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SBHE

4. [Funding Formula: How it Works](#) – Mr. Alex Cronquist, CPA, Senior Financial Analyst, ND Legislative Council
 - a. The funding formula was originally enacted in 2013 and is performance based in that appropriations are based on weighted credits successfully completed. Appropriation is determined by multiplying adjusted student credit hours by a base dollar amount per adjusted student credit hour. Adjusted credit hours are determined by multiplying raw student credits by an academic program weighting factor, and then multiplying that by a credit completion factor that accounts for institution size.
 - b. Prior to the 21 -23 biennium, there was an institutional size factor that would replace the credit completion factor if an institution's ratio of square footage to weighted credits was greater than or equal to 5.0. Historically the institutional size factor only applied to NDSCS. As enacted in 2013, the factor was 1.8 and was reduced to 1.7 in 2015 and then eliminated in 2021.
 - c. One issue is the backward -looking nature of raw credits that are used to determine weighted credits. Institutions need to plan ahead: if they have reduced credits they can plan for reductions in funding and if they experience growth, they will need to wait for additional funding to come in.
 - d. Section 15 -18.2-02 of N.D.C.C. provides for successfully completed student

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

- ii. DSU asked if an institution has a reduction in credits and they would get a higher factor are there limitations on that higher factor . Mr. Cronquist stated that there are no limitations currently in law.
- iii. BSC asked if an institution were to move down, for example, to a 1.2 credit completion factor and then grew in the number of credit hours, do they remain at the 1.2 base. Mr. Cronquist stated that according to N.D.C.C. it is specific to the 2017 -19 biennium so what an institution received in 2017 is somewhat the bottom limit. If an institution moves to a higher factor and back down to a lower factor, unless they received the higher factor in 2017, they will move back to the lower factor.
- h. Base rates have gone up since 2017 and institutions are grouped by the two doctoral research institutions (UND and NDSU), the 4 -year institutions (DSU, MiSU, MaSU, and VCSU), and the 2 -year institutions (BSC, DCB, LRSC, NDSCS, and WSC). There are some adjustments provided (o)-2.2 (n)-3.7 ()JTJ -20.739 7 (t)-2 ().2 ().n7

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

Adjourn

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

Approved March 22, 2024.