

Accreditation
Finance Focus Group Report
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Introduction

In analyzing NDSU's financial picture, some of the major areas our group looked examined include: strategic plans, revenues, human resources, operating and equipment budgets, student financial aid, physical plant, other key departments, and special events. Our approach is to describe important events since the last university accreditation, describe and evaluate the current status and future outlook. Also, addressed within each major area are any concerns or questions raised in the last accreditation.

Strategic Plans

North Dakota State University is a member of the North Dakota University System (NDUS) sharing the over all vision and goals of the system. In July 2000, the State Board of Higher Education (SBHE) adopted the expectations and recommendations of the 61-member roundtable. In 1999, the Legislative Assembly passed a resolution directing a study of higher education in North Dakota. The task assigned to the roundtable was future-oriented in order to address the expectations of the NDUS in meeting the state's needs in the new century. A strategic plan was developed and adopted by the SBHE that involves long-term and short term planning with accountability measures. Chapter XII of the strategic plan outlines the long-term finance plan for the system.

Some of the main features of this strategic plan in reference to NDSU are listed below:

1. Funding for NDSU is a shared responsibility of the state (through state general fund appropriation), students (tuition), and NDSU campus (through efficiency and generating other funds).
2. NDSU is encouraged to generate additional revenues.
3. NDSU is encouraged to diversify its revenue sources.
4. NDSU faculty and staff should be rewarded and recognized for performance consistent with roundtable principles.
5. NDSU should be given flexibility to set prices.
6. NDSU should retain its current state general fund appropriation as base operating funds.
7. NDSU's unique mission should be recognized.
8. NDSU should have the flexibility to allocate resources consistent with the priorities.
9. The SBHE should request and the legislature should provide appropriations for NDSU's facilities and infrastructure.

In 2001, the SBHE adopted a long-term finance plan and resource allocation model that includes: (1) an operating budget, (2) capital financing incentive fund, and (3) state priorities funding.

Academic Programs and Professional Development Grants

The appropriated salary fund for the seven different academic colleges has seen a small yet steady increase since the academic year 1997-98 to-date. The average increase over the 6-year period has been around 3.6% per year. The use of professional development grants has increased significantly over the past five years with an average increase rate of about 73 percent per year. The main source of this grant comes from the NDSU President's Office for a maximum support of \$1000 per request. The total grant use has increased from around \$74K in 1998 to over 530k in 2002 and the number of recipients has more than doubled over the same period. In 2002, 622 faculty/staff received the professional development grants.

Enrollment at NDSU

Student enrollment has enjoyed a steady increase over the past five years with an average increase rate of about 3 percent per year. The last two years, the rate has been higher and registration office has reported a student body of over 11,000 in 2002. The enrollment projection is over 12,000 by year 2006. To accommodate these additional students, additional classrooms are needed. It is projected that at least 21 classrooms are needed by 2006.

Distance Education

Distance education at NDSU began with the interactive video network (IVN) developed in the early 1990s as a North Dakota based network. During the decade that followed, as IVN became more fully developed and useful as a tool for delivering synchronous instruction to locations off campus throughout the state, and with the advent of the internet and commercial course management environments for instruction that allowed asynchronous course delivery beyond the state, many philosophical and logistical questions began to emerge. The self-study of 1995 identified some of these unresolved issues such as re-thinking the teaching process, shifting the focus of courses from teachers to learners, exploring inquiry-based learning, and implementing authentic/problem centered strategies for instruction.

In the intervening years since the 1995 study, NDSU has undergone enormous change in teaching practices, so much so that our understanding of "distance education" is much less clear today than it was when IVN was in its infancy. At present, resident students attend class from their dormitories or apartments, which was a phenomenon not previously understood as "distance learning." The advent of online learning environments and the willingness of faculty to experiment with a variety of technologies and teaching methodologies has led us to the near total involvement of our campus in some form of

mediated instruction. Today it is quite commonplace for faculty to put some portion of their course content online, most often into a Blackboard course shell--the commercial content management system we currently license. The number of unique users in Blackboard is in the neighborhood of 10,000, and the number of courses has climbed to several hundred. Although the Blackboard tool is quite intuitive, allowing many faculty to teach themselves how to use the features, many have opted to participate in the formal training conducted by Nisus's instructional designer, Elizabeth Smith.

The IVN system has also undergone significant change. The North Dakota legislature initiated a 45-mile maximum distance benchmark for anyone in the state to have access to learning opportunities, so the old IVN network has transformed itself into a videoconferencing system that serves nearly 240 sites across the state and has the capacity to link with other networks outside the state. All of higher and K-12 education as well as a host of state offices, libraries, and resource centers are part of this new STAGEnet system.

One of the practical difficulties that prevented some faculty from participating fully in innovative instructional delivery was the promotion and tenure process that did not articulate a value for such endeavors, in effect punishing those faculty who spent time and effort improving instruction or expanding their delivery bases. The University Senate created a new standing committee called Technology-Enhanced Learning to undertake discussion and to make recommendations on academic issues related to technology. The committee is made up of faculty representation from each college and student representation at the graduate and undergraduate levels plus ex officio representation from the Library, ITS, Continuing Education, Extension, and Student Affairs. The first accomplishment of this committee was the addition to all promotion and tenure documents language that allowed faculty to pursue development and implementation of instruction involving some form of technology. The committee also spent considerable time examining intellectual property and arrived at some principles of practice. The university system, however, has taken up the issue and plans to implement a uniform policy for all 11 campuses.

Three years ago the North Dakota University System applied for and was granted status as a demonstration site for distance education in the context of Financial Aid. The significance of this project is enormous given the environment of student dependence on financial aid. The federal government granted 15 sites throughout the country permission to study the impacts of distance education and waive certain financial aid rules where evidence suggested such rules functioned as barriers to students seeking access to education. Participation in the demonstration project helped us gather data related to student participation in distance/technology-related learning activities, but more importantly it led statewide planners to envision a more unified construct. The North Dakota University System Online (NDUSO) was born of this initiative; its purpose is to serve as a clearinghouse for campuses wishing to offer coursework culminating in an Associate's degree comprised of fully online courses and having no residence requirement. Courses can be contributed to the NDUSO by any campus, but only those

campuses that offer Associate's degrees may host the students. The NDUSO has been visited and accredited by NCA.

Revenues

Operating revenues have steadily grown since the last NCA self assessment in 1996. Since 1996, operating revenues are up 40%. As a comparison, the consumer price index is up 15% over the same period. This growth is attributed primarily to grants and contracts (88% increase) and tuition and fees (50% increase).

Most of the growth in **grant and contract revenue** has been in the past two years. Shortly after Dr. Joseph Chapman started as NDSU President in June 1999, a goal was established to double the research grant and contract revenues over a period of five years.

An important component of grant and contract revenue is Facility and Administrative (F & A) cost reimbursement (formerly termed "indirect cost"). F & A cost reimbursements are based on the amount of grants and contracts expended and the recovery rate. During the past two years both of these factors have increased significantly and as a result the F & A cost recovery at NDSU has increased 234%. Through February 2003, the F & A cost recovery is up 45% from just the previous year.

While NDSU's full rate for on-campus research has remained at 41%, due to grantor agency limitations and a history of waiving F & A costs, NDSU's overall recovery rate on F & A costs was about 5%. Tougher contract negotiation procedures during the past two years have resulted in increasing the overall recovery rate to 11% in fiscal 2002.

NDSU's internal allocation of F & A cost reimbursements has not changed since the last self-assessment. This allocation is established in the NDSU Policy Manual, Section 813. F & A costs are internally allocated as follows: 42.0% is allocated back to the generating colleges or units; 16% will be allocated back to Sponsored Programs Administration; and 42.0% to the Office of the President.

In comparison with other universities the 42% rebate to the generating colleges is considered a relatively generous policy. With the increased total F& A reimbursement the past two years, dollars rebated to the colleges have grown. This money is considered unrestricted to the colleges and departments and is typically used for expenses such as: start-up packages to new faculty and researchers, faculty professional development, and new proposal development expenses. In addition, a portion of the 16% that is allocated to Sponsored Programs Administration is made available through an institutional grant-in-aid program.

An exception to the internal allocation is on grants generated by the NDSU federal relations team. F & A cost reimbursements are allocated 100% to the Office of Vice President for Research, Creative Activities, and Technology Transfer. Much of this money is used to fund the rent on the Research 1 Building on the property designated to the NDSU Research & Technology Park, Inc.

As a result of improved research facilities, internal incentives for researchers, and a renewed overall emphasis on research activities the outlook for continuing growth in grant and contract revenue continues to be positive.

The 50% increase in **tuition and fee revenue** over the past six years is the result of steady, modest tuition increases of about 5% - 6% per year and a moderately increasing student enrollment the past three years.

Fall headcount numbers from 1996 – 1999 were in the 9,500 – 9,600 range. In 1999 a new enrollment management plan was put into action. As part of this plan a goal was set to increase student enrollment to 12,000 over a five-year period. To date, steady progress has been made toward that goal, as the fall 2002 student headcount reached 11,138.

The Moody's credit rating report provides an independent view of the outlook for student enrollment. Excerpts from that are as follows:

“Although the demographic environment for traditional age students remains weak in North Dakota, with a 20% decline in high school graduates projected over the next decade, the University continues to be successful in growing enrollment.”

“We believe that steady to modestly growing enrollment is likely given the University's position as the state's land grant university, with a broad array of undergraduate and graduate programs; its location in Fargo, which is a regional economic center; and its proven ability to attract out-of-state students, primarily from Minnesota, which is more demographically vibrant.”

New student fees during this period have been minimal. In 1997, the students voted to approve a \$38 per semester increase in the student health fee to finance construction of a Wellness Center on campus. In fiscal 2002, a university system-wide fee of \$42 per semester was added to finance the ConnectND administrative system for higher education. In the spring of 2003, students approved two proposals to increase student fees to fund capital projects: one proposal is the expansion of the student union, the other proposal is to expand the Wellness Center. These projects still require Board and Legislative approval.

Although student tuition rate increases have been modest the past several years, some significant increases are on the horizon. For each of the next two years tuition rates are expected to increase about 16%. This tuition increase reflects an anticipated decline in state general fund allocations to all institutions within the North Dakota University System. It also reflect unfunded costs such as: a significant increase in employee health insurance, modest salary increase, and lack of additional state funding to fund growing enrollments. Although these anticipated tuition rate increases are noticeably above normal at NDSU, the increases may be considered modest compared to other states at this

time. In our neighboring state, Minnesota, tuition increases have been in the 13%-16% range for the past few years and are expected to be even higher in the near future. NDSU will continue to be very competitive from a tuition standpoint.

The outlook is that tuition and fee revenue at NDSU will continue to rise and that the university will continue to place more reliance on the revenues to support its instruction programs.

Another important piece in NDSU’s revenue stream is **state appropriations**. State appropriations are approved by the Legislature and Governor every two years. State appropriations on the financial reports consist of monies transferred from the state’s general fund.

The Agricultural Experiment Station, Extension Service, Agricultural Research Centers (8), North Crops Institute, Forest Service, Upper Great Plains Transportation Institute, each receive a state appropriation that is separate from the NDSU academic and administrative appropriation. The NDSU academic and administrative appropriation helps fund NDSU’s instruction program, support services (student, academic, administrative) and physical plant.

When analyzing state appropriation revenues it is most useful to compare from biennium to biennium rather year-to-year. The following table summarizes the state general funds appropriated to the NDSU academic and administrative budget:

Biennium	State Funds
2003 – 05	* \$ 76,604,661
2001 - 03	\$ 80,163,939
1999 - 01	\$ 74,921,622
1997 - 99	\$ 68,993,481
1995 - 97	\$ 62,383,630
1993 - 95	\$ 59,409,884
1991 - 93	\$ 63,147,709

* Amount includes: House Bill 1033 – General Fund appropriation for NDSU (\$69,314,490), plus General Fund allocated from Technology Pool (\$7,290,171). The Technology Pool allocation includes 100% of campus appropriation and 50% of the HECN appropriation. The other 50% will be allocated in fiscal 2005.

In recent years NDSU has made modest progress in getting increases from the state general fund. Overall higher education has been able to retain its 21% share of the state general fund budget. NDSU has been able to retain its share of the higher education allocation.

Fortunately, the national economic recession has not impacted the state of North Dakota, as much as other states. At this point in the 2001 – 03 biennium, the state’s revenues are

above the revised forecast by 0.1%. However, appropriations for the next biennium are expected to be slightly down.

While **gifts** for operational purposes do not constitute a large percentage of total revenues at NDSU (about 2%), they are an important source of funding that primarily supports student scholarships (including athletic scholarships), endowed faculty, and some private research or public service activities. Since 1996, gift revenues for operating purposes have increased 66%. Gifts are also a critical component funding for capital construction. Since 1996, gift funds were used for construction of the Ellig Track Complex and Ehly Hall. A major share of funding for the Sudro Hall (Pharmacy Bldg) addition consisted of gifts. Future capital project funded from gifts includes a new building for the College of Business Administration and Bison Sports Arena renovations.

Overall, NDSU is considered to have a diversified revenue stream. The most recent (December 2002) credit rating review by Moody's Investors Services supports this opinion. An excerpt from this review is as follows:

“With a diversified revenue base, we expect the University to be able to maintain fiscal balance going forward. Sources of funding are roughly equally divided among state appropriations, student charges (tuition and auxiliary enterprises), and grants and contracts.”

This diversified revenue stream allows NDSU to be more responsive to future challenges. NDSU has a history of making adjustment to challenges, continuing to provide services and living within its means.

Human Resources

Faculty Salaries

In our efforts to recruit and retain highly qualified faculty at NDSU, the focus has traditionally been on non-salary items, such as insurance and retirement contributions, as we have had a tough time competing on salary alone. Nevertheless, NDSU has tried to significantly increase salaries in the last eight years, most notably in the two years comprising the current biennium, but still finds it tough to compete with our peer institutions.

NDSU has conducted annual salary studies in the past that indicate that our salaries for typical tenure-track faculty tend to be between 80 percent and 90 percent of the average for a group of peer institutions that were identified by college deans in the fall of 1996. While the data for 1996 through 1998 were analyzed and presented in a different format and do not facilitate comparison to the peer group, the data for 1998 through 2002 make it clear that we have been getting further behind in comparison to the peer group for faculty salaries at the rank of associate and full professor. In 1998-99 our full professors were at 83.6% of average while in 2001-02 they were at 80.8% of average. Salaries for

associate professors fell from 88.0% to 86.3% of the peer average over the same time period. Salaries for assistant professors showed an increase from 89.0% of the peer average in 1998-99 to 90.5% in 2001-02, most likely reflecting the increasing competition for new graduates in many areas of study. It is interesting to note that the percentages vary considerably from college to college, ranging from 75.6% in the College of Engineering and Architecture to 95.8% in the College of Pharmacy for the 2001-02 academic year. The percentages for instructors vary considerably from year to year, and in some years included very few observations, so they are not reported here. The complete salary studies are available from the Data Coordinator.

In the current biennium (2001-2003), salary increases have averaged 4.8% per year, which includes state appropriations and internal reallocations. The University made major efforts to address market and equity issues during this time, which resulted in some faculty members receiving relatively large salary increases. It remains to be seen if these salary increases placed us in a better position with our peers.

The current state budget situation is similar to many other states in the region and across the country, and it appears that state appropriations for faculty salary increases will close to if not zero for the next biennium. If internal reallocations are taken into account, it might be possible to increase salaries by one or two percent per year at the most. While the President is able to add somewhat to the state appropriations for salary increases, there is a limit to this process, as it has a compounding affect on future budgets. The salary studies over the next few years should give us an indication of our success in providing adequate salaries. It should be noted that many other institutions in the area are planning no salary increases in the immediate future.

It is clear that we face an uphill battle in regard to salary competitiveness for faculty members at NDSU. Administrators will have to be increasingly resourceful to allow NDSU to retain qualified faculty, and will most likely continue to rely on non-salary items that are discussed below.

Other Faculty Incentives

For the past several years, the Provost and VP for Academic Affairs has been providing \$3,000 to each department for each new faculty member that is hired. This money is intended to be used as a "start-up" package that usually includes a computer and other equipment necessary for the faculty member's teaching and research duties. This money is quite often supplemented by monies from other sources, such as EPSCOR grant funds, other departmental funds, and other University funds. In a survey of departments during the most recent academic year (2002-03), the total start-up packages for faculty varied from the \$3,000 base provided by the VP's office all the way up to \$300,000 in the Chemistry Department. It appears that many departments are able to provide packages that are close to those offered at other universities and will likely be able to remain competitive on that basis.

For the past few years NDSU President Joseph Chapman has made an extra \$1,000 in travel money available to each faculty member at NDSU for the purpose of traveling to and attending professional conferences in the faculty member's area of study. This money is in addition to any departmental funds that may be available for travel. All indications are that this will continue in the future. Faculty members must formally apply for the funds, but no one who submits a timely application has been turned down. Many faculty, who would otherwise be unable to travel due to depletion of department funds or because they don't have a paper to present, have taken advantage of these funds to enhance their qualifications.

There has been talk in some departments of offering something similar to "signing bonuses" to faculty members, which would come from private gifts and would be used to supplement a faculty members first year salary. As of this writing, we are not aware of any faculty members who have received a bonus yet.

Staff Salaries

Over the last eight years, NDSU has made serious efforts to increase the salaries of its support staff. While the increase in staff salaries in 1995-96 was relatively small (0.5%), in 1996-97 through 2002-03, salary increases ranged from 4.3% to 5.4% per year. The average for the past eight years is 4.3%. While we don't have the same comparative data for staff salaries as we do for faculty salaries, it is likely we are in a much better position relative to other states in the region than we were eight years ago.

As with faculty salaries, the current budget situation is such that staff salary increases for the next biennium will likely be smaller than in the past, or possibly even zero.

Staff employees at NDSU are also eligible for the \$1,000 Presidential Grants for travel to professional conferences and to aid in their professional development.

Fringe Benefits

NDSU continues to provide a benefits package to faculty and staff members that is highly competitive with other institutions across the country. Anecdotal evidence indicates that there are relatively few institutions that offer better insurance or retirement packages. Currently, tenure track faculty must contribute only ½% to 1½% of their salary, depending on years of service to NDSU, to their TIAA-CREF retirement account, while the state contributes from 4.5% to 10.5%. Of course, faculty may elect to contribute more, up to the IRS limits. The point is that faculty at NDSU generally have more take home pay per dollar of salary compared to many institutions that require a much higher contribution on the part of the faculty member, quite often a one-for-one match. Faculty at NDSU find it easy to provide for a more-than-adequate retirement with little effect on take home pay.

The health insurance package is even better in regard to its effect on take-home pay as the state pays for the entire insurance premium for high quality Blue Cross/Blue Shield coverage for the faculty or staff member's entire family. Deductibles and coinsurance are reasonable, and the Human Resources office offers a flexible spending benefits program to allow employees to pay for out-of-pocket expenses with before-tax dollars. In the next biennium, the premiums that the university pays for this coverage will be increasing an extremely high rate. There was talk in the State Legislature that some of the premium cost might have to be passed on to employees. It was decided that the state would fully fund the premium, and it was stressed that this in itself was similar to a raise. This may be part of the reason why salary increases were not provided for in the next biennium.

The university offers other types of insurance, such as vision, dental, and life, for premiums that are similar to those offered by many other institutions.

NDSU has also offered tuition waivers to its employees, and has expanded these benefits in recent years. Originally, any half-time or greater employee at NDSU could take one three-credit course per semester and have all tuition and fees waived. This benefit has now been expanded to three three-credit courses per year, and the employee may take those classes all in one semester, or spread them throughout the year. This change has assisted the University in recruitment and retention as it allows employees to schedule classes around peak work times and fit in more hours per year. While data for the employee waivers are not reported individually for each institution, statewide it appears that more employees are taking advantage of the waivers in recent years, most likely due to the increased flexibility. In 2002, 505 employees took advantage of the waivers, which is higher than in any other year. In 1999, which was the low point in participation over the past eight years, the number was 375.

In addition, spouses and dependents of NDSU employees have just recently (as of April 2002) become entitled to a 50% tuition waiver for all classes taken at NDSU. Based on data provided by the Human Resources Office, a significant number of employees have taken advantage of these waivers. 176 discounts were processed in fall 2002, and 177 were processed in spring 2003 at NDSU. It is clear that the tuition waivers and discounts have become a significant part of the benefits package for NDSU employees.

Finally, NDSU offers a Faculty/Staff Assistance Program that provides for free counseling services. In 1997, the source of the services was changed from the campus Counseling and Disabilities Services to The Village Family Service Center. This Center offers counseling from highly qualified personnel in all sorts of areas, such as money management, family and marriage counseling, and substance abuse.

Graduate Student Stipends

The data available on graduate student stipends are hard to summarize and compare both from year-to-year and across departments. This is because of wide variations in how students are paid (monthly, bi-monthly, every two weeks, etc.), the length of the period

for which they are paid (one semester, nine months, ten months or twelve months), the number of hours worked per week, whether the students are teaching assistants or research assistants, whether the students have complete responsibility for teaching classes, and whether they are receiving extra support from other centers or institutes on campus.

However, in their reports to the graduate school each year, a sample of the past eight years, including the 1996-97, 1999-2000 and 2002-2003 academic years shows that many departments have increased stipends. For example, stipends in the Agribusiness and Applied Economics department increased from \$800 per month in 1996-97, to \$900 in 1999-2000, and to \$1,100 in 2002-03. These numbers have been adjusted, as much as possible, to represent the monthly stipend for 20 hours of work, not including any monies from outside sources or other duties. In Communications the amounts for the same three years were \$667, \$733 and \$1,200. In Plant Sciences stipends ranged from \$756 to \$1,185 in 1996-97, while in 2002-03 the range had increased to \$1,150 to \$1,234. While the evidence is not overwhelming, it is clear that most departments have attempted to increase stipends over the years, and this occurred in a time of increasingly tight allocations for stipends. Some departments have cut down on the number of stipends they offer so as to offer amounts that are more competitive with other schools.

Student Financial Aid

The amount of financial aid received by NDSU students has increased by approximately 41% in the last five years, while the number of enrolled students receiving some form of financial assistance has increased by approximately 20%. As a percentage of the total student body, the number of students receiving assistance has increased from approximately 76% to approximately 81%. Over the same five year period, there have also been changes in the source of student aid. Gift aid—i.e., Pell Grants, graduate tuition waivers, scholarships, etc.—have increased approximately 32%. This increase, however, masks a 33% decrease in state grants. Aid from federal loan programs has increased 31% during this period. In this area, the ratio of subsidized to unsubsidized loans has sharply declined so that, in 2001 – 2002, the two are almost equal. Average student loan debt, by grade level, has increased the following amounts over the last four years:

Freshman:	3%
Sophomore:	18%
Junior:	12%
Senior:	12%
Grad-Masters:	4%
Grad-Doctorate:	4% decline after two years of increases of approximately 9% and 7%

Operating Expenses and Equipment

Over the last few biennium's, operating and equipment budgets appropriated by the legislature have seen minimal increases. Included in these increases have been new

dollars to cover increased costs in utilities, risk management premiums and flood insurance, to name a few. Additional operating costs associated with increased enrollments, as well as inflation, have had to be covered with the minimal increases.

For the first time in 2001-03, the legislature eliminated line items in higher education budgets. Funding for salaries, operating expenses and equipment are now budgeted in one line item called operations. This was the result of the Roundtable recommendation allowing more flexibility with accountability.

For the academic/administrative budget at NDSU, this means there is now more flexibility to move dollars from one line item to another. In some instances, Vice President's have used this flexibility to increase salaries for faculty and staff. The result is fewer dollars allocated for operating expenses.

With the reductions made to the 2003-05 biennial budget, operating and equipment budgets will be hold-even, at best.

Facilities Management

Over the last seven years, capital funding has been up and down, due largely to the presence or absence of large projects (i.e., Research 1, Living/Learning Center, etc). This inconsistency is true for all sources of capital dollars—state appropriations, federal grants and contracts, state grants and contracts, private gifts, grants, and contracts, investment and endowment income, and university funds. Debt issuance was not a source of capital funding until 2000, when \$3.5 million was issued; this was followed by \$6.5 million in 2001, and \$7.6 million in 2002.

Dollars available for operating expenditures, including utilities, have increased from \$5.19 million in 1998 to \$6.2 million in 2002, an increase of approximately 20% (in this same period, utility expenditures have increased by approximately 15%). The increase in expenditures is essentially, however, a “hold even” figure, and actual expenditures are much behind actual need.

There has been an increase in new construction on campus in the last three years, with \$1.7 million expended in 2000, \$3.4 million expended in 2001, and \$6.5 million expended in 2002. Dollars allocated for capital renovations and extraordinary repairs has ranged from a low of \$683,142 in 2001 to a high of \$1.19 million in 2000, with a five year average of \$852,950.

The campus master plan shows an impressive schedule for the entire campus in the areas of major repairs, major remodeling, and non-deferred maintenance (emergency repairs), with needs well documented. Given the current budget state, however, it is not clear how these necessary items will be funded.

Other Departments

Agriculture Budgets

In general, the entities comprising NDSU Agriculture have some or all of the following sources of funding:

- State general fund
- Federal formula funds
- County funds
- Crop and Livestock sales
- Grants, Contracts, Gifts
- Local funds

State general funds are appropriated by the North Dakota legislature for a two-year period and are budgeted by NDSU in annual increments beginning each July 1. Federal formula funds are appropriated by the U.S. Congress for each fiscal year beginning October 1. County funds are unique to the Extension service and are appropriated by county governments as their share of the county extension partnership. These funds are allocated on a calendar year basis beginning each January 1. Sales and service revenue is comprised mainly of crop and livestock sales. Crop and livestock sales revenue is a major source of support for the off-campus research centers located throughout the state. Grants and contracts are funded in a random fashion as resources are available and proposals are approved.

The budgets for NDSU agriculture affiliates are essentially program driven. At the state level, budget enhancements are sought under a current base plus new initiative type of approach. Initiative funding is typically a multi-discipline, multi-agency package that attempts to develop or enhance a program aimed at addressing a high priority need among the varied stakeholder groups. This process is an inclusive one and involves feedback from number of sources both internal and external to the University. Although time consuming and a challenge to obtain, broad-based external support for an initiative package dramatically increases the potential for it to be funded by the state legislature. The legislature has and continues to be a strong supporter of Agriculture.

The current biennium beginning July 1, 2003, and ending June 30, 2005 are as follows:

Extension Service	Total all funds	\$34,346,276
	Less estimated income	\$20,486,830
	Total general fund	\$13,859,446
Northern Crops Institute	Total all funds	\$ 1,523,347
	Less estimated income	\$ 777,345
	Total general fund	\$ 746,002
Main Research Center	Total all funds	\$60,517,214
	Less estimated income	\$32,306,474

Total general fund	\$28,210,740
Research Centers	
Dickinson research center	\$ 5,281,134
Central grasslands research center	\$ 1,667,387
Hettinger research center	\$ 1,521,475
Langdon research center	\$ 1,282,885
North central research center	\$ 1,712,510
Williston research center	\$ 1,643,075
Carrington research center	\$ 3,326,616
Total all funds	\$16,435,082
Less estimated income	\$ 7,467,679
Total general fund	\$ 7,467,679
Agronomy seed farm	\$ 1,166,604
Total special funds	\$ 1,166,604
Grand total general fund appropriation	\$ 50,766,966
Grand total special funds appropriation	\$ 74,066,307
Grand total all funds appropriation	\$124,833,273

ITS

NDSU's Information Technology Services (ITS) department serves as the central computer center for the university and the south host-site for the North Dakota Higher Education Computer Network (HECN). In addition, ITS includes a division called 'Edutech' which is funded by a contract with the state's IT department and serves as the IT support for K-12.

Operational funding for ITS comes from state appropriations (\$4.4 million) and self-supporting activities (\$2.1 million). Self-supporting activities includes funding from a student technology fee, recharge centers, sales and services, facility and administrative cost recoveries, and other transfers from unrestricted administrative funds.

Generally, state appropriation funding has been steady for the last several years. To enable ITS to protect core services during the hold-even budgets, ITS shifted expenses from operating to salaries. Currently NDSU's expense ratio for the campus share of the budget is 60% salary and 40% operating/equipment, which is typical of a university IT budget. The HECN share of the budget is split 46% salary and 54% operating/equipment, which shows that HECN staffing is relatively low in relation to services provided.

Legislative appropriations approved for the 2003-05 biennium includes a 5% reduction in funding for HECN and a 4% reduction in campus IT funding. Changes will need to be made to respond to these funding cuts and planning is currently in progress. Emphasis will be placed on collaboration, with a view towards both improving services and overall

efficiency. Potential partners in collaboration include: Agriculture IT, NDSU Research & Tech Park, and the University of North Dakota (HECN-North). Other initiatives planned to improved service and save money include: Desktop standards initiative and State-wide network (STAGEnet).

Another piece under consideration is increasing the use of recharge centers in finance campus demand for IT services beyond core services. Recharge centers distribute or reallocate the costs of services to the university departments using the services.

Telecommunications

NDSU base telecommunications system was installed in 1995. This includes an underground cable distribution plant which has been designed to provide adequate copper and fiber optic cable to each building to service the institutions information transport needs for the next 20-25 years. A recent half million dollar outside cable plant infrastructure expansion brings the same transmission quality and transparency to the NDSU Research and Technology Park and to future growth along and west of 18th Street. Continued plans for system and infrastructure enhancements approximating \$200,000 per year are vital to advance technology as well as meet the needs of a growing campus, now including remote sites.

Telecommunications operates on a cost recovery basis both from administrative users as well as students. Demand for end user hardware, systems and applications software will continue to grow at exponential rates. While these pieces are often funded at the departmental/division level, currently no consideration is being given to the impact this growth has on NDSU's transport facilities infrastructure, building wiring infrastructure or telecommunications networks. Cash reserves, which have historically funded these types of expansion, will be depleted, thus continual dialogue, at the institutional level needs to occur to determine the information needs of our customers, and how to organize to meet those needs.

Declining long distance revenue combined with competition with cellular, e-mail, and prepaid calling cards will also require the development of new administrative and student cost models if NDSU is to continue to provide these services. The recommended new costing approach is based on the true cost of each service, differentiating service levels, and life-cycle funding for both baseline and new campus initiatives. Recently, to remain competitive in the long distance market, NDSU has decreased its student long distance rates. Since excess long distance service revenues have historically been used to subsidize dial tone and data transport facilities infrastructure, this decrease in revenue affects NDSU's ability to respond to continued growth for data infrastructure.

Marked increases in security and regulatory requirements challenge higher education's goal and culture of information sharing. In this environment of reduced financial resources, expectations continue to increase for the strategic use of communications technologies to enhance teaching, learning, research and administration. Those who are responsible for communications technology leadership must find a way to look beyond

immediate budgetary and technical concerns, understand the priorities of the institution, and lay the groundwork for continued advancement.

For the efficient provision of Information Technology (IT) services, a campus IT plan must be developed stating how IT services will be coordinated and funded. Collaboration and cooperation efforts will become more difficult if institutions are not able to maintain equivalent levels of technology.

Athletics

Since the last accreditation, overall spending for athletics has kept approximate pace with inflation. However, the revenue mix has shifted to place a greater emphasis on unrestricted institutional funds (income interest).

On August 30, 2002, NDSU announced its intention to seek reclassification of its athletics programs to NCAA Division I. Membership reclassification is a five-year process beginning with an exploratory year in 2003-04.

The decision to reclassify came after extensive research, including analysis from consultant Carr Sports, Inc., on the status of the current state of readiness and preparedness, and a market survey conducted by Conventions, Sports & Leisure International. The survey analyzed potential marketing and funding opportunities for the athletics department.

President Joseph A. Chapman directed that the move to Division I be financed with new external funding and with no additional state general fund monies. According to the reclassification plans, the university's overall athletics expenditure budget will need to increase from \$6 million to \$10 million. This increase would permit NDSU to be competitive with NCAA Division I peers.

NDSU's move to NCAA Division I is in concert with the overall mission of the University. The athletic department welcomes the opportunity to compete at the next level and to be a part of the university-wide goal of being more like NDSU's national land-grant peer institutions.

Special Events

June 2000 - Rain Event

As a result of 7 inches of rain on the evening of June 19 and morning of June 20, 2000, North Dakota State University suffered extensive water damage to infrastructure, buildings, equipment and furnishings. Upon presidential declaration of the disaster, the Federal Emergency Management Agency (FEMA) was called in to assist in NDSU's recovery.

FEMA estimated that total eligible NDSU losses should approximate \$19 million, of which insured losses should fund \$7.5 million. FEMA will reimburse about \$9.9 million (i.e., 90% of eligible expenses, after insurance) and a \$1.6 million state deficiency appropriation will fund the remainder. If the insurance settlement falls short, the uninsured FEMA eligible losses will be reimbursed by FEMA (90%) and the State (10%).

Some major parts of NDSU's infrastructure affected by the rains were main campus steam lines, steam tunnels, and telecommunication system. Since the rain event, a significant portion of the campus direct-buried steam lines were replaced at an approximate cost of \$3 million and the steam tunnel repairs were almost \$750,000. Portions of the campus telecommunication system were replaced at a cost of \$1.4 million. These replacements also benefited NDSU by reducing the related deferred maintenance. In addition, a portion of the FEMA reimbursements included funding for mitigation work to reduce the possibility of these damages from happening again.

The Library was another department that incurred significant water damages. So far, damages to the Library total about \$5.6 million with the largest portion consisting of replacing \$3.8 million of books and other materials. At this point about 95% of the damaged library journals and other materials have been replaced. Off-campus facilities have been rented to store materials. In addition the space in the Library has been reassigned so that fewer materials are held in the basement to lower the risk of extensive damages from future events.