorities to Executive Recommendation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
			Project	2013-15 Request				Deferred Maint	2013-15
	Project Description	Campus	Type	State	Other	Total	Other Source	Addressed	Exec Recommendation
			A=addition; R=renovation; NC=new construction						
Section 3: Non-State Funded (Unranked) Projects Recommended for Inclusion in 2013-15 Budget Request									
	Student Housing Facility	UND	NC		$19,187,262	$19,187,262	Revenue bonds	$100,000	***$19,187,262***
	Resident Apartment Building (Currently leased)	UND	Buy		$8,300,000	$8,300,000	Revenue bonds		***$8,300,000***
	COBPA Renovation & Addition (Reauthorization from 2009-11) *	UND	R, A		$20,500,000	$20,500,000	Private	$50,000-$100,000	***$20,500,000***
	Indoor Track and Football Practice Field (Reauthorization from 2009-11) *	UND	NC		$19,500,000	$19,500,000	Private/Local		***$19,500,000***
	Low Rise Lavatory Renovation - Phase I	NDSU	R		$1,000,000	$1,000,000	Local	$700,000	***$1,000,000***
	Memorial Union Food court	NDSU	R		$975,000	$975,000	Local		***$975,000***
	Low Rise Lavatory Renovation - Phase II	NDSU	R		$1,030,000	$1,030,000	Local	$700,000	***$1,030,000***
	Nutrition, Dietetics & Hospitality Lab	NDSU	R		$750,000	$750,000	Private		***$750,000***
	Sanford Health Athletic Complex-Formerly Bison Sports Arena (Reauthorization of 2007-09 project)	NDSU	R				Private		***$35,404,356***
	Football Complex Renovation (Reauthorization & funding source change from 2011-13)	NDSCS	R		$1,350,000	$1,350,000	Private/local	$260,000	***$1,350,000***
	Renovation of Campus Athletic Facilities	MiSU	R		$11,800,000	$11,800,000	City sales tax & fundraising		***$11,800,000***
	W.E. Osmon Fieldhouse Addition (Phase II)	VCSU	A		$4,706,837	$4,706,837	Private		***$4,706,837***
	Gross Hall Update	DCB	R		$732,460	$732,460	Local		***$732,460***
	Mead Hall Update	DCB	R		$1,171,586	$1,171,586	Local		***$1,171,586***
	Milligan Hall Remodel/Update	DCB	R		$896,743	$896,743	Local		***$896,743***
	Old Main Remodel	DCB	R		$4,800,000	$4,800,000	Private/grants		***$4,800,000***
	Total Non-State Funded Projects - Campuses			**$0**	**$96,699,888**	**$96,699,888**		**$1.8 - $1.9 million**	**$132,104,244**
***Note regarding UND's reauthorized projects - The amount and scope of both projects may change, based on the success of fund raising efforts, but the extent is not currently known. The requested reauthorization is the level of funding approved in 2009-11.**									
Section 4: EXPERIMENT STATIONS/EXTENSION AND FOREST SERVICE - STATE FUNDED PROJECTS RECOMMENDED FOR INCLUSION IN 2013-15 BUDGET REQUEST									
1	Agronomy Laboratories (CREC, CGREC, HREC & LREC)	NDAES	NC	$5,925,000	$0	$5,925,000			***$4,300,000 GF***
2	Seed Conditioning Plants (CREC, LREC, NCREC & WREC)	NDAES	NC	$3,470,000	$0	$3,470,000			
3	Livestock Facilities (CREC & HREC)	NDAES	NC, A	$1,650,000	$0	$1,650,000			
1	Western 4-H Camp, Washburn	Ext.	NC, R	$950,000	$950,000	$1,900,000	Gifts/donations & grants		***$500,000 GF*** ***$1,400,000 OF***
1	Nursery Freezer Conversion & Shop Facility	Forest Service	NC	$785,000	$0	$785,000			***$785,000 GF***
	Total State Funded Ranked Projects Requested - Experiment Stations/Extension and Forest Service			**$12,780,000**	**$950,000**	**$13,730,000**			***$5,585,000 GF*** ***$1,400,000 OF***
	TOTAL -NDUS Projects Included in the 2013-15 Budget Request & Executive Recommendation, Including Health/Safety Projects			**$159,056,463**	**$118,731,983**	**$277,788,446**			***$182,713,263 GF*** ***$133,606,029 OF*** ***$676,310 Carryover***

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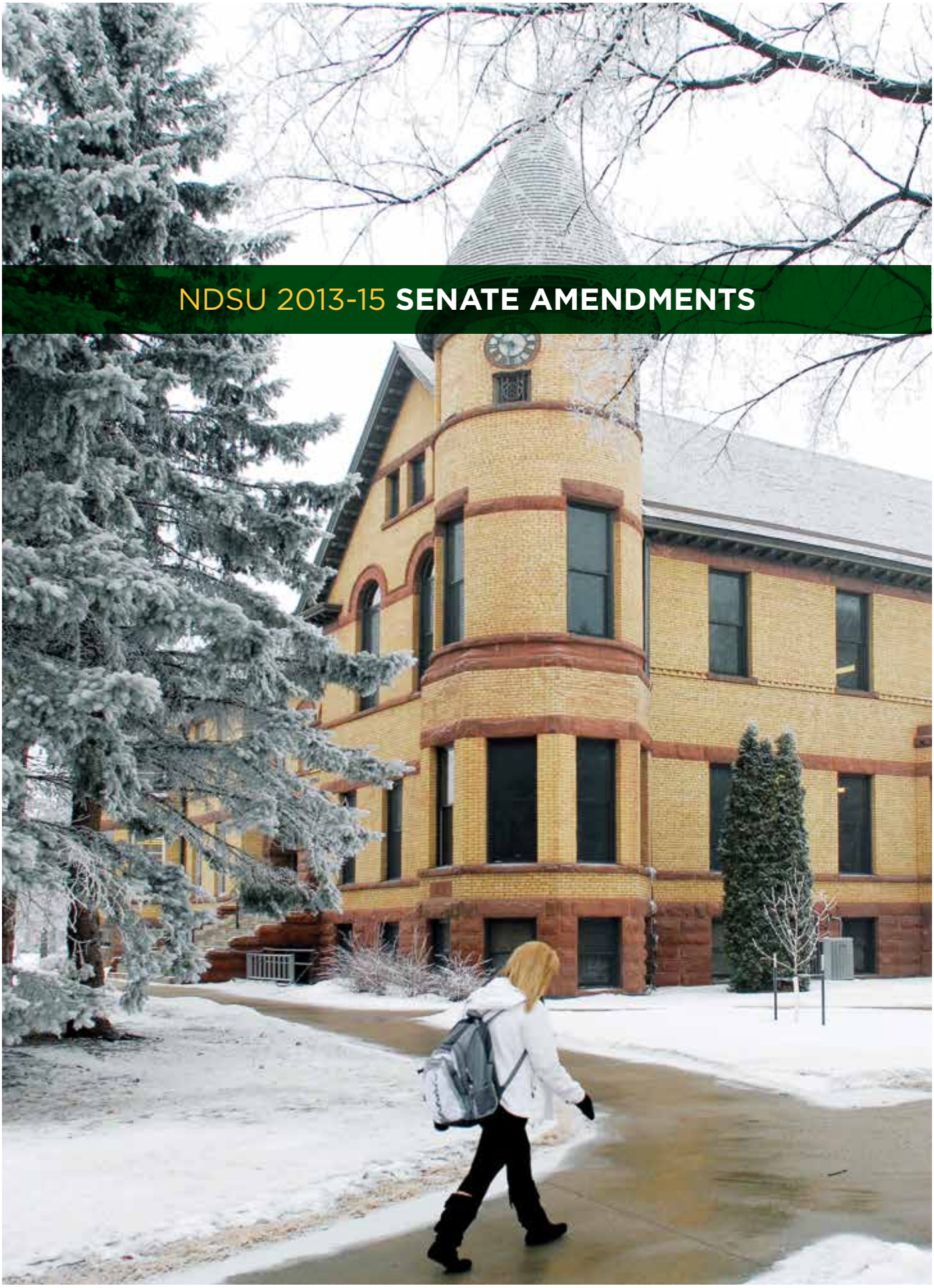


NDSU 2013-15 **SENATE AMENDMENTS**

Comparison of SBHE General Fund Budget Request to Executive Recommendation & Senate Engrossed SB2003

	North Dakota State University			
	SBHE 2013-15 Prioritized GF Budget Request	**Executive Recommendation**	**Senate Adjustments**	**Engrossed SB's 2003**
2011-13 Adjusted General Fund Appropriation	**$ 135,666,454**	**$ 135,666,454**		**$ 135,666,454**
Base Adjustments	**(7,918,905)**	**(7,918,905)**		**(7,918,905)**
2011-13 Adjusted General Fund Appropriation, Net of Base Adjustments	**127,747,549**	**127,747,549**	**-**	**127,747,549**
SBHE Requested Increases:				
Cost to continue 2012-13 salary and retirement increases	4,193,068			-
Cost to continue FY13 growth in resident positions and medical and allied health students				-
Operating inflation	2,421,596			-
Utilities increases (usage, rates & new facilities)	640,771			-
Regular repair and maintenance	88,333			-
Security/emergency preparedness	185,000			-
Statewide nursing consortium				-
State priorities	11,451,875			-
				-
HE Funding Formula (SB2200):				
Equalization payment - New funding model 1/		6,431,392		6,431,392
Formula payment 2/		12,841,542		12,841,542
Total Requested Increase in GF Base Funding	18,980,643	19,272,934	-	19,272,934
Total Base General Fund Request, Recommendation & Engrossed SB2003	**146,728,192**	**147,020,483**	**-**	**147,020,483**
One-time Funding:				
				-
Total One-time Recommendation	**-**	**-**	**-**	**-**
2013-15 State-funded Capital Projects: STEM Classroom Building	**29,600,000**	**29,600,000**		**29,600,000**
Total 2013-15 General Fund Request, Recommendation & Engrossed SB2003	**$ 176,328,192**	**$ 176,620,483**	**$ -**	**$ 176,620,483**

1/ Provides additional base general fund dollars to equalize funding between the campuses within each of the three tiers, (i.e. 2-year campuses, 4-year campuses and research universities), based on the new SCH funding model. Because UND was at the highest level of base funding in the research university tier, they received no equalization payment.

2/ The formula payment includes an increase of 6.15% per year on the annualized GF base (after equalization payment) to fund the "state share" of the cost to continue FY13 salary and retirement increases, operating inflation, utility increases and 2013-15 salary, health insurance & retirement increases. An additional 2.5% provides funding for campus security and student mental health at all campuses except UND and NDSU. At NDSU and UND, an additional .08% is included for the nursing consortium. Taken together, the formula ultimately funds all 2-year campuses at $117.60 per adjusted student credit hour (ASCH), 4-year campuses at $110.80/ASCH and the research universities at $72.70/ASCH.

State share of the costs to continue, as included in the Governors Recommended budget, provides 60% of the total funding necessary. The remaining 40% is provided through student tuition. As calculated by the university system office, NDSU would need an estimated annual tuition increase of 3.94% in order to fund the remaining share of the costs to continue.

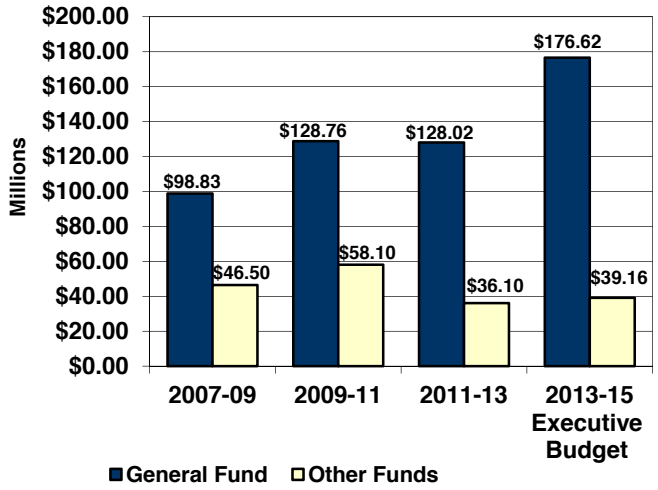
Department 235 - North Dakota State University
Senate Bill No. 2003

	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget	495.21	$176,620,483	$39,159,356	$215,779,839
2011-13 Legislative Appropriations	495.21[1]	128,020,232	36,100,000	164,120,232[2]
Increase (Decrease)	0.00	$48,600,251	$3,059,356	$51,659,607

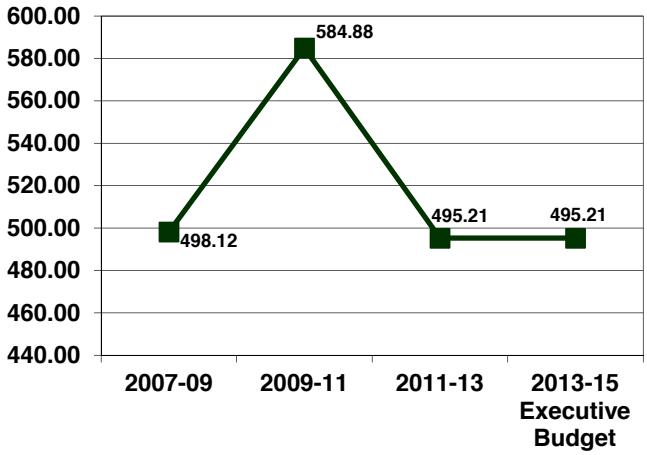
[1]The number of FTE positions for the 2011-13 biennium has been adjusted by 89.67, from 584.88 to 495.21, pursuant to Section 13 of 2011 House Bill No. 1003 which authorizes the State Board of Higher Education to adjust FTE positions as needed subject to the availability of funds for institution and entities under its control. The FTE adjustment includes the transfer of 54.50 FTE system information technology positions from the institution to the University System office.

[2]The 2011-13 biennium legislative appropriations include $6,005,607 from the general fund for the institution's share of the $15.2 million equity and student affordability funding pool appropriations to the North Dakota University System office and $150,000 from the general fund for the institution's share of doctoral program funding appropriated to the University System office.

Agency Funding



FTE Positions



Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2013-15 Executive Budget	$147,020,483	$29,600,000	$176,620,483
2011-13 Legislative Appropriations	127,747,549	272,683	128,020,232
Increase (Decrease)	$19,272,934	$29,327,317	$48,600,251

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for a campus equalization payment based on a new student credit-hour funding method	$6,431,392		$6,431,392
2. Provides funding for inflationary and initiative adjustments for cost-to-continue items, salary increases, health insurance increases, retirement contribution increases, operating expense increases, and the statewide nursing education consortium initiative	$12,841,542		$12,841,542
3. Provides **one-time funding** for the following capital projects:			
Science, technology, engineering, and mathematics classroom and laboratory building	$29,600,000		$29,600,000
Nutrition dietetics and hospitality lab		$750,000	750,000
Memorial Union food court remodeling		975,000	975,000
Residence hall lavatory renovations - Phase I		1,000,000	1,000,000
Residence hall lavatory renovations - Phase II		1,030,000	1,030,000

Sanford Health athletic complex renovation (reauthorization of project)		35,404,356	35,404,356
Total	$29,600,000	$39,159,356	$68,759,356
4. Removes one-time funding provided in the 2011-13 biennium for capital projects and special assessments payments, including $272,683 from the general fund for special assessments payments	($272,683)	($36,100,000)	($36,372,683)

Other Sections in Bill

Minard Hall project - Section 7 authorizes North Dakota State University to continue 2007-09 and 2009-11 biennium appropriations for the Minard Hall project into the 2013-15 biennium. The section also requires North Dakota State University to provide reports on the status of the project to Budget Section.

Transfer authority - Section 15 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 16 authorizes the State Board of Higher Education to adjust FTE positions as needed for institutions and entities under its control.

Continuing Appropriations

Special revenue funds - North Dakota Century Code Section 15-10-12 - Provides continuing appropriation authority for higher education institutions' special revenue funds, including tuition, through June 30, 2013. Section 14 of the bill provides an appropriation for all federal, private, and other funds received by institutions during the 2013-15 biennium. The committee may wish to clarify this section to state whether tuition revenue is also intended to be appropriated to institutions.

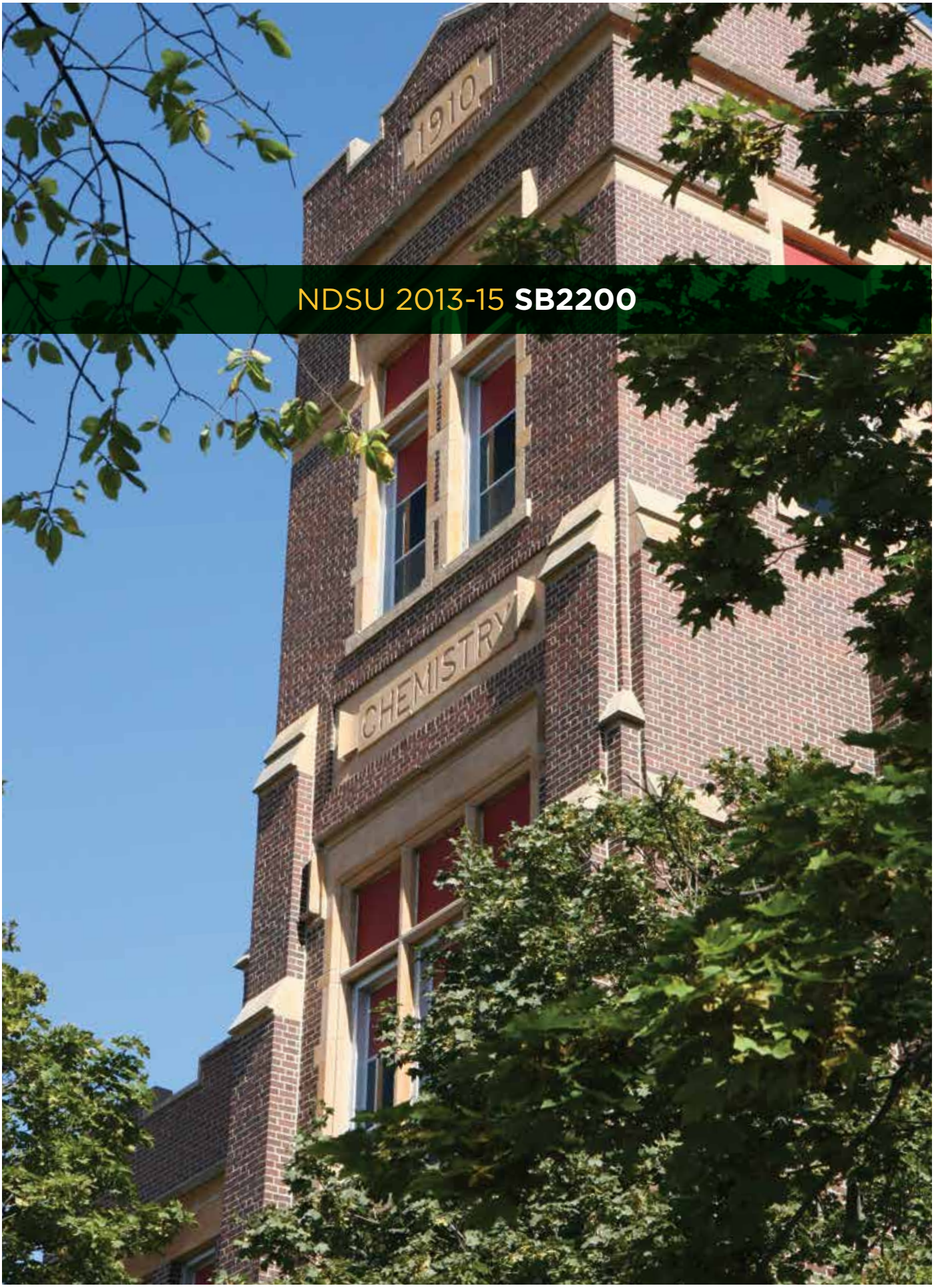
Significant Audit Findings

The State Auditor's office performance audit of student fees at North Dakota State University and the University of North Dakota included audit findings related to the establishment of student fees and the use of student fee revenue.

Major Related Legislation

Senate Bill No. 2032 - Higher Education Accountability Measures - Requires the University System performance and accountability report to include certain accountability measures

Senate Bill No. 2094 - Mandatory Student Fees - Continues through June 30, 2015, the limitation that mandatory student fees charged to each student at a University System institution may not increase between academic years by more than one percent of the undergraduate resident student tuition rate



NDSU 2013-15 **SB2200**

NDUS Campuses and School of Medicine and Health Sciences (SMHS)

Summary of Increases Per Student Credit Hour (SCH) Funding Model

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Institution	GF BASE 2011-13	Adjusted Student Credit Hours (ASCH)	GF Base per ASCH (Col 1 / Col 2)	Equalized 2011-13 Base Budget at Highest Per ASCH Funding of Tier (Col 2 x Highest per Tier in Col 3)	"Equalization" Payment 1/ (Col 4 - Col 1)	"Formula" Payment 2/	Total Increase Per SCH Funding Model (Col 5 + Col 6)	Governor's Recommended Base General Funds for 2013-15 (Col 1 + Col 7)	NEW General Funds per ASCH (Col 8 / Col 2)
BSC	$ 28,045,987	301,144	$ 93.13	$ 31,583,983	$ 3,537,996	$ 3,830,552	$ 7,368,548	$ 35,414,535	$ 117.60
DCB	$ 6,605,257	72,210	$ 91.47	$ 7,573,385	$ 968,128	$ 918,511	$ 1,886,639	$ 8,491,896	$ 117.60
LRSC	$ 9,158,981	114,027	$ 80.32	$ 11,959,152	$ 2,800,171	$ 1,450,423	$ 4,250,594	$ 13,409,575	$ 117.60
NDSCS	$ 35,198,921	357,064	$ 98.58	$ 37,448,872	$ 2,249,951	$ 4,541,854	$ 6,791,805	$ 41,990,726	$ 117.60
WSC	$ 9,047,486	86,265	**$ 104.88**	$ 9,047,486	$ -	$ 1,097,278	$ 1,097,278	$ 10,144,764	$ 117.60
Subtotal - 2 Year Campuses	**$ 88,056,632**	**930,710**		**$ 97,612,878**	**$ 9,556,246**	**$ 11,838,618**	**$ 21,394,864**	**$ 109,451,496**	**$ 117.60**
DSU	$ 22,792,617	253,455	$ 89.93	$ 25,028,681	$ 2,236,064	$ 3,054,133	$ 5,290,197	$ 28,082,814	$ 110.80
MASU	$ 13,134,780	142,172	$ 92.39	$ 14,039,485	$ 904,705	$ 1,713,173	$ 2,617,878	$ 15,752,658	$ 110.80
MISU	$ 38,738,594	392,279	**$ 98.75**	$ 38,738,594	$ -	$ 4,725,919	$ 4,725,919	$ 43,464,513	$ 110.80
VCSU	$ 18,103,060	203,189	$ 89.09	$ 20,064,914	$ 1,961,854	$ 2,448,427	$ 4,410,281	$ 22,513,341	$ 110.80
Subtotal - 4 Year Campuses	**$ 92,769,051**	**991,095**		**$ 97,871,674**	**$ 5,102,623**	**$ 11,941,652**	**$ 17,044,275**	**$ 109,813,326**	**$ 110.80**
NDSU	$ 127,747,549	2,022,290	$ 63.17	$ 134,178,942	$ 6,431,392	$ 12,841,542	$ 19,272,935	$ 147,020,484	$ 72.70
UND & SMHS	$ 192,617,021	2,903,224	**$ 66.35**	$ 192,617,021	$ -	$ 18,447,364	$ 18,447,364	$ 211,064,385	$ 72.70
Subtotal - Research Universities	**$ 320,364,570**	**4,925,514**		**$ 326,795,963**	**$ 6,431,392**	**$ 31,288,906**	**$ 37,720,299**	**$ 358,084,869**	**$ 72.70**
TOTALS	**$ 501,190,253**	**6,847,319**		**$ 522,280,514**	**$ 21,090,261**	**$ 55,069,176**	**$ 76,159,437**	**$ 577,349,690**	

1/ The increases in column 5 equalize base funding per ASCH between the campuses within each of the three tiers: $104.88/ASCH at the 2-year campuses, $98.75/ASCH at the 4-year campuses and $66.35/ASCH at the research universities.

2/ The formula payment includes an increase of 6.15% per year on the annualized GF base (after equalization payment) to fund the "state share" of the cost to continue FY13 salary and retirement increases, operating inflation, utility increases and 2013-15 salary, health insurance & retirement increases. An additional 2.5% provides funding for campus security and student mental health at all campuses except UND and NDSU. At NDSU and UND, an additional .08% is included for the nursing consortium. Taken together, the formula ultimately funds all 2-year campuses at $117.60/ASCH, 4-year campuses at $110.80/ASCH and the research universities at $72.70/ASCH.

FISCAL NOTE
Requested by Legislative Council
01/21/2013

Revised
Bill/Resolution No.: SB 2200

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			$21,090,261		$22,988,000	
Appropriations			$21,090,261		$22,988,000	

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Senate Bill 2200 establishes a formula to fund the ongoing operations of the State's 11 institutions of higher education on a per completed student credit hour basis. Weighting factors include instructional program classification codes, credit completion volume, and physical size of the campus.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 establishes a per student credit hour (SCH) funding level for the three classifications of institutions: Research institutions ($72.70); regional baccalaureate institutions ($110.80; and community colleges ($117.60.) This assumes that existing per SCH funding is equalized within the schools in each category, which is currently not the case. If SCH production decreases, funding reductions are limited to four percent each year.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

2013-15: $21,090,261 from the general fund was included in the Executive Budget to equalize the per SCH funding levels between the individual schools in each institutional classification. 2015-17: The 2013-15 amount was increased to $22,988,000, assuming an inflationary factor (9%) for anticipated wage and operating inflation. Amounts are included in the operating expense appropriation lines for each affected campus. The number of FTE is not changed.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

2013-15: $21,090,261 from the general fund was included in the Executive Budget to equalize the per SCH funding levels between the individual schools in each institutional classification. 2015-17: The 2013-15 amount was increased to $22,988,000, assuming an inflationary factor (9%) for anticipated wage and operating inflation. Amounts are included in the operating expense appropriation lines for each affected campus. The number of FTE is not changed.

Name: Tammy Dolan

Agency: Office of Management and Budget

Telephone: 328-4947

Date Prepared: 01/21/2013

SB 2200

January 222, 2013

Senator Tim Flakoll

Improved Funding Mechanism for Higher Education

Mr. Chairman and members of the Senate Education Committee. For the record, I am Senator Tim Flakoll of District 44 of Fargo and prime sponsor of SB 2200.

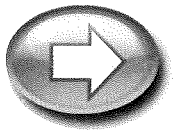
For many years the funding mechanism for higher education has been debated in North Dakota and other states across the country. While North Dakota has made major new investments in higher education in the near term, those investments have been based on historic funding levels and generally not set metrics that are transparent, consistent, readily understood or rooted in a logical measurable set of data. As such it has not enjoyed as broad base of legislative and citizen support as it could.

Funding within programs and between campuses has been hotly debated with few improvements. As such, campuses with growing usage do not necessarily have funds that reflect those changes in the growth or higher cost programs that are needed to meet our workforce needs (example: nursing and engineering).

The new funding model funds campuses based on the **credits that students successfully complete**, rather than the current focus on historical funding, head count or class enrollments. The new formula, based on student credit hours completed, takes into account the varying costs of educational instruction, including advanced levels of study, campus size and credit volume (output efficiency). It solves a decades long problem and should produce a seismic improvement in legislative trust and reduce infighting between campuses.

Since it is credit based, the formula places an equal value on summer school students as well as non-traditional students who are chipping away at their degree (example – a part time student who holds a full time job) to more traditional students who are in

their class. It provides an excellent solution regarding how the treat summer school courses. I believe it will lead to students taking a larger class load which will result in 1) earlier graduation, 2) reduced student loan debt, 3) getting workers more quickly into industry and 4) reducing the overall cost per grad.



This improved formula provides transparency, predictability, general ease of understanding and is outcome based.

For a new funding formula to be successful, it was thought that the mechanism must have a number of traits including:

1) Be transparent, consistent, comprehensive and relatively easy to understand.
2) Fosters trust with policy makers and be defendable.
3) Be free of funding silos or individual/campus manipulation.
4) Reflect the actual costs of credits that are higher cost to deliver, compared to those that can be delivered more efficiently.
5) Reflect the costs of different size campuses (physical plant) and their corresponding efficiencies.
6) Support the institutions with predictable and transparent funding to meet their mission.
7) Recognize and acknowledge different types of institutions and programmatic needs.
8) Similar to K-12, we wish to avoid over burdensome reporting that is not beneficial or reflective of our goals.
9) Encourage matriculation so that students graduate in a timely manner and foster student success.
10) A new funding mechanism that does not imply that some programs have more value than others.
11) Support student academic and personal growth.
12) In keeping with the spirit of North Dakota's desire for local involvement/control, provide flexibility to the institutions and enable local decision making.

13) Provides the state with a well prepared, highly trained workforce to meet our workforce and economic development needs.

14) The new formula will not include funds for major capital construction projects, scholarships, or the system office.

This proposed output based model is based on <u>student credit hours completed</u> which is a change from the current model which is largely based on historical funding levels. The new funding mechanism provides a North Dakota led solution that reflects North Dakota principals and priorities. It comes as a result of exhaustive efforts from campus finance leaders representing two-year campuses, four-year regional campuses and four-year research campuses.

I should also note for the record that all campus Presidents have gone on record as endorsing this new formula. The statistical odds of all 11 campuses agreeing on anything is statistically less likely than the Vikings winning the Super Bowl in the same year the Chicago Cubs win the World Series.

Funding Model Methodology

Using this formula, campus general base funding will be generated using passing grade, completed student credit hours at each higher education institution in the NDUS. These completed credit hours will then be included in a formula using factors for:

1) **Classification of Instructional Programs (CIP) Cost Factor** – reflects the actual historical cost of instruction at campuses in the system. Instructional subject disciplines offered according to the Classification of Instructional Programs (CIP) as directed by the U.S. Department of Education. Campuses have used this federal reporting nomenclature for the past 32 years.

2) **Credit volume completion factor** based on institution output (credits successfully completed) for the biennium.

3) **Institutional physical plant size factor**.

After the weighted credit hours have been determined using the applicable factors, those credit hours will be multiplied by the base funding target dollar amount for general funding for each institution tier type (2 year, 4 year, research).

I will now walk you through the funding formula greater detail and present you with an example of how it would work per credit.

Factor #1 of 4 - Level of Instruction – the higher the level of instruction or the more costly it is to deliver the more formula dollars they will receive.

These factors are found starting on page 1 line 13 of the bill and go through page 3 line 22 of the bill.

The weighting factors are increased based on a student's level of instruction (lower division, upper division, professional, MA/PhD and MD) to recognize the cost differences that occur as the level of instruction changes (see discipline cluster/matrix). The relative differences in weights represent the actual cost differences that have been encountered.

Discipline Cluster	Lower Division	Upper Division	Professional	Master's	Doctoral	MD
Core Disciplines	1.0	2.0	3.0	4.0	4.0	n/a
Agriculture	1.9	3.8	5.7	7.6	7.6	n/a
Architecture	1.8	3.6	5.4	7.2	7.2	n/a
Aviation	1.9	3.8	5.7	7.6	7.6	n/a
Biological/Physical Science	1.9	3.8	5.7	7.6	7.6	n/a
Business	1.9	3.8	5.7	7.6	7.6	n/a
Career and Technical	2.0	n/a	n/a	n/a	n/a	n/a
Education	1.9	3.8	5.7	7.6	7.6	n/a
Engineering	2.5	5.0	7.5	10.0	10.0	n/a
Health Sciences	3.0	6.0	9.0	12.0	12.0	38.0
Legal Studies	3.5	7.0	10.5	14.0	14.0	n/a
Remedial	2.3	n/a	n/a	n/a	n/a	n/a
-Weights follow the completed credits by subject area, not the student academic status.						

Credit Volume Completer Factor – Factor #2 of 4 - **These are found starting on page 3 line 23.**

Lower output institutions will receive an additional weighting factor to reflect the differences in efficiency (similar to our K-12 formula) due to campus academic output.

This factor is measured as individual campus student credit hours completed on a **biennial basis**. Where a campus fits will be adjusted each biennium as their credit volume changes to account for the variations in the efficiency of scale. The factor is applied as follows:

Credit Volume Factor	
Biennium Completed Student Credit Hours (un-weighted)	***Factor***
100,000+	1.00
95,000-99,999	1.05
90,000-94,999	1.10
85,000-89,999	1.15
80,000-84,999	1.20
75,000-79,999	1.25
70,000-74,999	1.30
65,000-69,999	1.35
60,000-64,999	1.40
55,000-59,999	1.45
50,000-54,999	1.50
45,000-49,999	1.55
40,000-44,999	1.60
35,000-39,999	1.65
30,000-34,999	1.70
25,000-29,999	1.75
20,000-24,999	1.80
15,000-19,999	1.85
10,000-14,999	1.90
5,000-9,999	1.95
0-4,999	2.00

Institutional Size/Physical Plant Factor – Factor #3 of 4

$$\frac{\text{Campus Perimeter Square Footage (from OMB data)}}{\text{Weighted Student Credit Hours (WSCH)}} = \text{Institutional Size Factor}$$

The Institutional Size Factor (space ratio) used for this factor is based on campus building square footage as validated by the ND Office of Management and Budget. Square footage is divided by the CIP weighted student credit hours (WSCH).

Square footage defined to include all campus Type I, II and III buildings/infrastructure, excluding:

Type I: Academic and Instructional buildings

Type II: General Support/Administration and other

Type III: Auxiliary Facilities

The square footage does not include:

- NDSU Agricultural Research and Extension
- Technology parks
- Federal buildings/infrastructure
- Foundation-owned buildings/infrastructure
- Leased properties

After the ratio is calculated, the weighting factor used is determined as follows (see page 4 lines 18 - 29):

Institutional Size Ratio	***Factor***
0-4.99	1
5.0-7.99	1.8

Dollar Amount Per Credit of Base Funding – Factor #4 of 4

See page 5 lines 1 - 10.

The base dollar funding target for all institutions is based upon historical costs of their tier group. Funding will be the same within each of the three tiers - 2yr, 4yr and research. Credits completed will be counted and reconciled on an annual basis.

$117.60/credit for 2-year campuses (BSC, DCB, LRSC, NDSCS, WSC)

$ 110.80/credit for 4-year regional campuses (DSU, MASU, MiSU, VCSU,)

$ 72.70/credit for 4-year research campuses (NDSU & UND)

The funding will be sent out from OMB directly to campuses. It is also important to note that the base formula funding for any campus may not drop by more than 4%/year for any campus through the 2015-2017 biennium. This sunset allows us to have a discussion during the 2017 session if we wish to continue that hold harmless policy.

Mr. Chairman, there are $76.1 m new dollars for higher education in Governor's budget for this 2013-2015 funding model which includes:

- $21 m to transition to new funding formula - this is about half of the cost of transition to a new formula that we had for K-12 in 2007.
- $55.1 m for salary and benefit increases as well as operating cost and utility cost inflationary increases.

It is important to note that this formula does not have funds for capital construction costs in it. Capital projects will remain as a separate request to the legislature for funding consideration. Those projects will still be required to come before the Legislature from a list presented by the Board of Higher Education and upon recommendation of the Governor's budget.

Those construction funds, along with specific campus appropriations are found in SB 2003 which was heard last week before the Senate Appropriation committee. Those projects total $177.9 in general funds for capital construction projects.

I will also note that our various scholarship programs such as merit based scholarships, needs based scholarships and Native American scholarships are outside this formula and independent decisions of the legislature. Also outside of the formula is the cost to operate the North Dakota University System office.

Mr. Chairman, as we move forward it is the intent that any changes to the base funding of state aid for higher education be done to the dollar amounts listed for each tier as found on page 5, lines 1 - 10. Obviously the current intent is that those three tiers would be raised relative to each other in terms of percentages and not simply similar dollar amounts.

That concludes my testimony and I would be happy to stand for any questions.

13.0272.04000

Sixty-third
Legislative Assembly
of North Dakota

SENATE BILL NO. 2200

Introduced by

Senators Flakoll, Holmberg, O'Connell

Representatives Nathe, Sanford, Boe

A BILL for an Act to create and enact chapter 15-18.1 of the North Dakota Century Code, relating to the determination of funding for institutions of higher education; to provide for legislative intent; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Chapter 15-18.1 of the North Dakota Century Code is created and enacted as follows:

15-18.1-01. Credit-hours - Determination.

1. For each institution under its control, the state board of higher education shall determine the number of credit-hours completed by students during the two-year period ending June thirtieth of each odd-numbered year.
2. For purposes of this section, a completed credit-hour is one for which a student met all institutional requirements and obtained a passing grade.

15-18.1-02. Weighted credit-hours - Determination - Instructional program classification factors - Report.

1. In order to determine the weighted credit-hours for each institution under its control, the state board of higher education shall multiply each of an institution's completed credit-hours, as determined under section 15-18.1-01, by an instructional program classification factor, as set forth in this section.
   a. The factors for credits completed in agriculture are:
      (1) 1.9 for lower division credits;
      (2) 3.8 for upper division credits;
      (3) 5.7 for professional level credits; and
      (4) 7.6 for graduate level credits.
   b. The factors for credits completed in architecture are:

(1) 1.8 for lower division credits;

(2) 3.6 for upper division credits;

(3) 5.4 for professional level credits; and

(4) 7.2 for graduate level credits.

c. The factors for credits completed in aviation are:

(1) 1.9 for lower division credits;

(2) 3.8 for upper division credits;

(3) 5.7 for professional level credits; and

(4) 7.6 for graduate level credits.

d. The factors for credits completed in the biological and physical sciences are:

(1) 1.9 for lower division credits;

(2) 3.8 for upper division credits;

(3) 5.7 for professional level credits; and

(4) 7.6 for graduate level credits.

e. The factors for credits completed in business are:

(1) 1.9 for lower division credits;

(2) 3.8 for upper division credits;

(3) 5.7 for professional level credits; and

(4) 7.6 for graduate level credits.

f. The factors for credits completed in education are:

(1) 1.9 for lower division credits;

(2) 3.8 for upper division credits;

(3) 5.7 for professional level credits; and

(4) 7.6 for graduate level credits.

g. The factors for credits completed in engineering are:

(1) 2.5 for lower division credits;

(2) 5.0 for upper division credits;

(3) 7.5 for professional level credits; and

(4) 10.0 for graduate level credits.

h. The factors for credits completed in the health sciences are:

(1) 3.0 for lower division credits;

(2) 6.0 for upper division credits;

(3) 9.0 for professional level credits;

(4) 12.0 for graduate level credits; and

(5) 38.0 for medical school credits.

i. The factors for credits completed in legal studies are:

(1) 3.5 for lower division credits;

(2) 7.0 for upper division credits;

(3) 10.5 for professional level credits; and

(4) 14.0 for graduate level credits.

j. The factors for credits completed in the core disciplines are:

(1) 1.0 for lower division credits;

(2) 2.0 for upper division credits;

(3) 3.0 for professional level credits; and

(4) 4.0 for graduate level credits.

k. The factor for credits completed in career and technical education is 2.0.

l. The factor for completed remedial credits is 2.3.

2. a. The state board of higher education shall ensure that all delineations in this section reflect the requirements of a nationally recognized and standardized instructional program classification system.

b. Before adopting any changes to the delineations implemented in accordance with this section, the state board of higher education shall present the proposed changes to and receive the approval of the legislative management.

15-18.1-03. Credit completion factor - Determination.

1. For each institution under its control, the state board of higher education shall multiply the product determined under section 15-18.1-02 by a factor of:

a. 1.00 if the number of credit-hours is at least 100,000;

b. 1.05 if the number of credit-hours is at least 95,000 but less than 100,000;

c. 1.10 if the number of credit-hours is at least 90,000 but less than 95,000;

d. 1.15 if the number of credit-hours is at least 85,000 but less than 90,000;

e. 1.20 if the number of credit-hours is at least 80,000 but less than 85,000;

f. 1.25 if the number of credit-hours is at least 75,000 but less than 80,000;

g. 1.30 if the number of credit-hours is at least 70,000 but less than 75,000;

h. 1.35 if the number of credit-hours is at least 65,000 but less than 70,000;

i. 1.40 if the number of credit-hours is at least 60,000 but less than 65,000;

j. 1.45 if the number of credit-hours is at least 55,000 but less than 60,000;

k. 1.50 if the number of credit-hours is at least 50,000 but less than 55,000;

l. 1.55 if the number of credit-hours is at least 45,000 but less than 50,000;

m. 1.60 if the number of credit-hours is at least 40,000 but less than 45,000;

n. 1.65 if the number of credit-hours is at least 35,000 but less than 40,000;

o. 1.70 if the number of credit-hours is at least 30,000 but less than 35,000;

p. 1.75 if the number of credit-hours is at least 25,000 but less than 30,000;

q. 1.80 if the number of credit-hours is at least 20,000 but less than 25,000;

r. 1.85 if the number of credit-hours is at least 15,000 but less than 20,000;

s. 1.90 if the number of credit-hours is at least 10,000 but less than 15,000;

t. 1.95 if the number of credit-hours is at least 5,000 but less than 10,000; and

u. 2.00 if the number of credit-hours is less than 5,000.

2. For purposes of this section, the number of credit-hours must be those determined by the state board of higher education in accordance with section 15-18.1-01.

15-18.1-04. Institutional size factor - Determination.

1. For each institution under its control, the state board of higher education shall multiply the product determined under section 15-18.1-03 by a size factor of:

   a. 1.0 if the square footage of the institution, when divided by the institution's weighted credit-hours results in a quotient of less than 5.00; or

   b. 1.8 if the square footage of the institution, when divided by the institution's weighted credit-hours results in a quotient of 5.00 or more.

2. For purposes of this section, an institution's square footage:

   a. Includes all real property owned by the state within an institution's perimeter, except for agricultural experiment stations, agricultural research extension centers, technology parks, and state agencies; and

   b. Is determined as of June thirtieth in each odd-numbered year.

15-18.1-05. Base funding - Determination of state aid.

In order to determine the state aid payment to which each institution under its control is entitled, the state board of higher education shall multiply the product determined under section 15-18.1-04 by a base amount of:

1. $72.70, in the case of North Dakota state university and the university of North Dakota;
2. $110.80 in the case of Dickinson state university, Mayville state university, Minot state university, and Valley City state university; and
3. $117.60 in the case of Bismarck state college, Dakota college at Bottineau, lake region state college, North Dakota state college of science, and Williston state college.

15-18.1-06. Base funding - Minimum amount payable.

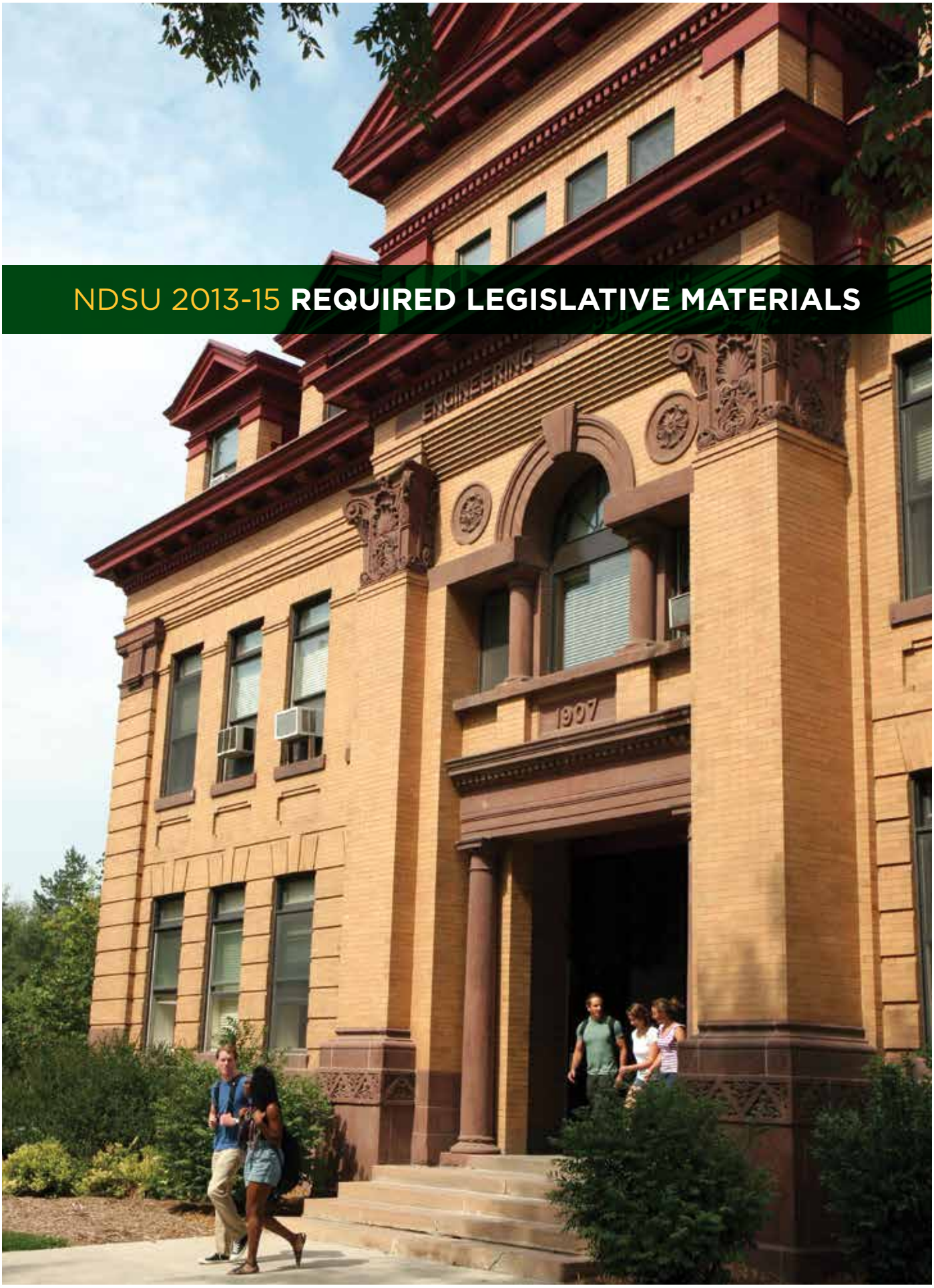
Notwithstanding any calculations required by this chapter, during each fiscal year, beginning with 2014-15, an institution may not receive less than ninety-six percent of the state aid to which the institution was entitled under this Act during the previous fiscal year.

15-18.1-07. Funding - Distribution.

The state aid to which each institution is entitled under this chapter must be forwarded at the time and in the manner agreed to by the institution and the office of management and budget.

SECTION 2. LEGISLATIVE INTENT. In order to maintain the integrity of the funding formula established under this chapter, it is the intent of the legislative assembly that any proposed increases in the funding of institutions be achieved through the amendment of section 15-18.1-05.

SECTION 3. EXPIRATION DATE. Section 15-18.1-06 of this Act is effective through June 30, 2017, and after that date is ineffective.



NDSU 2013-15 **REQUIRED LEGISLATIVE MATERIALS**

Campus: North Dakota State University

Comparison of 2011-13 Appropriation and Estimated Spending

	2011-13 Adj Appropriation 1/	Actual Expenditures Through 11/30/12	Remaining Balance	Comments regarding remaining balance
Operations (All General Fund)	**$125,015,305**	**$51,335,092**	**$73,680,213**	**Balance will be drawn down for operating expenditures by 6/30/13**
Capital Assets:				
Extraordinary repairs	$3,004,926	$1,958,723	$1,046,203	**Balance will be drawn down for special assessments and extraordinary repairs by 6/30/13**
Major Capital Projects	36,100,000	7,622,745	28,477,255	**See Required Reporting information included in the hearing materials for status**
Total Capital Assets	39,104,926	9,581,468	29,523,458	
Capital Assets Funding Sources:				
General Fund	$3,004,926	$1,958,723	$1,046,203	
Other Funds (Revenue bonds, local, private, federal funds)	36,100,000	7,622,745	28,477,255	
Total Funds	$39,104,926	$9,581,468	$29,523,458	

1/ Excludes carryover, as that is reported on separately.

2011-13 Required Reporting

2011-13 One-time Capital Project Overview-Major Capital Projects

HB1003 Section 2 requirement

One-time Major Capital Projects	Authorization			Total Expenditures	Remaining
	GF	OF	Total	as of 12/31/12	Authority
Sanford Health Athletic Complex		29,100,000	29,100,000	2,715,917	26,384,083
Re-authorization (formerly Bison Sports Arena)					
Status: continuing fundraising efforts; architect contract/fees only					
Indoor Track Facility		5,500,000	5,500,000	4,906,828	593,172
Original authorization: $5,000,000					
Add'l authorization of $500,000; approved SBHE 9-15-11/Budget Section 9-15-11					
Status: Substantially complete December 2012					
IT Infrastructure		2,000,000	2,000,000	-	2,000,000
Status: Not Started					
Special Assessments (one-time)	272,683		272,683	272,683	-
Estimated special assessment remaining balance: $1,642,611					
Total 2011-13 Authorization	$ 272,683	$ 36,600,000	$ 36,872,683	$ 7,895,428	$ 28,977,255

2009-11 Capital Project Carryover Status

HB1034 Section 1 requirement

Capital Projects Carryover	Carryover Authorization Per OMB			Total Expenditures	Remaining
	GF	OF	Total	as of 12/31/12	Authority
Extraordinary Repairs	16,456		16,456	16,456	-
Deferred Maintenance (one-time)	961,635		961,635	956,659	4,977
Minard Hall	6,461,665	424,666	6,886,331	6,667,317	219,014
Project Status: See complete status update in 'Minard Hall Status' section of materials					
Telecomm-Avaya Voice messaging	206,466		206,466	184,445	22,021
Project Status: estimated completion by 6-30-2013					
Niskanen Apartment Complex		6,217,792	6,217,792	912,690	5,305,102
Project Status: Completed August 2012					
West Dining/Auxiliary Services Renovation		2,064,365	2,064,365	522,460	1,541,906
Project Status: Completed September 2012					
Research 1 Addition		29,002,640	29,002,640	3,273,841	25,728,799
Project Status: Construction in Progress, on schedule, estimated completion June 2013					
Geoscience Renovation		558,293	558,293	392,555	165,739
Project Status: Completed November 2012					
Total 2011-13 Authorization	$ 7,646,222	$ 38,267,757	$ 45,913,979	$ 12,926,422	$ 32,987,557

One-time Deferred Maintenance Status Update

2011-13 Deferred Maintenance one-time funding:	DM Carryover	Expenditures as of 12/31/12	Remaining Balance to be spent by 6/30/2013
Building Exterior	897,229.69	897,229.69	-
Mechanical/Electrical upgrades	-	-	-
Interior Finishes	35,998.69	35,998.69	-
Structural Repairs	-		-
Paving & Area Lighting	22,723.08	17,746.31	4,976.77
Utilities/Infrastructure	234.74	234.74	-
Misc. Small Projects	5,449.23	5,449.23	-
2011-13 Deferred Maintenance one-time funding carryover	**961,635.43**	**956,658.66**	**4,976.77**

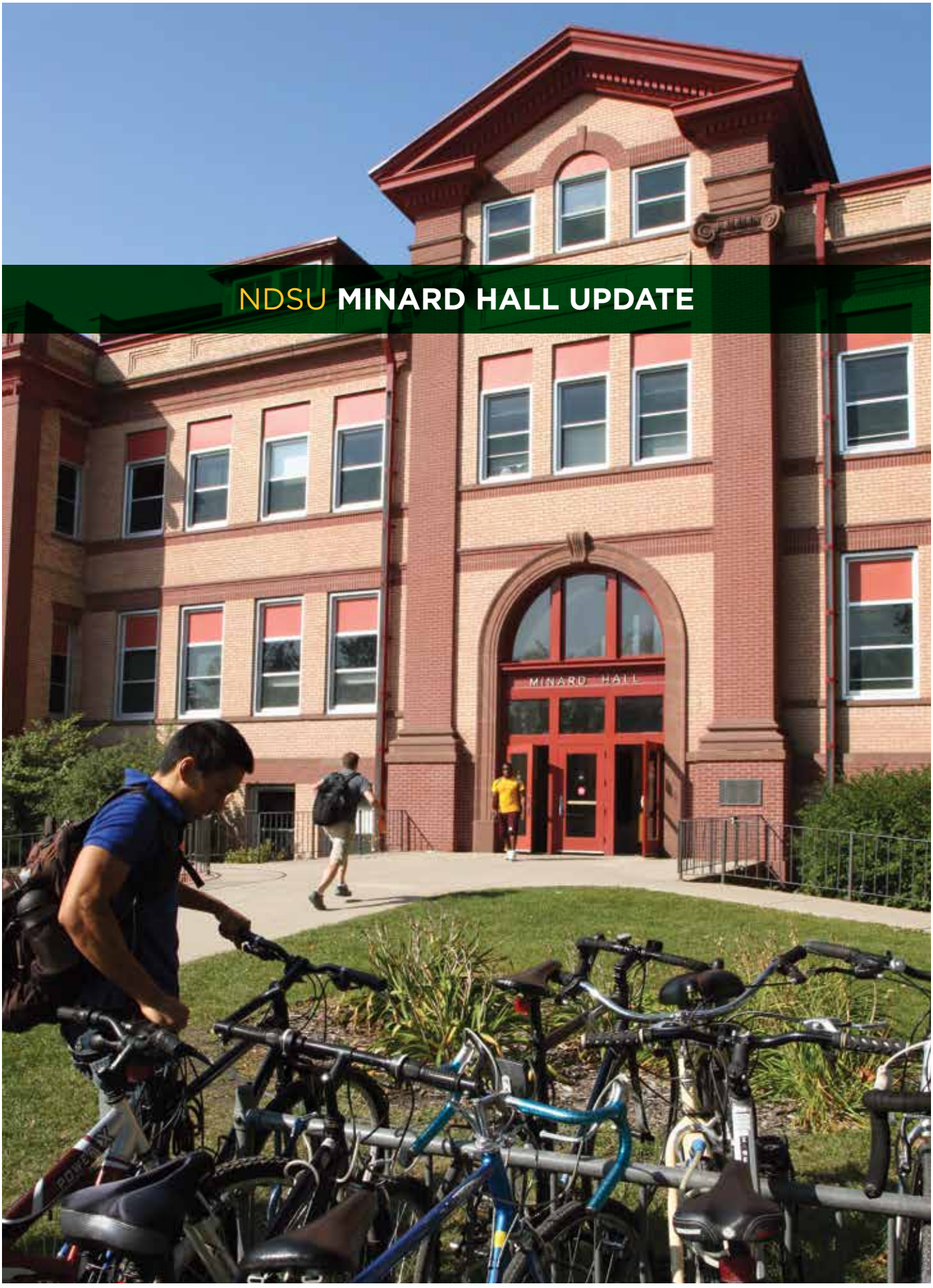
Projects completed as of 12/31/2012

Heating Plant Control System upgrades
Water/Sewer Line Repairs & Replacements
HVAC/Electrical Upgrades-Alba Bales, Loftsgard, Old Main
Chiller Repairs-Various Bldgs
Roof Repairs/Replacements-Library, Van Es, Putnam, IACC, South Engineering, Sudro & Misc Roof Repairs
Campus Walkway Lighting upgrades
Remodel/Renovation Projects-Ceres (CAS), Morrill 2nd & 3rd floors, Old Main 101-102, Van Es, Ceres 404,Putnam
Sidewalk repair/replacements
Heating Plant Emergency Generator Installation
Singlemode Fiber Optic upgrades
BBF Bleacher Replacement & Step Replacement
Window Replacements-Old Main
Tuckpointing-Old Main, BBF
Equine Science Center-Code Compliance upgrades
Music Bldg-entrance repairs
Engineering Quonset Demo
Music Bldg Bathroom renovations
Heating Plant Car Hoe Replacement
HVAC upgrades-various bldgs
Elevator Repair - Morrill Hall
Water Heater Replacement - BSA
EML - Replace stairwell doors & hardware

Projects to be completed by 6/30/2013

Sidewalk Repair

NDSU **MINARD HALL UPDATE**



PROJECT STATUS UPDATE – MINARD HALL

MINARD HALL COLLAPSE COST RECOVERY/ LITIGATION STATUS AS OF 12-31-12

- NDSU retained the services of attorney Daniel Hull with the law firm of Anderson, Bottrell, Sanden & Thompson in Fargo to represent the University in its recovery efforts.

- Through Mr. Hull's efforts, NDSU has commenced two different lawsuits pertaining to the Minard collapse. Both lawsuits are venued in the State District Court in Fargo (East Central Judicial District).

- In the first litigation, NDSU brought suit against the North Dakota State Fire and Tornado Fund which provides property insurance to NDSU. After the collapse, the Fund denied that there was coverage for the collapse. As a result, NDSU commenced a declaratory judgment action against the Fund. NDSU is requesting a judgment that the Fund's insurance policy covers damages sustained by NDSU as a result of the collapse.

- In the second lawsuit, the plaintiff is the State of North Dakota, by and through NDSU and the North Dakota State Board of Higher Education. The defendants are JLG, Heyer Engineering and NTI, which are the architectural firm, the structural engineering firm and the geotechnical engineering firm involved in the Minard Hall project. The lawsuit alleges, among other things, that the defendants:

  (1) failed to obtain, require or recommend sufficient soil testing and evaluation to properly design a deep basement and the associated excavation adjacent to the north end of Minard Hall;

  (2) provided a defective design for the excavation adjacent to the north end of Minard Hall; and

  (3) failed to determine that the excavation was defective prior to the collapse and take steps to prevent the collapse.

- In accordance with the construction contract, claims also have been initiated against the project's general contractor, Meinecke-Johnson. The claims are based upon, among other things, defective means and methods allegedly used in the construction of the excavation.

- Written discovery is voluminous and has taken longer than anticipated, but it is estimated that it will soon be complete and depositions will then begin. It is unknown when the trials will occur, but they would be at least one year away.

FINANCIAL STATUS REPORT AS OF DECEMBER 31, 2012

COMMITMENTS

	Authorization	Project Expenditures	Construction Change Orders Approved/Potential	Other – Including Contingencies	Total	Remaining Authorization
Phase I, II, III	$18,000,000	$14,899,879	$2,462,018	$638,103	$18,000,000	-
Collapse	4,874,300	2,880,503	588,124	1,405,673	4,874,300	-
Total	$22,874,300	$17,780,382	$3,050,142	2,043,776	$22,874,300	-

AUGUST 31, 2012:
1901 (SOUTH) BUILDING SECTION RENOVATION

Estimated completion date: Mid-to-late spring 2013

- Asbestos abatement process (referenced in this summary) began the first of September and was completed the first week of November 2011
- Project scope was complex with demolishing much of the interior, building new structural framing system to support attic office space and new roof, creating more efficient space
- Structural voids and lack of structural integrity discovered once framing of bearing walls was exposed; resulted in additional design time, pricing time, material costs, wall reframing, and project completion time

- Poor masonry bearing wall conditions were uncovered:
  - > Masonry wall at NW portion of 4th floor found to be in poor condition; required complete removal down to third floor level; testing currently under way to verify compressive strength and physical characteristics of remaining masonry to ensure ability to support new roof loads; could delay completion of 1901 section, but impact won't be known until final test results are received
  - > Poor 4th floor bearing wall between 1901 and 1918 sections (masonry intermixed with wood) required removal and rebuilding/infilling of the wall
  - > Openings cut through bearing masonry walls had no or very inadequate lintels requiring new masonry infill or installation of new lintels to carry load above opening
- Issues required numerous job site trips by structural engineer and architect to re-engineer/redesign modifications to existing structural system
- Renovation work on section estimated to be completed mid-to-late spring 2013, depending on testing results stated previously

1901 (south) building section: mortar issues in the brick masonry

1918 (CENTER) BUILDING SECTION RENOVATION

Estimated completion date: December 2012

- Work progressing on schedule for December 2012 completion date; however, some systems and components are tied to 1901 section, so full utilization may not be realized until 1901 area is completed

NORTH ADDITION

Estimated Completion Date: December 2012

- Footings and foundation walls were completed in October 2011
- Steel frame installations also began at that time
- Sheet rocking is progressing, windows are installed, brick exterior is approximately 30% completed, and most infrastructure items are installed
- Substantial completion of the project is expected in December 2012

1929 (NORTH) BUILDING AND COLLAPSED AREA RENOVATION

Estimated completion date: December 2012

- Portion of the 1929 section was completed in 2011 and occupied for fall 2011; remaining portion and also collapsed area following north addition schedule, being completed at same time

1929 (north) building section: classroom currently in use; renovated in 2011

FINANCIAL STATUS REPORT AS OF AUGUST 31, 2012

COMMITMENTS

	Authorization	Project Expenditures	Construction Change Orders Approved/Potential	Other – Including Contingencies	Total	Remaining Authorization
Phase I, II, III	$18,000,000	$13,266,150	$1,674,331	$3,059,519	$18,000,000	-
Collapse	4,874,300	2,629,280	1,150,461	1,094,559	4,874,300	-
Total	$22,874,300	$15,895,430	$3,050,142	$4,154,078	$22,874,300	-

COST RECOVERY / LITIGATION STATUS

NDSU is actively seeking to recover its damages, expenses and costs resulting from the collapse of Minard Hall. Two civil lawsuits have been commenced. Both lawsuits are venued in the State District Court in Fargo (East Central Judicial District). A forensic study has occurred involving all of the parties. Discovery, including the production of voluminous documents, is ongoing.

In the first litigation, NDSU brought suit against the ND State Fire and Tornado Fund which provides property insurance to NDSU. After the collapse of Minard Hall, the fund denied there was coverage for the collapse. As a result, NDSU commenced a declaratory judgment action against the fund. NDSU is requesting a judgment that the fund's insurance policy covers damages sustained by NDSU as a result of the collapse.

In the second lawsuit, the plaintiff is the State of North Dakota, by and through NDSU and SBHE. The defendants are JLG, Heyer Engineering and NTI, which are the architectural firm, the structural engineering firm, and the geotechnical engineering firm involved in the Minard Hall project. In this lawsuit, the State of North Dakota is seeking to recover damages sustained as a result of the collapse of Minard Hall and as a result of the redesign of the north addition to Minard Hall. The lawsuit alleges, among other things, that the defendants: (1) failed to obtain, require or recommend sufficient soil testing and evaluation to properly design a deep basement and the associated excavation adjacent to the north end of Minard Hall, (2) provided a defective design for the excavation adjacent to the north end of Minard Hall, and (3) failed to determine that the excavation was defective prior to the collapse and take steps to prevent the collapse.

It is estimated that written discovery will be completed within approximately two months. Depositions will then begin. At this point, it is unknown when the trials will occur, but they would be at least one year away.

DECEMBER 13, 2011:

NDSU presented a request to the Budget Section for approval to increase the project authorization of the Minard Hall project by $4,874,300 from $18,000,000 to $22,874,300 under Section 48-01.2-25, and to authorize under Section 15-10-12.3 the additional funding from insurance proceeds, legal settlements, and other available funds. The following motion carried on a roll call vote:

- To approve the NDSU request to increase the project authorization of the Minard Hall project by $4,874,300 from $18,000,000 to $22,874,300 under Section 48-01.2-25, and to authorize under Section 15-10-12.3 the additional funding from insurance proceeds, legal settlements, and other available funds.

NOVEMBER 17, 2011:

NDSU presented a brief update on the Minard Hall construction to the SBHE. The following motions were approved by the SBHE:

- To proceed with completion of Minard Hall at an estimated cost of $22,874,300 to be funded with $17.5 million in state general fund appropriation, $500,000 gift funds, and $4,874,300 future 2011-13 deficiency appropriation.
- To seek Budget Section approval for increased spending authorization for Minard Hall from $18,000,000 to $22,874,300, an increase of $4,874,300, with the intent that up to this amount (less any recovered from

insurance or legal action) be ultimately funded by a state general fund deficiency appropriation per NDCC 48-01.2-25.
- To carry a deficit fund balance on the Minard Hall project as a temporary funding source after the original $18,000,000 of appropriated authority has been expended, until a state general fund deficiency appropriation for NDSU is authorized during the 2013 legislative session.
- To take any necessary action, including litigation, to seek recovery of damages, expenses, and costs resulting from the collapse of Minard Hall, with any recovery being used to offset the ongoing costs of the Minard Hall project or, if the project is complete at the time of any recovery, to reimburse the State of North Dakota for the costs of the project to the extent that recovery dollars are available, following consultation with the chancellor.

NOVEMBER 9, 2011:

The Budget, Audit and Finance Committee held an executive session regarding Minard Hall and was satisfied with the progress of litigation.

SEPTEMBER 30, 2011: OVERVIEW AND PROJECT STATUS SUMMARY PRESENTED TO SBHE

Minard Hall is the largest academic facility located in the historical district on NDSU's campus.

The following departments have classrooms and offices in Minard Hall: Psychology, mathematics, communication, English, modern languages, history, philosophy, religion, sociology, anthropology, emergency management, English as a second language.

Minard Hall was built in three sections: 1901-south, 1918-center, 1929-north. Academic departments located in the 1929-north section were relocated to other areas across campus due to the collapse. However, academic departments located in the 1901-south section have remained during the renovation/construction process.

The $18,000,000 Minard Hall authorized renovation and addition project scope consists of roof and window replacements, utility and infrastructure (steam, water, and sewer) work and relocation, asbestos abatement, interior redesign/remodeling, new space allocation, new west and north additions, and architect/engineering fees. Additionally, the project includes replacement of the HVAC system, general construction, and electrical work to complete the project. As of December 27, 2009, the project scope also includes the collapsed north wall repair.

Authorized funding for the project is $18,000,000: $17,500,000 general funds and $500,000 special/local funds.

Project scope includes the following square footage:
- Renovation of existing sections – 72,141
- Additions west and north – 30,755
- Collapse – 6,965 of existing section north wall

Consultants and contractors on the project:
- Consultants
  - > JLG (architect – lead of project)
  - > NTI (geotechnical)
  - > Martin Mech (mechanical)
  - > Heyer (structural)
  - > Land elements (landscape)
  - > MBN (electrical)
- Contractors
  - > Grants Mechanical (mech)
  - > Meinecke-Johnson (gen)
  - > Bergstrom Elec (elec)
  - > Veit (shoring)
  - > Earth developers (sub)

Minard Hall experienced an unprecedented partial collapse of the north wall in the early morning hours of December 27, 2009. The building had been partially occupied during construction activities for the renovation; however, the building was unoccupied at the time of the collapse due to the Christmas holiday break. All construction was halted so that project activities could focus on preventing any further collapse, settling or additional failure to the building. Utility connections, temporary heat, air handling and electricity was re-established; a security company was hired to prevent unauthorized access to unsafe areas and to prevent theft; and a moving company was hired to help relocate faculty, offices and classrooms from Minard to other areas on campus because NDSU was not staffed to handle this activity.

During the same time period, the decision was made not to salvage the collapsed area building materials because of safety concerns. Demolition of this area could not take place unless shoring systems were designed and installed to prevent any further collapse. Access to faculty offices and classroom space in the collapsed area also needed to be addressed while the remainder of the building was evaluated for safety concerns. The challenge continued as the north end of the building became contaminated with asbestos material requiring specialized cleaning and removal.

Further testing and evaluations, demolition of the collapsed area, stabilization of the building, and shoring of the roofs and flooring were continued during the next four to five months. Construction activities continued on the main project, and the west addition progressed slowly because many of the resources were being focused on the collapsed area. While this work was occurring, plans were being developed to determine the cause of the collapse. All parties (contractors and sub-contractors) were given the opportunity to participate in the proposed forensic study. This allowed all parties an opportunity to review the same data and make field observations. All parties participating in the proposed forensic study hired experts to determine the testing needed to determine the footing failure. In order for the review to occur, the collapsed portion of the building, excluding the footings and foundation, needed to be removed. During this removal, asbestos contaminated soils were discovered below the original building area that was collapsed. This area needed to be properly contained and removed before the last floor section could be removed.

Initial forensic testing was completed during July 12-15, 2010. Once completed, the second and final portion of the testing was to excavate the footing area and remove the failed material. All parties agreed an action plan should be developed to ensure soil conditions could handle excavating down to the footing level to expose the soils. Parties did not agree upon a plan until October 2010, and November 8 was set for the start of the deep excavation. No work could continue on the north addition or the collapsed area until this forensic testing was completed.

The original renovation project continued during this time. Temporary air conditioning was installed in classrooms during the summer of 2010 as the building was occupied while the renovation work was under way. Some soil data became available in October 2010, and concerns surfaced about a footing system for the collapsed area, along with concerns regarding the soil conditions at the north addition site. The project architect presented multiple recommendations for proceeding with the north addition and replacement of the collapsed area. Concerns surfaced at this time about continuing with a basement plan for the addition, so budget pricing was solicited on available options for proceeding. At this point, NDSU had a recommendation regarding how to move forward with the project, but needed guidance and approval from the SBHE.

At the December 16, 2010, SBHE meeting, NDSU was given approval for the following five items:

1. To expand the original scope of the project and timeline to include a redesign of the collapsed portion of building
2. To redesign the Minard Hall north addition to relocate the mechanical space, which will need to be relocated from a planned basement space, which is no longer feasible due to soil conditions
3. To allow collapse-related expenses to be funded from general funds currently available for the project
4. To administratively combine the three building phases into one project for management purposes
5. To authorize NDSU to seek appropriate legislative authorization and funding to complete the project in the most appropriate manner.

After obtaining the SBHE approval, the architects and consultants were directed to proceed with redesigning the north addition, removing the basement mechanical room and relocating that equipment to a 5th floor or penthouse. A revised design was completed for the north addition in mid-February 2011. The plan was approved and proposal requests were sent out to the contractors for pricing. At the same time, proposals were modified slightly for the collapsed area in order to tie in all connections and utilities to the revised plan. Proper documentation and supporting information for the pricing were received and approved change orders were created in April and May of 2011. Priorities at this time were to remove the loose sand

fill in the basement area and to fill it in with a compacted engineered fill. Once this was completed, the collapsed structure and north addition footings could be started.

Locations logistics for the building occupants have been an ongoing consideration and concern. (To date, permanent locations are not available.) Therefore, the impetus was to complete the west addition and part of the 1918 and the 1929 construction zones so space would be available for the fall 2011 academic semester. Temporary life/safety systems, air conditioning and heating would need to be installed due to the 5th floor mechanical equipment not being installed until sometime in 2012. Due to a tight project timeline and because of space limitations, a moving company was hired to relocate the departments and to store any materials that were not necessary during the next 12 months. This task was completed in August 2011.

With the 1901 building and the remaining 1918 building now vacated, the next milestone was to remove the remaining known asbestos in these areas. This process began the first of September and will not be completed until the first week of November 2011. The work is being done by floor so that the other contractors can follow behind and complete the needed demolition.

The north addition footings and foundation walls were completed in October 2011 and steel frame installations are currently under way. Substantial completion of the project is expected December 2012.

FINANCIAL STATUS REPORT AS OF SEPTEMBER 30, 2011

	Biennium	Local Match	State General Funds	
Legislative/appropriation authoriaztion				
Phase I and II	2007-09	$500,000	$4,500,000	$5,000,000
Phase III	2009-11		$13,000,000	$13,000,00
			Total legislative authorization	$18,000,000
Expenditures as of 9/30/2011				**($12,507,864)**
			Remaining legislative authorization	$5,492,136
Outstanding construction commitments and contingencies as of 9/30/2011				
Construction Commitments				$8,753,819
Contingencies:				
Construction				$1,112,617
Legal				$500,000
Total outstanding commitments and contingencies				$10,366,436
Increased amount of Legislative spending authorization requested by NDSU due to collapse				$4,874,300

	Construction	Collapse	Total
Expenditures	$10,609,197	$1,898,667	$12,507,864
Commitments	7,048,186	1,705,633	$8,753,819
Contingencies:			
Construction	342,617	770,000	$1,112,617
Legal	-	500,000	$500,000
	$18,000,000	$4,874,300	$22,874,300

2011-13 HB1003, SECTION 8. NORTH DAKOTA STATE UNIVERSITY-MINARD HALL-BUDGET SECTION REPORT:

North Dakota State University may use unspent funding from the $5,000,000 appropriation received during the biennium beginning July 1, 2007, and ending June 30, 2009, and unspent funding from the $13,000,000 appropriation, received during the biennium beginning July 1, 2009, and ending June 30, 2011, for the Minard hall project, for the biennium beginning July 1, 2011, and ending June 30, 2013. North Dakota State University shall report to the budget section regarding the status of the Minard Hall project and may request increased spending authorization from the budget section for the project.

NDSU IS REQUESTING THAT THE SBHE PASS THE FOLLOWING MOTIONS:

(motions passed at the November 17, 2011, SBHE meeting)

1. Authorize NDSU to proceed with completion of the Minard Hall at an estimated cost of $22,874,300 to be funded with $17,500,000 million in state general fund appropriation, $500,000 gift funds, and $4,874,300 future 2011-13 deficiency appropriation.

2. Grant NDSU authority to seek Budget Section approval for increased spending authorization for Minard Hall from $18,000,000 to $22,874,300, an increase of $4,874,300, with the intent that up to this amount (less any recovered from insurance or legal action) be ultimately funded by a state general fund deficiency appropriation per NDCC 48-01.2-25.

3. Authorize NDSU to carry a deficit fund balance on the Minard Hall project as a temporary funding source after the original $18,000,000 of appropriated authority has been expended, until a state general fund deficiency appropriation for NDSU is authorized during the 2013 legislative session.

4. Authorize NDSU to take any necessary action, including litigation, to seek recovery of damages, expenses, and costs resulting from the collapse of Minard Hall, with any recovery being used to offset the ongoing costs of the Minard Hall project or, if the project is complete at the time of any recovery, to reimburse the State of North Dakota for the costs of the project to the extent that recovery dollars are available, following consultation with the chancellor.

NORTH DAKOTA STATE UNIVERSITY

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