

ND STATE BOARD OF HIGHER EDUCATION

Minutes—January 18, 2007

Bismarck, North Dakota

The State Board of Higher Education met January 18, 2007, in the Bismarck State College Student Union Prairie Room. The Board president called the meeting to order at 8:30 a.m. CT. Members present:

Mr. John Q. Paulsen, president	Ms. Pam Kostelecky
Ms. Beverly Clayburgh, vice president	Mr. Nicholas Rogers
Ms. Sue Andrews	Mr. Richie Smith
Mr. Bruce I. Christianson	Dr. John Pederson, Faculty Advisor

Members absent:

Mr. Charles Murphy

Presidents, campus deans, and campus representatives present:

Mr. Gordy Binek, BSC	Dr. John Richman, NDSCS
Dr. Lee Vickers, DSU	Dr. Joe Chapman, NDSU
Dr. Sharon Etemad, LRSC	Mr. Phil Harmeson, UND
Dr. Gary Hagen, MaSU	Ms. Trudy Collins, VCSU
Dr. David Fuller, MiSU	Dr. Joe McCann, WSC
Dr. Ken Grosz, MiSU-BC	

Staff members present:

Mr. Eddie Dunn, Chancellor/Vice Chancellor for Strategic Planning
Dr. Michel Hillman, Vice Chancellor for Academic & Student Affairs
Ms. Laura Glatt, Vice Chancellor for Administrative Affairs
Mr. H.P. Seaworth, General Counsel/Executive Secretary
Ms. Debra Anderson, Public Affairs Director
Ms. Deanna Dailey, Secretary
Ms. Sheila Tibke, SBHE Administrative Secretary/Financial Aid Assistant

MINUTES

It was moved by Andrews and seconded by Rogers to approve the minutes of the December 21, 2006, meeting. Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried.

BOARD PRESIDENT'S REPORT

Chancellor Search

Mr. Smith reported the Chancellor Search Committee has narrowed the list of applicants to six semi-finalists, one of whom subsequently accepted a position in another state. The Committee will interview the five remaining semi-finalists via IVN January 27-28 and will then select three or four finalists. Mr. Smith indicated the finalists will come to Bismarck February 14 or 15 to be interviewed in person and to meet with legislators, staff, and other interested parties. The Board will meet February 23 in Bismarck to interview the finalists and select a chancellor.

NDSCS Presidential Search

Ms. Andrews reported the NDSCS Presidential Search Committee has narrowed the list of applicants to eight semi-finalists, one of whom subsequently withdrew from further consideration. The Committee will interview the seven remaining semi-finalists via IVN January 27-28 and will then select four or five finalists. Ms. Andrews indicated the finalists will visit the NDSCS campus sometime between February 6 and 14. The Board will meet February 20 in Wahpeton to interview the finalists and select a president.

MaSU Presidential Search

Ms. Clayburgh reported the MaSU Presidential Search Committee has narrowed the list of applicants to eight semi-finalists. The Committee will interview the semi-finalists via IVN January 27-28 and will then select four or five finalists. Ms. Clayburgh indicated the finalists will visit the MaSU campus sometime between February 6 and 14. The Board will meet February 19 in Mayville to interview the finalists and select a president.

President Paulsen reported that he provided testimony to the House Appropriations Committee on January 8.

President Paulsen reminded Board members that the legislative showcase is scheduled for February 22.

CHANCELLOR'S REPORT

Chancellor Dunn reported:

- ♦ The legislative session is in full swing and shared feedback about the NDUS staying on message and on task in achieving the major objectives of the legislative agenda.
- ♦ Ms. Cathy McDonald has been appointed to the CMI Institute Committee of the Central Association of College University Business Officers.
- ♦ In follow-up to a concern expressed by Dr. Pederson at the December 21, 2006, Board meeting regarding the medical flexible spending account plan, the Human Resource Council recommended an extended grace period beginning with CY2008. However, the Cabinet decided the grace period will begin with CY2007.

ND STUDENT ASSOCIATION REPORT

Mr. Rogers reported the next meeting of the North Dakota Student Association will be held January 19 at BSC.

COUNCIL OF COLLEGE FACULTIES REPORT

Dr. Pederson said work is ongoing on the Higher Education Research Institute (HERI) Report. He reported items discussed at the last CCF meeting include:

- ♦ A Chronicle of Higher Education article stating that, nationally, graduates are technically competent, but lack people skills.
- ♦ Individual campus policies on charging fees for prior learning credits.
- ♦ Gratitude for system reconsideration of its position on the medical spending account flexibility for employees.

Dr. Tom Barnhart, CCF president, presented a resolution adopted by the CCF requesting: 1) at least a 5 percent salary increase each year of the biennium for all faculty, 2) establishment of a Board committee (Board, administration, and faculty) to review the salary system and allocation of salary increases based upon academic promotion, 3) an increase in the contribution to TIAA-CREF by 2.5 percent for employees who have more than 15 years of service to the NDUS, and, 4) continuation of fully funded health insurance benefits with no decrease in coverage or increase in co-payments or deductibles. President Paulsen referred the resolution to Chancellor Dunn for consideration.

BOARD BUSINESS

MiSU Mission Statement

Dr. Fuller presented a revised mission statement for Minot State University.

It was moved by Kostelecky and seconded by Christianson to approve Minot State University's revised mission statement. Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried. Exhibit A.

Budget and Finance Committee Recommendations

Ms. Peggy Wipf presented the State Grant Study. **It was moved** by Christianson and seconded by Smith to approve the recommendations in the State Grant Study. Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried. Exhibit B.

Consent Agendas

Academic Consent Agenda

It was moved by Christianson and seconded by Andrews to approve North Dakota State University's request to establish the Center for Community Planning and Design. Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried.

It was moved by Smith and seconded by Kostelecky to approve Valley City State University's request to offer the Library and Information Technologies graduate concentration. Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried.

Financial and Facility Consent Agenda

It was moved by Andrews and seconded by Kostelecky to approve the following financial and facility requests.

- ♦ Authorize North Dakota State University to proceed with the Living Learning Center West/Ceres Hall Renovation project immediately upon the authorization of the bonding bill during the 2007-09 legislative session.
- ♦ Authorize North Dakota State University to change the scope of the previously requested replacement of the Bentson Bunker Fieldhouse east gymnasium windows and to proceed immediately with the project upon the appropriation becoming available during the 2007-09 legislative session. Estimated cost is \$490,000, which includes architect fees. Source of funding will be the 2007-09 capital assets appropriation, contingent upon 2007 legislative approval.
- ♦ Authorize North Dakota State University to proceed with the 17th Avenue renovation project. Estimated cost is \$1,025,000. The assessments will be repaid from the state capital assets appropriation amounts approved to date and/or from other campus funds.
- ♦ Authorize North Dakota State University to proceed with miscellaneous roofing projects immediately upon the appropriation becoming available after the 2007-09 legislative session. Source of funding for following projects will be the 2007-09 capital assets appropriation, contingent upon 2007 legislative approval.
 - ✓ Dunbar Hall – estimated cost is \$52,500, including architect fees
 - ✓ Architecture – estimated cost is \$112,500, including architect fees
 - ✓ Stevens Hall – estimated cost is \$59,500, including architect fees
 - ✓ Dolve Hall – estimated costs is \$80,000, including architect fees
 - ✓ Bison Sports Arena – estimated cost is \$175,300, including architect fees
 - ✓ Waldron Hall – estimated cost is \$339,000, including architect fees
- ♦ Ratify the chancellor's action authorizing North Dakota State University to seek an amendment to the NDUS appropriation bill re-authorizing it to carryover \$1,690,000 (or any remaining unused balance) of the total authorization approved in the 2005-07 biennium for the agronomy research laboratory and greenhouse at the North Central Research Extension Center
- ♦ Ratify the chancellor's action authorizing North Dakota State University to seek an amendment to the NDUS appropriation bill re-authorizing it to carryover Phase I of the Main Station Research Center Greenhouse Complex approved in the 2005-07 biennium in the amount of \$7,000,000

- ♦ Ratify the chancellor's action authorizing North Dakota State University to seek an amendment to the NDUS appropriation bill re-authorizing it to carryover the Bison Sports Arena Addition and Renovation project in the amount of \$15,000,000 per NDCC 54-44-1-11

Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried.

MAJOR POLICY DISCUSSIONS & SPECIAL REPORTS

Accountability Report

Chancellor Dunn and Dr. Hillman reviewed the 6th *Annual Accountability Measures Report* and highlighted the progress toward the respective accountability measures under each of the six cornerstones outlined in the *Roundtable Report*. The report is on file in the System Office.

Articulation and Transfer Report

Dr. Parnell presented the annual articulation and transfer report. He said the number of formal complaints on transfer of credits has declined significantly in that he only received 12 in the last year. Dr. Parnell and Dr. Hillman responded to questions. The report is on file in the System Office.

ConnectND

Ms. Neas and Mr. Thursby presented recommendations to improve the *ConnectND* system, based upon a Microsoft and Oracle review of the student administration system in the data center at Grand Forks and the student administration application system. Feedback from campus representatives and nationwide colleagues also was included in the recommendations. Ms. Neas reported the Oversight Committee and the Campus Advisory Committee unanimously support the recommendations. Ms. Neas and Mr. Thursby responded to questions.

Ms. Neas indicated that, because of regulatory issues and the fact that Oracle will not support the finance application module after fall 2007, the finance upgrade must be completed by the end of the year. In addition, she said the grants and contracts module will likely need to be re-implemented.

In response to a question, Ms. Neas said adding all this hardware will greatly improve the system but will not solve our problems.

Responding to a question about system upgrades, Ms. Neas said the system will require a constant cycle of upgrades, probably every three years for each application.

Ms. Neas indicated the cost of implementing the recommendations is estimated at \$9 million, of which approximately \$3 million is in the current budget. She added the governor's budget includes \$3 million in one-time funding for *ConnectND*, which leaves approximately \$3 million unfunded. Ms. Neas also stated that, should the 11.5 FTE positions be added, the consulting costs associated with some of the recommendations could be substantially reduced. Ms. Neas

said, without some good, sound, continuing funding, the SBHE will need to ask for \$3-4 million from the legislature every biennium to keep the system going.

Ms. Neas said policies and procedures will need to be established so that campuses can use the system effectively, and the Campus Advisory Committee has been asked to recommend policies and procedures.

It was moved by Smith and seconded by Andrews to receive the report and accept the ten recommendations subject to the availability of funding. Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried. Exhibit C.

MaSU Campus Facility/Energy Study

Ms. Glatt presented a request to complete a facility/energy assessment at Mayville State University with some of the funding coming from the Board’s contingency fund. She said it is imperative to complete the study before the end of the legislative session in order to provide legislators concrete information about the priority use for the \$4 million capital investment at MaSU included in the Board’s budget request.

Responding to a question from Ms. Clayburgh, Dr. Hagen said MaSU will need to reallocate or make cuts in order to pay their \$30,000 share of the study.

It was moved by Smith and seconded by Rogers to adopt the following resolution.

The SBHE approves and adopts the recommendations stated in the attached January 16, 2007, proposed MaSU study memorandum to provide \$41,653 in one-time funding from the Board contingency fund, with \$30,000 provided by MaSU to complete a facility/energy assessment by no later than April 1, 2007; and that MaSU is directed to engage a consultant to assist in preparing a comprehensive campus strategic plan with costs paid by MaSU, not to commence before a new president at MaSU is appointed and to be completed no later than the end of 2007.

Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried. Exhibit D.

Proposed Legislation

Ms. Glatt and Mr. Seaworth reviewed proposed legislative bill drafts.

It was moved by Clayburgh and seconded by Andrews that the SBHE take the position as stated on the following bills.

Bill No.	Description	NDUS Position
HB1016	Job Service appropriation; workforce 20/20 funding	Support
HB1018	Dept. of Commerce appropriation, including Centers of Excellence	Support
HB1019	Career and Tech Ed appropriation; workforce training	Support
HB1027	Economic Development Committee bill – additional NDUS accountability measures; SBHE new program startup; COE designations and funding restriction for workforce and infrastructure; expanded DOC division of workforce development	Support w/amendment

Bill No.	Description	NDUS Position
	duties, including administration of a HE internship program; required SBHE report on ccBenefits implementation; Job Service soft skills study; DOC internship study	
HB1091	Creates \$5,000 single and \$10,000 joint tax deduction for state HE savings plan	Support
HB1102	Increases to \$25,000 architect, engineer fee that requires formal proposal	Support
HB1125	Create loan repayment fund for vets and optometrists	Support w/amendment
HB1194	Requires 3-tier K-12 instruction with standard, advanced and basic courses of instruction	Oppose
HB1249	Amendments to teacher loan forgiveness program	Support w/amendment
HB1385	Eligibility for workforce 20/20 training, defines "skill training"	Support
HB1395	Provides a \$700,000 GF appropriation to SBHE for grants to tribally controlled colleges for non-Indian students	Support w/amendment (appropriation To Office Of Indian Affairs)
HB1461	Assigns management of IT for the NDUS to the SBHE	Support
HB1487	Transfers \$3.1 million from the student loan trust fund to a new low-interest student loan fund for loans to ND residents at 2% per year	Support
HB1518	Requires BND to transfer 75% of profits of student loans to trust fund with interest earnings transferred annually to SBHE for distribution on a per student basis to the campuses.	Support
SB2015	OMB appropriation; state employee compensation; COE funding	Support
SB2016	Adjutant General appropriation; including tuition assistance program funding	Support
SB2028	Eliminates Budget Section approval on state forester reserve account	Support
SB2037	Interim IT Committee- changes to IT planning and reporting, including changes to the definition of a large project	Support w/amendment
SB2047	Provides for auto enrollment of employees in deferred comp program of \$25 per month	Oppose: amend to exclude NDUS
SB2160	NDUS foundation donor records exempt from open records	Support
SB2184	Increases required K-12 days to 176 (by 2010); increases compulsory attendance age to 18	Support (if no fiscal impact)
SB2249	Provides \$8.0 and \$2 million GF appropriation to CTE for NDUS workforce curriculum development and supplemental workforce training grants	Support
SB2260	Authority for criminal history records checks	Support
SB2306	\$20 million appropriation from BND profits to SBHE for 1/3 match for endowed scholarships	Support
SB2309	Alignment of K-12 and HE and requiring measurement of student proficiency added to joint boards agenda; increase HS graduation and HE admission requirements	Chancellor w/cabinet to develop position

Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried.

It was moved by Christianson and seconded by Kostelecky to support HB1521 (freezes tuition rates at spring 2007 rates and appropriates \$20 million in general fund) with an amendment based on the best estimate of the impact of a tuition freeze on the NDUS institutions, and, propose an amendment to include the dollar difference between the base funding included in the bill and the \$63 million in base funding needed to support the core functions of the NDUS colleges and universities. Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried.

College and University Briefings

No comments were made.

PUBLIC COMMENT

No comments were made.

ANNOUNCEMENTS

The State Board of Higher Education will meet:

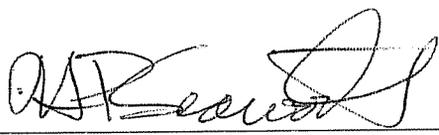
- ♦ February 19, 2007, to interview NDSCS presidential candidates and to select a president
- ♦ February 20, 2007, to interview MaSU presidential candidates and to select a president
- ♦ February 23, 2007, to interview chancellor candidates and to select a chancellor

The next regular meeting of the State Board of Higher Education will be held at Bismarck State College on March 15, 2007.

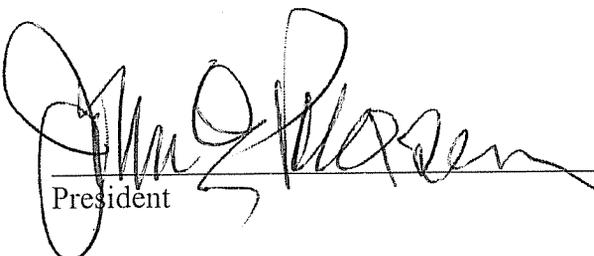
REVIEW OF BOARD MEETING

No comments were made.

It was moved by Kostelecky and seconded by Andrews to adjourn the meeting. Andrews, Christianson, Kostelecky, Rogers, Smith, Clayburgh, and Paulsen voted aye. The motion carried. The meeting adjourned at 3:00 p.m.



Executive Secretary



President

March 15, 2007
Date

December 26, 2006

TO: Mr. Eddie Dunn, NDUS Chancellor

FROM: David Fuller, President, Minot State University

SUBJECT: Revised Mission Statement

I am writing to request that our revised mission statement included below is reviewed by the Chancellor's Cabinet and approved by the State Board of Higher Education at their next meetings.

The revised statement includes more detailed references to our purposes and responsibilities. The current mission statement (*Minot State University advances knowledge, critical and creative thinking, and the vitality of community and cultures*) is succinct, but it does not include formal references to our understood institutional purposes and responsibilities as an institution of higher learning.

We are currently undergoing a self study in preparation for an accreditation visit in April 2008 by the Higher Learning Commission (HLC). The Higher Learning Commission recommends a number of key points to include in an institution's statement of its mission. For instance, HLC recommends clear language showing the institution's support of diversity and freedom of expression. That language and other points are included in our revised mission statement. The key points of our current mission statement are also included in our revised version.

Minot State University has undergone as well a concerted strategic planning process focused on our centennial year of 2013. A new vision statement, a set of core values and core purpose, and a strategic goal have been developed and published. The revision of our mission statement has been completed in concert with the work of our strategic planning efforts.

If you have any questions, please let me know. I look forward to the consideration by the Cabinet and the State Board of Higher Education.

Thank you.

Minot State University

Mission (proposed mission statement)

Minot State University is a regional, public institution located in the northwest region of North Dakota, serving students from Minot, the region, state, nation, and other countries. Undergraduate and graduate courses and programs are offered on campus and at a distance, through face-to-face, online, and alternative modes of delivery. Non-credit and professional training and experiences are offered to students and community members.

Committed to high academic standards and professional support for students, the university is dedicated to student success, engaged and life-long learning, advancement of knowledge, effective student service, and development of students of character. These commitments are grounded in effective and motivated teaching and learning, scholarship, and service. General studies and a variety of programs are offered in the arts and sciences, business, and education and health sciences. A wide range of student support services is provided to on-campus and off-campus students. A partnership with MSU-Bottineau, a two-year college located in Bottineau, ND, offers associate and certificate programs. The university also delivers programs to a variety of off-campus locations such as Bismarck, ND and the Minot Air Force Base.

The university values critical and creative thinking, vitality of communities and cultures, stewardship of place, and the multicultural and global environment. The university honors and supports the dignity and rights of diverse individuals, freedom of expression, academic freedom, ethical and moral behavior, integrity, fairness, and honesty.

Minot State University is first and foremost dedicated to the success of all students: their growth and development as educated citizens, their confidence, and their life-long devotion to the common good and the welfare of others.

Creating a University System for the 21st Century

State Student Incentive Grant Program Study

Prepared for the
State Board of Higher Education

December 2006

**NORTH DAKOTA UNIVERSITY SYSTEM
STATE STUDENT INCENTIVE GRANT PROGRAM**

**Prepared for the
State Board of Higher Education**

Prepared by the
North Dakota University System Staff
December 2006

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North Dakota University System State Student Incentive Grant Program (SSIG or State Grant Program)

Purpose of Report

The fifty-ninth Legislative Assembly of North Dakota urged the State Grant Advisory Board and State Board of Higher Education (SBHE) to study and consider the feasibility of providing an increasing incremental dollar amount of state grant awards to students who demonstrate the most significant financial need, without negatively impacting student eligibility of funding from other financial aid sources.

Background

The State Board of Higher Education is authorized to administer the North Dakota Student Financial Assistance Program, also referred to as the State Student Incentive Grant Program (SSIG), per NDCC Chapter 15-62.2.

Program Intent

The intent of the SSIG Program, a state funded needs-based grant, is to assist students with the cost of attending an eligible public, private non-profit or tribal North Dakota postsecondary institution. State law prohibits the awarding of State Grants to students attending for-profit postsecondary institutions.

Program History

The SSIG Program was implemented in 1973. The federal Higher Education Amendments (HEA) of 1972 created the SSIG program. Under this program, federal matching money was provided to states that established a statewide aid program and agreed to match on a dollar-for-dollar basis all federal funds received. North Dakota received its first federal funds in 1974-75 in the amount of \$69,527. This amount, plus the state's commitment, allowed North Dakota to assist approximately 426 students with a \$250 State Grant, during its first year of operation. Comparatively, for academic year 2005-06, North Dakota received \$80,546 in federal funds. Along with the state funding of over \$3 million, this program assisted over 2,500 students with a \$600 Grant in 2005-06.

Through the years, federal and/or state regulatory changes have led to expansion of the SSIG program. For example, when the program was first implemented it was designed as an "incentive" program to encourage first-time students to begin their education beyond high school. From 1973-1978, North Dakota's SSIG program served only first-time (freshmen) students who met all program requirements (to be described later). Then in 1978, federal regulations changed and states were required to expand their applicant pool to avoid jeopardizing the federal matching dollars. As a result, from 1978-1988, the program served freshmen and sophomore students, and, in 1988, it was expanded to all undergraduate students. The most prevalent factor in determining funding eligibility has always been the financial need of the student and/or their parents.

State Grant Advisory Board

The State Grant Advisory Board, which is designated in state statute and its membership appointed by the SBHE, advises the SBHE on all matters relating to the SSIG Program. This Board acts as a liaison between the SBHE and the participating institutions of postsecondary education.

In accordance with state law, the make-up of the State Grant Advisory Board must consist of three practicing financial aid officers, one chief administrator of a postsecondary educational institution, one chief fiscal officer of a postsecondary educational institution, one full-time counselor, and one student enrolled full time at a postsecondary educational institution. Additionally, all Advisory Board members are to be selected from a North Dakota educational institution and no single institution may provide more than one member.

Application Process

The application used for the SSIG Program is the Free Application for Federal Student Aid (FAFSA) form. The FAFSA form is the application form all students complete to apply for various types of financial aid including the Federal Pell Grant, Federal Supplemental Education Opportunity Grant, Federal College-Work Study Program, Federal Perkins Loan Program, Federal Stafford Loan eligibility. Such information as family income, assets, size of family, age of the older parent, etc., are all reported on the FAFSA form. As part of this process, a federal calculation referred to as the Federal Needs Analysis Methodology (as approved by the U.S. Department of Education) computes an expected family contribution (EFC), which is the amount of money the federal government determines a family unit must contribute towards a student's education.

How Eligibility for North Dakota's State Grant Program is Determined

Currently

Currently, eligibility for the State Grant Program is determined by assigning to each applicant a "student budget," better known as "cost of education." The cost of education for the SSIG Program includes such things as tuition, fees, room, board, books and supplies. At a NDUS institution, tuition and fees account for 40 percent of the total estimated student cost, while room, board, books, supplies, travel and other expenses account for the remaining 60 percent. A higher cost of education has been consistently assigned to the private non-profit colleges because of higher tuition costs. For the 2006-07 academic year, varying State Grant budgets were used (i.e., private non-profit institutions -- \$18,500; NDSU/UND -- \$13,800; four-year institutions -- \$12,100 and two-year institutions -- \$10,400) to arrive at an UNMET NEED figure. UNMET NEED is determined as follows:

Cost of education

- minus** Pell Grant award (a federal grant program)
- minus** Parent contribution (amount determined by a standard formula that uses such factors as taxable and non-taxable income, assets such as savings and the value of a business, and benefits including unemployment and social security)
- minus** Student contribution (amount determined by a standard formula that uses such factors as taxable and non-taxable income, assets such as savings) and veteran benefits (a resource)
- equals** **UNMET NEED**

Students are ranked in descending order according to "unmet need." Grant funds are then awarded to those with the highest "unmet need," continuing down the list until available SSIG funds are exhausted. This rank order process must be followed in order to maintain receipt of federal funding, estimated to be \$172,000 in 2005-07.

In addition to financial need, below is a list of additional state and/or federal "eligibility requirements":

- Must be a citizen or national of the United States or eligible non-citizen and a North Dakota resident.
- Must be a graduate of a high school, or hold the General Equivalency Diploma (GED), and be able to meet all requirements for admission as a full-time student of an eligible institution.
- Use any grant awarded at an eligible (in-state) institution in North Dakota. (Hereafter the term "eligible institution" means an accredited public or private non-profit institution in this state.)
- Enroll as a **full-time** student as defined by the eligible institution maintain full-time enrollment over the period for which a grant is awarded (24 credits or more for the academic year).
- Enroll in a program of at least one academic year as defined by the eligible institution.
- Be a first-time undergraduate student (a non-baccalaureate or graduate-degree-holding status) during the period of the award. (Any freshman through senior student is eligible to apply.) A student may not have attended college for more than 8 semesters or 12 quarters since their high school graduation.
- Not be in default on any Federal Family Education Loan Programs.
- Not owe a refund on any Title IV grants or loans.
- Meet a March 15 top priority consideration deadline date.

Past

According to a document titled, *ND SSIG Program 1973-83 – The First Decade*,

“From 1973 through 1978-79, awardees were ranked by parental contribution (PC), beginning with 0 and ascending to 9999. Within that ranking, awards were made by parental contribution starting at 0 and going up the scale until the number of awards had been exhausted. The use of an absolute index such as the parental contribution to make awards was an overt attempt to assure that all applicants would be considered on the same financial basis with no weight or consideration given to the specific college the student planned to attend. Using this method, a student planning to attend a low-cost college was on equal footing with one who planned to attend a high-cost college. In addition to parental contribution, secondary eligibility factors were used, such as, was the applicant a first time student, did the applicant hold substantial assets or other resources of their own, was the program in which they intended to enroll at least 9 months in duration, would the applicant be enrolled at least full-time, etc.

Beginning in 1979-80, a change in philosophy and procedure occurred that changed the demographic background of awardees. Analysis of several years’ data indicated that using parental contribution ranking method resulted in very low-income students receiving State Grants in addition to a majority of the remainder of their aid awards being comprised of gift aid. “Grant-stacking” was the rule, with awardees receiving predominately gift aid, and little or no self-help aid in the form of jobs and/or loans.

At the other end of the spectrum were a substantial number of so-called “middle income” applicants who exhibited substantial “need,” but who were not eligible for financial aid other than loans. Historically, these applicants were not wealthy, but due to the stringent treatment of income and assets by the Pell Grant formula, they were excluded from consideration from the Federal Pell Grant Program.

In 1979-80, the State Grant Program moved to a modified relative need concept of awards rather than the absolute parental contribution (PC) ranking as had been the case. In addition, the award philosophy was changed to give first consideration to students who exhibited substantial financial need, but who were not eligible for a Pell Grant. Beyond that first category of prime eligibility, awards were made to students who exhibited substantial financial need, and who may have had minimum Pell Grants. Awards were then made until funds were exhausted. Many of the secondary eligibility factors listed earlier were still used as well.

It is important to note that the budget used equates to those used by the universities for their students. The use of this one, standard budget for all students is consistent with the early philosophy and procedure of ranking students by PC only for selection purposes. Throughout the history of the Program, students who wished to attend any of the several types of public and non-profit institutions were eligible to apply, but the type of school they chose was not to be an advantage to them in the selection process.”

Budget Differentiation

Prior to the 1979 legislative session, representatives of the private non-profit colleges in North Dakota determined that the State Grant Program **had not** responded to the needs of students choosing to attend independent colleges. The State Grant funds awarded to students attending private non-profit colleges was a very small share of the total; however, it closely reflected their share of total enrollment. The private non-profit colleges decided that as long as the SSIG

Program failed to take into account the higher tuition of private non-profit colleges, they could not expect to gain a larger share of State Grants. Legislation was proposed in the 1979 legislative session that established a Tuition Equalization Grant (TAG) Program only for students attending Jamestown College and the University of Mary. The TAG Program was authorized and \$200,000 was appropriated for the 1979-81 biennium. It should be noted that students attending the private non-profit colleges could receive a State Grant and a TAG grant at the same time. The unmet need for the TAG Program was tallied for all applicants to yield an aggregate unmet need figure. That figure was divided into the funds available for a given year to further yield a percentage of funds available to meet the unmet need.

Between the 1979-81 and 1985-87 biennia, funding for the TAG Program had grown from \$200,000 to \$500,000.

The State Grant Program and TAG Program were merged in the 1987 legislative session. With the de-funding of the TAG Program, the State Grant Program began to allow a higher budget for students attending private non-profit colleges and universities to reflect the higher tuition paid by private non-profit college students. This practice was consistent with student grant programs in other states. A somewhat lower budget figure was used for all other eligible post-secondary institutions, i.e., public and tribal.

Eligible State Grant Institutions

STATE UNIVERSITIES

Dickinson State University
Mayville State University
Minot State University
North Dakota State University
University of North Dakota
Valley City State University

PRIVATE NON-PROFIT COLLEGES

Jamestown College
MedCenter One College of Nursing
Trinity Bible College
University of Mary

TWO-YEAR COLLEGES

Bismarck State College
Cankdeska Cikana Community College
Fort Berthold Community College
Lake Region State College
Minot State University-Bottineau Campus
North Dakota State College of Science
Sitting Bull College
Turtle Mt. Community College
Williston State College

VOCATIONAL-TECHNICAL SCHOOL

United Tribes Technical College

How Other States Define Unmet Need

According to the U.S. Department of Education (USDOE), each state, generally speaking, does have some flexibility in defining unmet need for their State Grant Program without putting federal matching dollars at risk. The state's formula does have to be approved by USDOE. The USDOE indicated that the majority of states use the Federal Needs Analysis Methodology in calculating unmet need for their needs-based program, using either a family's expected family contribution or a student's overall cost of attendance minus Pell Grant award (if eligible). Provided there is a minimum unmet need of at least \$200, the student is considered eligible for the State Grant Program.

Other Resource Information

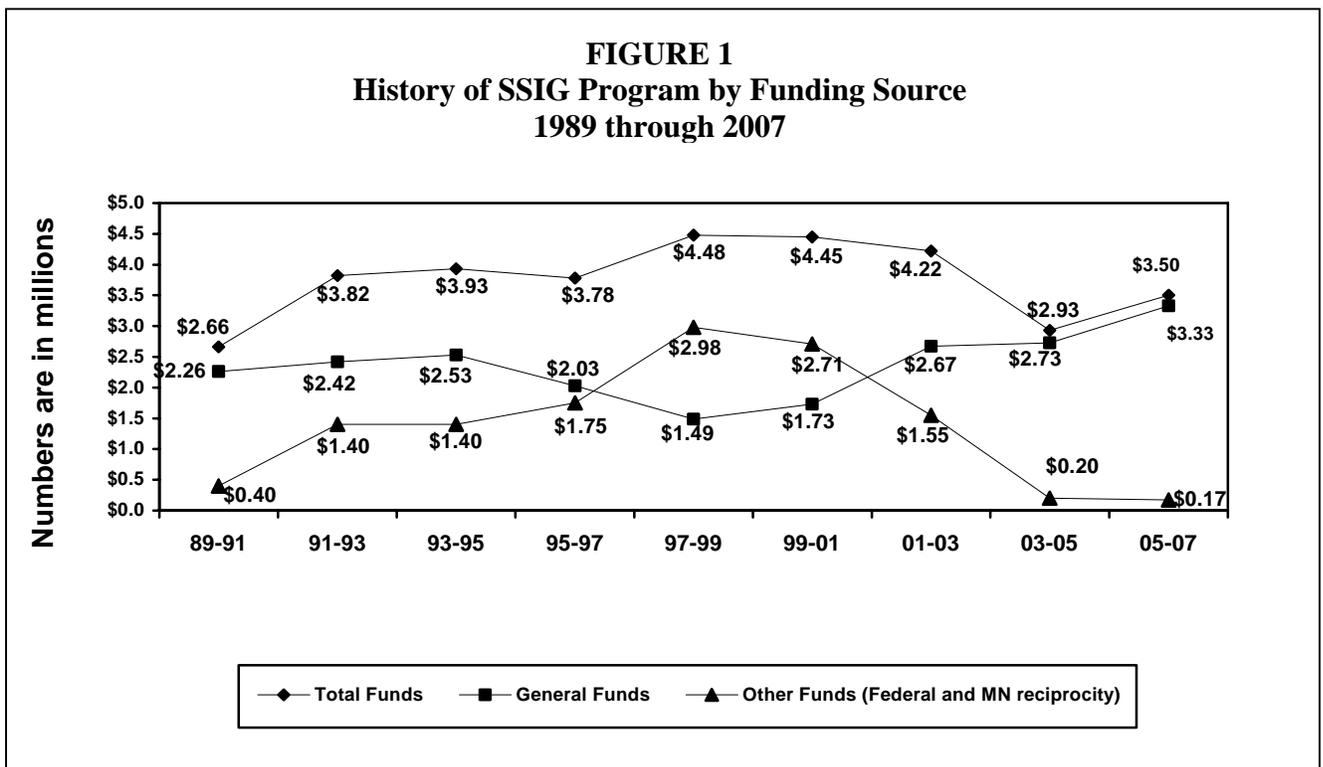
State Grant Award Amount

As set forth in state law, the maximum State Grant award amount cannot exceed \$1,000 per recipient per academic year. Within this limit, the SBHE has the flexibility to set the State Grant award each year. Prior to the 2005 legislative session, the State Grant award amount as defined in legislation had been \$600 for 16 years.

Funding History

State funding for State Student Incentive Grant Program, as a percentage of total state general funds for higher education, decreased from 1 percent in 1989-91 to .86 percent in 2005-07.

Figure 1 provides a history of State Grant funding in total and by specific funding source (i.e., general fund and other funds, which includes federal and Minnesota reciprocity funds).

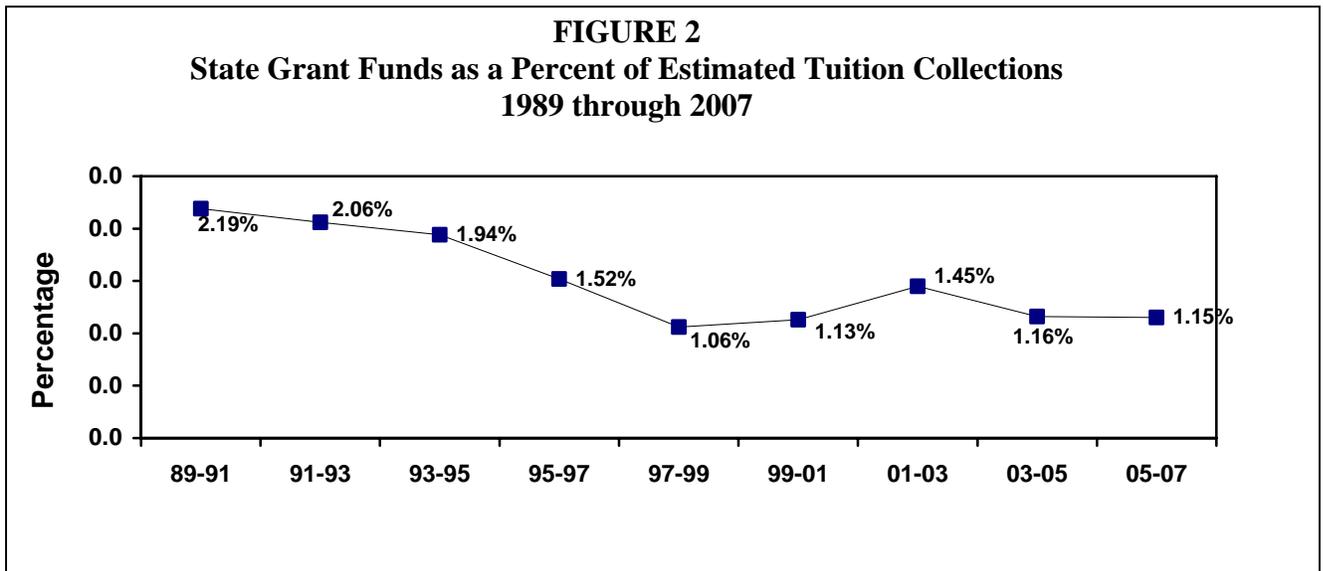


Source: Legislative appropriations 1989-91 through 2005-07

The State Grant Program historically has been funded by a combination of state general funds, Minnesota reciprocity funding and federal funds. Because of reduced and eliminated Minnesota reciprocity funds in recent years, the State Grant Program has been challenged with meeting the federal maintenance-of-effort (MOE) requirement for this program. Under federal law, states are required to meet or exceed the MOE requirement to ensure continued federal funding. The MOE requirement is the average expenditure of non-federal dollars for the past three years. Since 1973, North Dakota was unable to meet its full MOE requirement twice, i.e., 2002-03 and 2004-05 and, as a result, lost some federal funds.

NDCC 15-62.2-02 states, in part, "...The state board of higher education shall: Administer the North Dakota student financial assistance program... and adopt functional rules regarding the eligibility and selection of grant...recipients." The flexibility given to the SBHE under this section ensures that the State Grant Programs definition of unmet need is met for continued federal funding; and, also allows the SBHE to take action during the interim should a federal law change occur relative to meeting a federal definition of unmet need.

Figure 2 shows the State Grant Program funding as a percent of estimated biennial tuition collections. State funding to support the program is currently equivalent to 1.15 percent of estimated annual tuition collections, down from more than 2 percent in 1989-91.

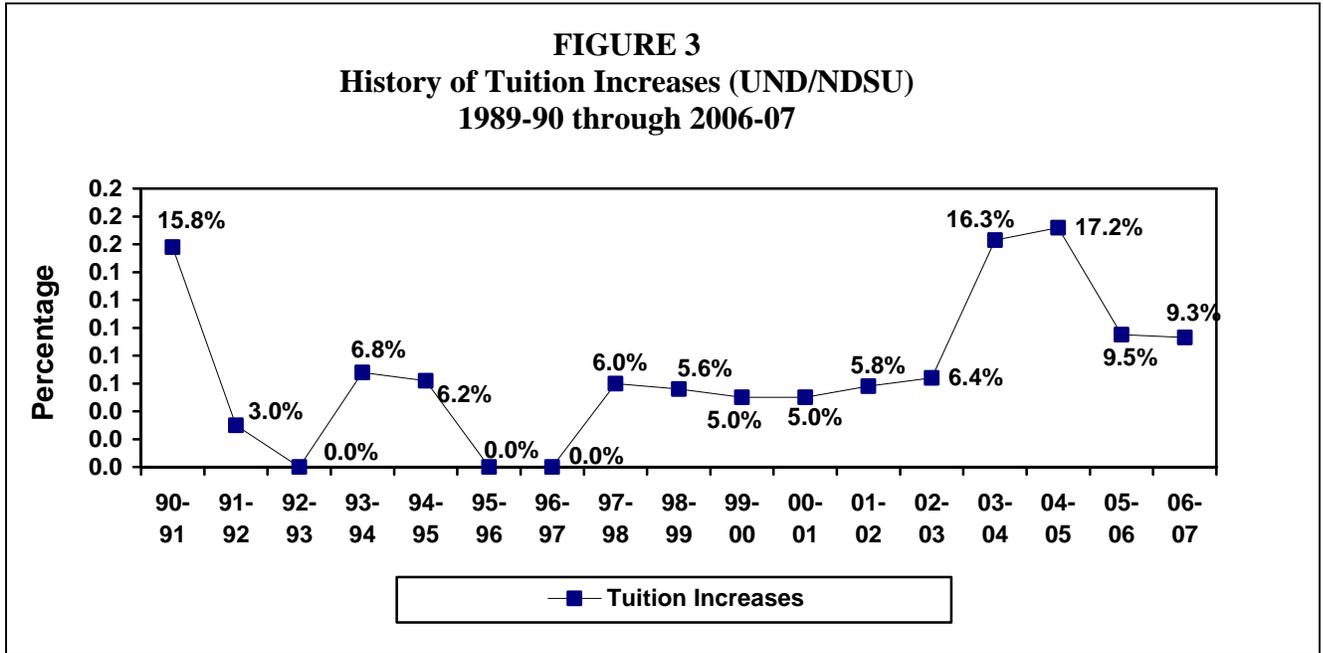


Source: Legislative appropriation 1989-91 through 2005-07 and annual budget summaries 1989-90 through 2005-06. (State Grant funds are based on the original legislative appropriation, however, the actual spending may have varied.)

Since inception of the SSIG Program, there has not been a direct link between tuition increases/collections and funding for the State Grant Program. As a result, over time cost has increased more significantly than grant funding and therefore, SSIG funding as a percent of overall tuition collections has declined.

It should be noted, though, that as a result of State general fund appropriation decreases to the North Dakota University System, students have had to pick up more of the cost of their education through tuition increases and without additional needs-based financial aid, students have more debt, more self-help aid in the form of jobs or loans or they chose not to attend college.

Figure 3 provides information on tuition rate increases for UND and NDSU from 1990-91 to 2006-07.



Note: UND and NDSU charged the same rate through 2001-02. Beginning 2002-03, their rates are different and the average of the two campuses is reflected above.

Source: NDUS Institutional Charges Charts.

Demand

The data in Table 1 suggests that students continue to demonstrate a significant amount of unmet need and are applying for SSIG Program funding in record numbers. In 2005-06, almost 34,000 students applied; 20,638 showed unmet need and of those, only 3,200 students or 15.7 percent received the \$600 annual grants, because of the limited availability of program funding. Students with an unmet need of \$5,603 or less did not receive SSIG funding.

TABLE 1
History of State Grants Awarded

Year	# Applicants	# Applicants Showing Need	# Grants Awarded	% Eligible Students Funded	Ran Out of Funds at Unmet Need Figure of
1998-99	29,545	21,576	3,604	16.7%	\$4,058
1999-00	30,778	21,237	3,711	17.5%	\$4,000
2000-01	31,967	18,294	1,382*	7.6%	\$5,800
2001-02	33,046	20,369	2,379	11.7%	\$5,934
2002-03	35,156	24,492	2,600	10.6%	\$6,076
2003-04	30,255	21,930	2,275	10.4%	\$6,047
2004-05	37,167	19,431	2,700	13.9%	\$6,025
2005-06	33,864	20,638	3,200	15.7%	\$5,603

* The number of awards were cut back drastically for 2000-01, in anticipation of decreasing Minnesota reciprocity and federal funds.

Source: NDUS Office, State Grant stats

There are a significant number of qualified applicants who do not receive any state-funded, needs-based aid because adequate funds are not available; however, students may be eligible for other types of federal needs-based financial aid such as the Pell Grant, Supplemental Educational Opportunity Grant, Perkins Loans, College Work-study and student loans.

Funding Allocation

The following table provides information about 2005-06 SSIG Program recipients and funds disbursed, by institution type, for both dependent/independent students.

TABLE 2
2005-06 North Dakota State Grant Recipients and Funds Disbursed by Institution Type

Type of Institution		Number of Recipients	Funds
Public/Tribal:	2-year	558 (22%)	\$308,041 (21%)
	4-year	1,439 (58%)	\$811,200 (54%)
Private Non-profit:	4-year	489 (20%)	\$373,000 (25%)
Totals		2,486 (100%)	\$1,492,241 (100%)

Source: 2005-06 Federal LEAP and SLEAP Performance Report

The above data shows that 80 percent of the total 2005-06 SSIG Program funding was awarded to students who attend public and tribal post-secondary institutions, and 20 percent was awarded to students who attend private non-profit institutions. Table 3 below suggests that 23 percent of the State Grant funding goes to students whose family's income level is \$40,000 or more.

<p style="text-align: center;">TABLE 3 2005-06 North Dakota State Grant Recipients and Funds Disbursed by Income Level</p>		
Income Level of Recipients	Number of Recipients	Funds
\$0 to \$19,999	963 (39%)	\$552,769 (37%)
\$20,000 to \$39,999	956 (38%)	\$565,472 (38%)
\$40,000 and Over	567 (23%)	\$374,000 (25%)
Totals	2,486 (100%)	\$1,492,241 (100%)

How North Dakota Compares Nationally

The following shows how North Dakota's State Grant Program compares to other states (Source: *2004-2005 Academic Year - 36th Annual Survey Report on State-Sponsored Student Financial Aid, National Association of State Student Grant and Aid Programs (NASSGAP)*).

Total state grant dollars per population (ranking includes Washington, D.C. and Puerto Rico)

- North Dakota
 - Ranks 45 out of 52
 - \$2.85
- National average
 - \$22.46

Based upon 2004-05 NASSGAP data, North Dakota would need an additional \$12.4 million in State Grant funds to reach the national average of \$22.46.

Total state grant dollars per population age 18-24

- North Dakota
 - Ranks 46 out of 52
 - \$23.56
- National average
 - \$228.55

Based upon 2004-05 NASSGAP data, North Dakota would need approximately \$17.5 million in State Grant funds to reach the national average of \$228.55.

Estimated total number of awards per enrollment

- North Dakota
 - Ranks 48 out of 52
 - 7.0%
- National average
 - 29.6%

Based upon 2004-05 NASSGAP data, North Dakota would need to make approximately 12,500 awards to reach the national average of 29.6 percent.

Private Non-Profit College Mandate

HB1003, Section 17, required that, in the 2003-05 biennium, no less than 22 percent of the funds appropriated for the State Grant Program go to students who attend private non-profit institutions in North Dakota, as opposed to the statutory requirement of 20 percent in the 2001-03 biennium.

Attorney General's Opinion

During the 2005 legislative session, SB 2003, Section 26, mandated at least 23 ½ percent of SSIG funds be allocated to students attending private baccalaureate degree-granting institutions in the state. In accord with this legislative mandate, the State Board of Higher Education allocated approximately 26 percent of funds available for grants in the 2005-06 academic year to students at the private institutions. In order to do this in compliance with federal financial aid regulations, it was necessary to increase grants to these students to \$1,000.00 while keeping grants to other students at \$600.00. Grants for the fall 2005 term were distributed accordingly (\$500.00 to students at private institutions and \$300.00 to all other students).

On September 21, 2005, Attorney General Wayne Stenehjem issued an opinion concerning the constitutionality of this requirement again enacted by the 2005 Legislative Assembly. Mr. Stenehjem also provided an October 10, 2005, letter with further guidance. Mr. Stenehjem concluded that if faced with the question, a court would likely decide that language in sections 10 and 11 of the Higher Education appropriations bill, SB 2003, 2005 N.D. Legis., and also in an amendment to subsection 4 of North Dakota Century Code Section 15-62.2-01, in section 26 of the same bill, is unconstitutional. The problematic language requires that “at least twenty three and one-half percent of the funds appropriated for the student financial assistance program must be allocated to students at private baccalaureate degree-granting institutions.”

The Attorney General's opinion required grants be adjusted so they are distributed “evenhandedly” and “without specific regard to whether the student is attending a private institution.” Therefore, grants to students at private institutions for the spring 2006 term were reduced from \$500.00 to \$300.00.

Also, the October 10 letter from Attorney General Stenehjem affirms that the SBHE is permitted to take into account the higher cost of attending private institutions in determining need when grants are allocated in the future. This should ensure that funds allocated to students at private institutions will continue to be a significant percentage of total funds awarded.

The following table shows the breakout of State Grant dollars, by institution-type, for academic years 2005-06 and 2006-07.

TABLE 4
Students Receiving State Grant
Dollars Awarded by Institution Type

	Public Institution	Private Non-Profit 4-year Colleges & Hospital School of Nursing	Native American Community College	Total
2006-07 Academic Year				
# Applying 31,733 (est.)				
# of Students Receiving Awards	3,089	560	110	3,759
\$ Awarded	\$1,848,300	\$335,700	\$66,000	\$2,250,000
% of Total \$ Awarded	82%	15%	3%	100%
% of all Students Attending College	87%	9%	4%	100%
2005-06 Academic Year				
# Applying 33,864				
# of Students Receiving Awards	1,900	507	87	2,494
\$ Awarded	\$1,056,341	\$388,500	\$47,400	\$1,492,241
% of Total \$ Awarded	71%	26%	3%	100%
% of all Students Attending College	86%	9%	5%	100%

Based upon the 33,864 students who applied for a 2005-06 SSIG Grant, the NDUS would need over \$115,600,000 to fully fund the unmet need of all these students.

Total Estimated Student Cost

For 2006-07, tuition and fees account for 40 percent of the total estimated student cost, while room, board, books, supplies, travel and other expenses account for the remaining 60 percent.

The total estimated cost for a student to attend any institution includes tuition and fees, room and board (either on or off campus), books, supplies, travel and other miscellaneous expenses. Changes in estimated total costs for 1998-99 through 2004-05 is provided in Table 5:

TABLE 5				
NDUS Total Estimated Student Costs*				
	UND/NDSU	MiSU	4-year	2-year
1998-99	\$9,200	\$8,000	\$8,000	\$7,500
1999-00	\$9,500	\$8,200	\$8,200	\$7,600
2000-01	\$9,800	\$8,500	\$8,500	\$7,900
2001-02	\$10,200	\$8,800	\$8,700	\$8,100
2002-03	\$10,900	\$9,400	\$9,300	\$8,600
2003-04	\$11,700	\$9,900	\$9,900	\$9,100
2004-05	\$12,700	\$10,600	\$10,700	\$9,800
Change from 2003-04 to 2004-05	\$1,000 +8.5%	\$700 +7.0%	\$800 +8.0%	\$700 +7.7%
Change from 1999-00 to 2004-05	\$3,200 +33.6%	\$2,400 +29.2%	\$2,500 +30.4%	\$2,200 +28.9%
* The total costs include tuition, fees, room and board, and estimated annual costs for books and supplies of \$750 per year, and travel and miscellaneous other expenses of \$2,850 per year, based on the amounts that the campuses use when packaging financial aid.				

Source: NDUS Office Institutional Charges Chart

Net Cost of Attendance

TABLE 6 refers to the average net cost, or “sticker price,” to attend NDUS institutions. Many students receive federal and state needs-based financial aid to assist them in paying these costs.

TABLE 6				
Average Net Costs* of Students Qualifying				
For Federal and State Needs-Based Aid				
(Excludes student loans, institutional scholarships and waivers)				
	UND/NDSU	MiSU	4-year	2-year
1998-99	\$4,600	\$4,300	\$4,300	\$3,800
1999-00	\$5,000	\$4,400	\$4,500	\$3,900
2000-01	\$5,200	\$4,700	\$4,500	\$4,000
2001-02	\$5,400	\$4,700	\$4,600	\$4,100
2002-03	\$5,600	\$4,800	\$5,000	\$4,300
2003-04	\$6,500	\$5,300	\$5,800	\$4,900
2004-05	\$7,500	\$6,000	\$6,400	\$5,500
Change from 2003-04 to 2004-05	\$1,000 +15.4%	\$700 +13.2%	\$600 +10.3%	\$600 +12.2%
Change from 1998-99 to 2004-05	\$2,900 +63.0%	\$1,700 +39.5%	\$2,100 +48.8%	\$1,700 +44.7%
* In TABLE 9, “net cost” is defined as tuition, fees, room, board, books, supplies and miscellaneous other expenses, less needs-based federal and state needs-based financial aid, excluding student loans, institutional scholarships and waivers.				

Source: NDUS Office

Although tuition, fee, and room and board increases will contribute to an increase in the net cost, availability of financial aid also is a factor. For example, students may be pursuing higher-cost programs where the maximum needs-based financial aid is insufficient to cover the total cost. Another factor that contributes to an increase in the net cost for needy students is the decrease in State Grant awards, which is described later in this report. Also, federal grant funding has not kept pace with increases in student costs in recent years.

Other Sources of Financial Aid

In addition to state needs-based financial aid, there are numerous federal needs-based financial aid grant and loan programs students may be eligible for, including: (1) the Federal Pell Grant, (2) the Federal Stafford (subsidized) Loan, (3) the Federal Unsubsidized Stafford Loan, (4) the Federal Parent Loan for Undergraduate Students, (5) the Federal Perkins Loan, (6) the Federal Supplemental Educational Opportunity Grant, and (7) the Federal College Work-Study Program. Eligibility for these programs is based upon such things as family income and assets, family size, number of children in college and the cost of attendance. Generally speaking, many students who receive a SSIG grant also are receiving a Federal Pell Grant. Federal Pell Grants can range from \$400 to \$4,050, depending upon the family's expected family contribution (EFC). The EFC is the amount the federal government, according to a federal formula, says a family unit is responsible for with respect to a student's postsecondary education. A family's EFC is also used to determine how much Pell Grant funding a student's is eligible for. A student, who does not qualify for a SSIG Grant, may qualify for one of the following federal needs-based type of financial aid. Each is briefly described.

Description of Federal Financial Aid Programs

The Federal Pell Grant is a needs-based financial aid grant and is considered the foundation of all federal financial aid programs to which other financial aid may be added. The Federal Supplemental Educational Opportunity Grant, Federal College Work-Study and the Federal Perkins Loan Programs are needs-based financial aid programs referred to as "campus-based programs," which means the institution pays a percentage of the total award provided to the student. These three programs also are called campus-based because they are managed at the campus level. The three campus-based programs supplement the Federal Pell Grant Program.

The Federal Stafford Loan is a needs-based loan available to undergraduate and graduate students. It is a subsidized loan, which means the federal government reimburses the lender for the interest while the student is in college. Students do not begin repaying this loan until six months after they have graduated from college.

The Federal Unsubsidized Stafford Loan is a supplement to the Federal Stafford Loan. If students do not qualify for the maximum Federal Stafford Loan, they can borrow the remaining portion through the Federal Unsubsidized Stafford Loan. This loan is similar to the Federal Stafford Loan; however, the student is responsible for paying interest on the unsubsidized portion of the loan while they are in college.

The Federal Parent Loan for Undergraduate Students is a non-needs-based loan program. A parent may borrow on behalf of their dependent children an amount equal to the difference

between the cost of education and any estimated financial assistance the student may receive. The parent is the borrower and is responsible for re-paying the loan. Repayment generally begins 60 days after the final disbursement of the academic year.

Federal Needs-Based Financial Aid

Federal needs-based aid consists of the Federal Pell Grant and campus-based aid programs, which include Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Perkins Loans and Federal College Work-Study.

Appendix 1 shows that the Federal Pell Grant and campus-based financial aid dollars received by NDUS students from 1999-00 through 2004-05 increased 33.8 percent (from \$7.1 million to \$9.5 million) at the two-year campuses, 31.9 percent (from \$6.9 million to \$9.1 million) at the four - year/regional campuses (including MiSU) and 35.1 percent (from \$16.5 million to \$22.3 million) at the doctoral institutions.

Table 5 shows that NDUS total estimated student costs from 1999-00 through 2004-05 increased 28.9 percent (from \$7,600 to \$9,800) at the two-year campuses, 30.4 percent (from \$8,200 to \$10,700) at four year/regional campuses (including MiSU) and 33.6 percent (\$9,500 to \$12,700) at the doctoral institutions.

Student Loan Indebtedness

Table 7 shows the average grant funding for students who attend NDUS campuses has increased over the past 16 years from 31.9 percent at MaSU, VCSU, DSU, and MiSU to 55.7 percent at the two-year campuses; however, loan borrowing during the same period has increased at a more rapid pace of 208 to 366 percent, respectively.

<p align="center">TABLE 7 History of Loan and Grant/Campus-Based Financial Aid 1989-90 to 2004-05 (Millions of Dollars)</p>								
	89-90	99-00	03-04	04-05	16 year change 89-90 to 04-05	6 year change 99-00 to 04-05		
Doctoral (UND and NDSU)								
Loan	\$19.3	\$56.4	\$86.2	\$89.9	\$70.6	366%	\$33.5	59.4%
Grant	\$16.7	\$16.5	\$23.6	\$22.3	\$5.6	33.5%	\$5.8	35.2%
Four-Year (MiSU, MaSU, VCSU, and DSU)								
Loan	\$7.6	\$16.1	\$21.2	\$23.4	\$15.8	208%	\$7.3	45.3%
Grant	\$6.9	\$6.9	\$9.4	\$9.1	\$2.2	31.9%	\$2.2	31.9%
Two-Year (BSC, NDSCS, LRSC, WSC, and MiSU-BC)								
Loan	\$5.3	\$12.9	\$19.8	\$20.0	\$14.7	277%	\$7.1	55.0%
Grant	\$6.1	\$7.1	\$9.6	\$9.5	\$3.4	55.7%	\$2.4	33.8%
<i>See Appendix 1 and 2 for source details</i>								

A typical UND or NDSU bachelor’s completer in 1989-90 graduated with an average student loan indebtedness of \$8,500 to \$9,500 compared to the same student graduating in 2005-06 with

average indebtedness of \$17,000 to \$22,000. The average monthly payment for loan indebtedness of \$17,000 to \$22,000 would be between \$195 and \$253 per month.

The most recent information from the National Postsecondary Student Aid Study (NPSAS), a nationally representative survey conducted by the U.S. Department of Education's National Center for Education Statistics, shows that in 2003-2004, more than 65 percent of all bachelor's degree recipients graduated with some federal student loan debt. The median amount borrowed at public institutions was \$17,120.

Increasing pressure to provide financial assistance to students is being placed on federal and state policymakers. However, it should be noted that the main reason for increased borrowing by NDUS students is due, in part, to policy changes enacted by the U. S. Congress in the reauthorization of the Higher Education Act of 1992. Some of those changes include: (1) higher maximum loan limits (2) approval of unsubsidized Stafford Loans and (3) changes to the federal needs-analysis calculation used to determine the student's and his or her family's ability to pay for post-secondary education. Prior to 1992, students relied on relatively low tuition costs, grants and personal borrowing to help pay for college. Today, loans are relied upon more heavily.

According to NDUS campus personnel, the following factors may contribute to the rising student loan indebtedness:

- Increasing number of high-cost programs;
- General increases in the cost of education (tuition, fees, room, board, etc.);
- Most middle-income families rely on loans because they don't qualify for needs-based programs;
- Poor pre-planning by families for college savings (little or no savings available); research indicates that only one-third of parents say they expect to be prepared to pay for their child's education. This may be a result of families inability to save at a rate substantial enough to cover the ever rising cost of education.

Institutional Aid/Waivers

In addition to federal and state needs-based aid, other non-needs-based institutional aid is available to students. Funds available for this purpose vary by campus. Institutional aid information, except for waivers, is not consistently reported.

During 2005-06, NDUS campuses provided more than \$22 million in tuition waivers to over 10,000 students. Table 8 shows the total amount of waivers by category for each campus.

TABLE 8
Academic Year 2005-2006 Estimated Tuition Waiver Information

	Board						Statutory/ Board	Statutory			Instit. Total
	Grad Assistant	Staff Waiver	Foreign Student	WICHE	Sr Citizen	Other Cult. Diver.	Misc*	National Guard	Instit. Waiver	POW/MIA Vets Dep Waiver	
BSC # of Students	0	57	5	0	0	35	0	56	10	31	194
Dollars	\$0	\$19,627	\$30,130	\$0	\$0	\$40,242	\$0	\$16,199	\$4,414	\$41,519	\$152,131
DSU # of Students	0	111 ⁽¹⁾	224	0	0	195	0	23	14	13	580
Dollars	\$0	\$176,657	\$932,254	\$0	\$0	\$541,782	\$0	\$11,441	\$16,874	\$24,821	\$1,703,829
LRSC # of Students	0	58 ⁽¹⁾	13	0	1	34	8	12	9 ⁽³⁾	8	143
Dollars	\$0	\$18,898	\$21,720	\$0	\$280	\$27,746	\$5,469	\$4,229	\$16,125	\$12,302	\$106,769
MaSU # of Students	0	88 ⁽¹⁾	25	0	1	20	89	10	0	5	238
Dollars	\$0	\$55,284	\$151,129	\$0	\$275	\$41,800	\$132,608	\$4,984	\$0	\$6,658	\$392,738
MiSU # of Students	0	86	62	0	1	139	526	33	80 ⁽³⁾	24	951
Dollars	\$0	\$69,970	\$182,303	\$0	\$1,874	\$198,766	\$443,744	\$13,804	\$85,303	\$35,875	\$1,031,639
MiSU-BC # of Students	0	5	0	0	0	14	0	6	14	0	39
Dollars	\$0	\$1,931	\$0	\$0	\$0	\$15,879	\$0	\$1,583	\$15,304	\$0	\$34,697
NDSCS # of Students	0	68 ⁽¹⁾	9	0	0	25	234	29	449	5	819
Dollars	\$0	\$43,490	\$53,786	\$0	\$0	\$14,400	\$275,575	\$11,797	\$201,607	\$13,062	\$613,717
NDSU # of Students	1,371	625	127	0	4	307	197	212	1,310 ⁽⁴⁾	48	4,201
Dollars	\$5,506,459	\$814,219	\$730,943	\$0	\$3,361	\$953,591	\$146,568	\$152,989	\$675,134	\$127,536	\$9,110,800
UND # of Students	1,043	337	37	12	7	330	127	188	469	36	2,586
Dollars	\$4,406,768	\$397,939	\$284,447	\$129,918	\$3,902	\$972,908	\$399,856	\$123,787	\$1,717,326	\$91,793	\$8,528,644
VSCU # of Students	0	59 ⁽¹⁾	27	0	0	56	0	14	67	2	225
Dollars	\$0	\$49,398	\$78,920	\$0	\$0	\$82,196	\$0	\$3,635	\$202,833	\$5,827	\$422,809
WSC # of Students	0	33 ⁽¹⁾	18	0	0	16	1	10	18	3	99
Dollars	\$0	\$15,084	\$30,713	\$0	\$0	\$29,498	\$338	\$2,604	\$3,878	\$2,198	\$84,313
Total # of Students	2,414	1,527	547	12	14	1,171	1,182	593	2,440	175	10,075
Dollars	\$9,913,227	\$1,662,497	\$2,496,345	\$129,918	\$9,692	\$2,918,808	\$1,404,158	\$347,052	\$2,938,798	\$361,591	\$22,182,086

⁽¹⁾LRSC, of the 58 students and \$18,898.27 reported, 19 were for employee spouse/dependent waivers for a total of \$11,288.24.
WCS, of the 33 students and \$15,084 reported, 18 were for employee spouse/dependent waivers for a total of \$11,278.94.
NDSCS, of the 68 students and \$43,490 reported, 29 were for employee spouse/dependent waivers for a total of \$25,148.
MaSU, of the 88 students and \$55,284.05 reported, 46 were for employee spouse/dependent waivers for a total of \$38,331.25.
DSU, of the 111 students and \$176,657.34 reported, 69 were for employee spouse/dependent waivers for a total of \$136,716.90.
NDSU, of the 625 students and \$814,219 reported, 347 were for employee spouse/dependent waivers for a total of \$489,525.
VCSU, of the 59 students and \$49,397.53 reported, 31 were for employee spouse/dependent waivers for a total of \$33,242.
MiSU, of the 86 students and \$69,970 reported, 45 were for employee spouse/dependent waivers for a total of \$41,887.21.
⁽²⁾Misc. includes waivers for Board of Higher Ed student member, dependents of firefighters and peace officers, MN reciprocity waiver, room and board waivers at NDSCS, and other institutional waivers.
⁽³⁾ Athletic waivers
⁽⁴⁾Includes waivers on self-supporting classes not funded through state appropriated funds. Included in the institutional waiver is \$161,561 for a study abroad tuition waiver representing 82 students

Comments Received from State Grant Advisory Board Members included:

- The financial aid director from University of Mary suggested modeling the awarding of State Grants after the Federal Pell Grant (on a smaller scale) that would use varying amounts of State Grants based upon the EFC.
- The fiscal affairs officer from Minot State suggested using incremental increases for only the first two years of college where the largest attrition rates seems to occur. Suggested looking at increasing the beginning amount of a State Grant, larger than \$600. Additionally, posed the question: “do we need to focus an incremental approach on the last two years instead of the first two years or do we need to take into account all four years?”
- The high school counselor from Fargo asked advisory board members if the State Grant Program’s attrition rate has a tie to a student’s year in college? The private non-profit college financial aid director indicated that once students get passed their sophomore year, majors are declared and students get set into their program and are less likely to drop out of

college. Based upon this response the high school counselor concluded that increasing the State Grant amount based on a students year in college probably would not be much of an incentive to stay in college and return their second year. The private non-profit university financial aid director agreed. The financial aid director from a research university acknowledged their attrition rate is much higher in the first two years versus a student's junior and senior years. It was stated that unless you are talking about significant dollar amounts, they were not sure it would be much of an incentive. The financial aid director from a four-year campus agreed and added they noticed an increase in attrition as a result of students who failed to let the aid office know they were graduating mid-year.

Options

The State Grant Program, since inception, has struggled with how best to assist financially-needy students. Following are some options for consideration:

1. Determine unmet need for the SSIG program to ensure the AG's opinion outcomes are met, (i.e., SSIG dollars are distributed "evenhandedly" and without specific regard to whether the student is attending a private non-profit institution"):

- a.) Continue to use current model. [cost of attendance minus EFC minus Federal Pell Grant minus veteran's benefits equals unmet need; rank unmet needs high to low until funds are exhausted.] Private non-profit campus students receive a higher "cost of attendance" than do the public or tribal campuses.

PRO/CON:

- In accordance with a recent AG's opinion relative to the distribution of State Grant dollars, this option does ensure the evenhanded distribution of SSIG funds to students without specific regard to whether a student is attending a private non-profit institution or not. However, this model does take into account the tuition variances of each institution type, (i.e., private non-profit, tribal, 2-4 year and doctoral postsecondary institutions).

This option also limits "financial aid grant-stacking". In other words, when unmet need for the SSIG program is determined (based upon current formula), the Federal Pell Grant is subtracted from a student's assigned cost of attendance to arrive at a State Grant unmet need figure, maximizing the use of available federal aid.

- b.) Determine unmet need using a formula that excludes Federal Pell Grant from the cost of attendance (COA) formula, (i.e., COA minus EFC minus veteran's benefits equals unmet need; rank unmet needs high to low until funds are exhausted.)

PRO/CON:

- This option encourages "financial aid grant-stacking". A student with the lowest EFC would receive a Federal Pell Grant and a State Grant both. Thus, the awardee receives predominately gift aid and less self-help aid in the form of work.

- c.) Make awards by parental contribution (PC), beginning with 0 and ascending to 9999 until the dollars have been exhausted. This model was used in early years of the program when funds were very limited.

PRO/CON:

- The use of an absolute index such as the parental/student contribution to make awards was an overt attempt to assure that all applicants would be considered on the same financial basis with no weight or consideration given to the specific college the student planned to attend. Using this method, a student planning to attend a low-cost college was on equal footing with one who planned to attend a high-cost college.

d.) Make awards on an incremental EFC basis, (e.g., 0 to 1000 EFC receive a \$1000 State Grant; 1000-2000 EFC receive a \$800 State Grant; 2000 and above EFC receive a \$600 State Grant until State Grant funds are exhausted.

PRO/CON:

- This option does not take into account all of a student's cost of attendance, such as tuition, fees, room, board, books/supplies, and miscellaneous expenses, at the various types of campuses.

2. SSIG grant amount:

a.) Increase the amount of the grant from \$600 to \$750, or \$800, or \$1000

PRO/CON:

- If the grant is \$600, able to serve more students.
- If the grant is more than \$600, able to serve fewer students than currently.
- If the grant was higher, it may be an added incentive for students to graduate earlier and not assume as much loan debt.
- Larger grant aid reduces student borrowing and debt load at graduation.
- May encourage students who are currently not attending due to ability to pay to attend college.

3. Biennial budget increases for the State Grant program:

a.) Increase the SSIG budget each biennium by the same average percentage rate of projected biennial tuition increases at the public campuses.

PRO/CON:

- The average NDUS tuition increases for the 2005-07 biennium equaled 9.4 percent.
- Increasing the SSIG budget for the 2007-09 biennia by that percentage would require an increase of \$531,000 over the adjusted 2005-07 appropriation. At a \$600 SSIG grant, this would assist an additional 442 students each year of the biennium; whereas, a grant of \$750 would assist an additional 354 students each year of the biennium.

b.) Increase the SSIG budget at the same rate as projected CPI increases.

PRO/CON:

- The estimated CPI increase for each year of the 2007-09 biennia is 2.4 percent.
- Increasing the SSIG for the 2007-09 biennia at the same rate as the CPI increases would require an increase of \$264,000 over the adjusted 2005-07 appropriation. A \$600 SSIG grant, this would assist an additional 220 students each year of the

biennium; whereas, a grant of \$750 would assist an additional 176 students each year of the biennium.

- c.) Increase the SSIG budget so that SSIG funding is equivalent to 5 percent of tuition collections within 6 years and remains at that percentage level thereafter.

PRO/CON:

- The total dollar amount needed each of the next three biennia to increase SSIG funding equivalent to 5 percent of tuition collections within 6 years (and remain at that percentage level thereafter) is \$5,254,853 over the adjusted 2005-07 appropriation. A similar increase would also be required in 2009-11 and 2011-13. A \$750 SSIG grant, would assist an additional 3,503 students each year of the biennium; whereas, a grant of \$1,000 would assist an additional 2,627 students each year of the biennium.

- d.) Increases each biennium to the SSIG budget funded from a combination of dollars generated from tuition increases and tobacco settlement dollars.

PRO/CON:

- The unknown of tying State Grant growth to a soft-money source may jeopardize federal dollars. Not being able to meet the programs three-year maintenance of effort requirement may result in loss of federal funding.

- e.) Increases each biennium to the SSIG budget funded from a combination of dollars generated from tuition increases, tobacco settlement dollars and/or lottery funding.

PRO/CON:

- The unknown of tying State Grant growth to a soft-money source may jeopardize federal dollars. Not being able to meet the programs three-year maintenance of effort requirement may result in loss of federal funding.

- f.) On a phased-in basis over six years, increase SSIG funding to ultimately assist no less than 50 percent of the highest unmet need applicants with a \$600 SSIG grant and remain at that percentage level thereafter.

PRO/CON:

- The total dollar amount needed each of the next three biennia to increase SSIG funding equivalent to no less than 50 percent of the highest unmet need applicants with a \$600 SSIG grant is \$7,200,000. This amount of biennial funding would allow us to assist 6,000 students with a \$600 SSIG grant each year.

Implications/Impacts/Outcomes

As the cost of education continues to rise due to the cost of technology, aging facility maintenance costs, escalating library costs, inflation, unfunded mandates, increasing salaries in order to remain competitive, increasing student living costs, increased book costs, etc., students

are borrowing more. If funding levels for various federal grant and loan programs continue to shift from grants to loans, NDUS enrollments could be impacted in the following ways:

- Students will take longer to graduate since they will likely need to work more while enrolled to help cover these costs.
- As students' ability to pay becomes more difficult due to increasing cost and reduced grant aid, enrollment reductions could occur as students stop or drop out.
- Enrollment shifts from 4-year campuses to 2-year campuses, as students stay home longer to help reduce the cost of their education and attend campuses where tuition costs are lower.
- Higher loan default rates as students graduate with more debt.
- Increased loan indebtedness for students and their families.
- More pressure on campus foundations to fund student aid.
- Changes in occupation/program choices to reduce overall educational costs.
- Students seeking high paying jobs in order to re-pay debt as opposed to lower paying jobs which serve a social role.
- More use of on-line classes to help eliminate room and board costs, thus limiting students exposure to an on-campus academic experience.

Conclusions

- North Dakota's investment in needs-based financial aid is already well behind the national average state investment, threatening affordable access to higher education for North Dakota residents.
- Increasing the amount of a State Grant incrementally, i.e., either as a percent of tuition and/or a targeted increase of total eligible applicants from (currently) 10 percent to 20 percent, would not negatively impact other types of needs-based aid a student may be eligible for. Since a student cannot be overawarded, according to federal regulations, all the financial aid a student is eligible for has to be balanced within the student's award package. If there is unmet financial need, a State Grant can be added without affecting anything else. The closer a student's award package gets to fully meeting financial aid need, any added dollars may mean that something else has to be decreased, usually a student loan. Thus, reducing the amount of money a student needs to borrow for their postsecondary education.

Recommendations

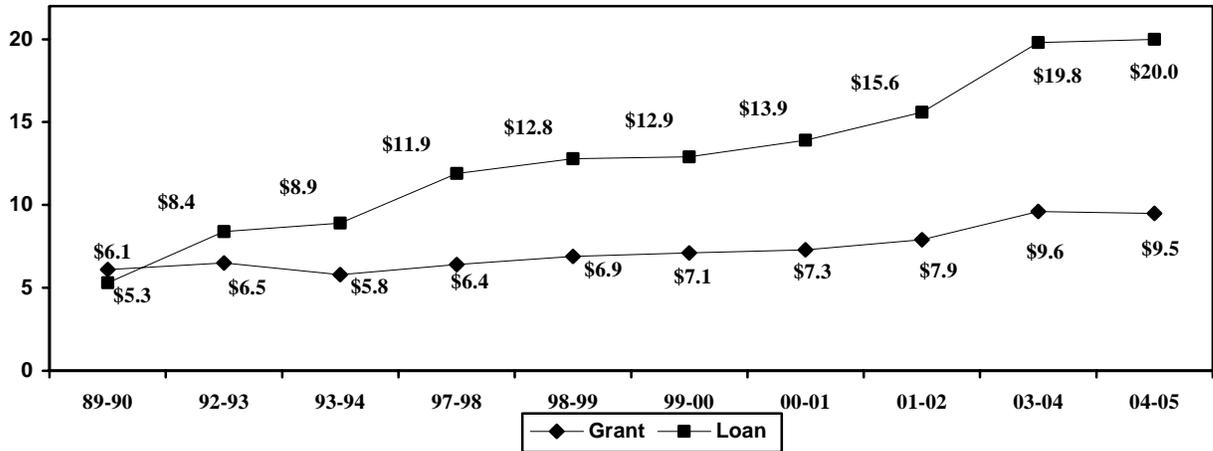
Based on past practice, legislative history, input from Advisory Board members, and with the unanimous support of the NDUS financial aid directors, the following recommendations are made to better serve students:

- Beginning with the 2009-11 biennial budget request, recommend, at a minimum, that State Grant funding increase at the same rate as tuition at the state postsecondary institutions over the past two-years and, further recommend the SBHE continue to make the State Grant Program a high funding priority. If new state funding does not become available, the program would remain funded at its current biennial funding level.
- Maintain the current four-tier formula used to determine unmet need for the State Grant Program, i.e., private non-profit, NDSU/UND, four-year universities, and two-year colleges. However, should the State Grant Program grow significantly, direct staff to explore another option to determine unmet need.
- In the future, with the addition of sufficient new funding, the SBHE consider increasing the grant to more than \$600. The amount of a State Grant has been \$600 for over 16 years.
- Encourage continued legislative carryover authority for this grant program, thus allowing the NDUS System Office a mechanism to assist nearly equal number of needy students each year of the biennium. Also, ensuring the federal MOE requirement is met, continuing receipt of federal dollars.
- Continue to promote low tuition as a form of financial aid, which requires continued strong state general fund base support for the core functions of the North Dakota University System to maximize the number of students who will be able to afford a college education.

NDUS Two-Year Campus Combined Loan*, Grant/Campus-Based Financial Aid Information**

(BSC, LRSC, MiSU-BC, NDSCS and WSC)

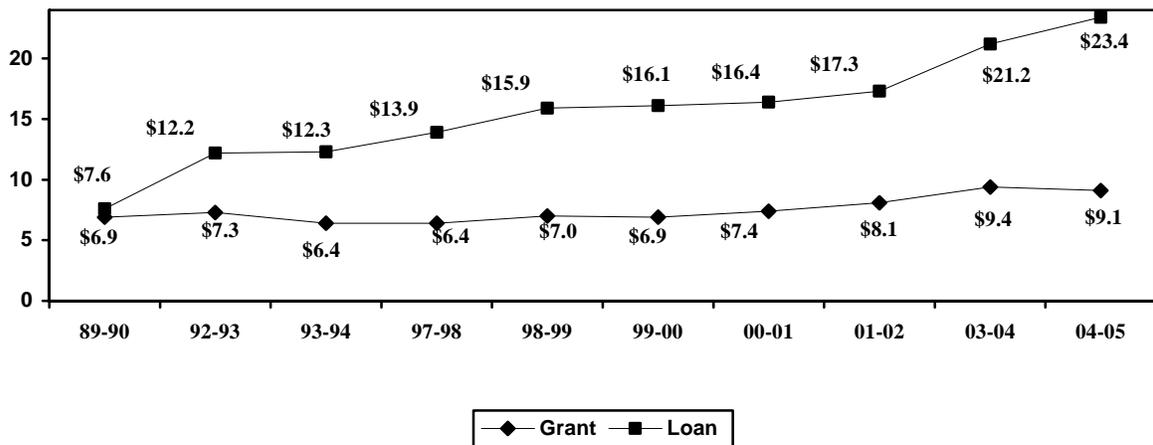
(Millions of Dollars)



NDUS Four-Year/Regional Campus Combined Loan*, Grant/Campus-Based Financial Aid Information**

(DSU, MaSU, MiSU and VCSU)

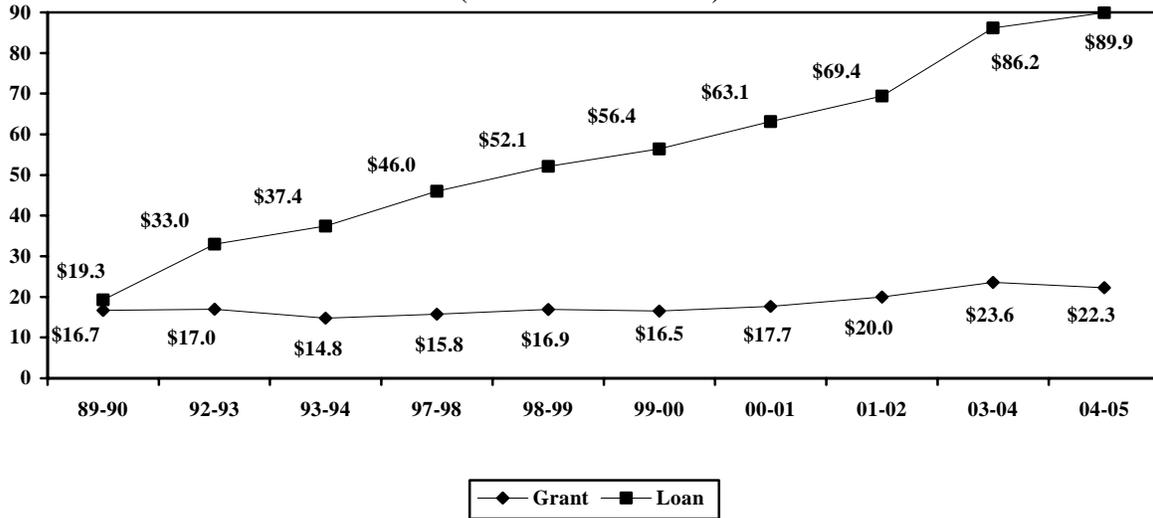
(Millions of Dollars)



NDUS Doctoral Campus Combined Loan*, Grant/Campus-Based** Financial Aid Information

(NDSU and UND)

(Millions of Dollars)



* Federal Stafford (subsidized) Loan, Federal Unsubsidized Stafford Loan, Supplemental Loans for Students, Federal Parent Loan for Undergraduate Students

** Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Perkins Loan, Federal College Work-Study Program

The majority of information used in Appendices 2-3 was gathered from the following sources: (1) a federal campus reporting form entitled, "Fiscal Operations Report and Application to Participate," (2) Student Loans of North Dakota (SLND), and (3) the Education Assistance Corporation (EAC) for academic years 1989-90, 1992-93, 1993-94, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, and 2004-05. SLND and EAC guarantee over 90 percent of all student loan volume for University System students.

NDUS Two-Year Campus Average Student Loan Indebtedness by Year

(BSC, LRSC, MiSU-BC, NDSCS and WSC)

Year	Loan Amount Borrowed	Number of Borrowers by Year	Number of Borrowers/Total Headcount Enrollment	Average Annual Loan
1989-90	\$ 5.3 million	2,821	42%	\$1,878
1992-93	\$ 8.4 million	3,598	55%	\$2,334
1993-94	\$ 8.9 million	4,053	62%	\$2,195
1997-98	\$11.9 million	4,987	72%	\$2,386
1998-99	\$12.8 million	5,386	77%	\$2,376
1999-00	\$12.9 million	5,505	77%	\$2,343
2000-01	\$13.9 million	5,924	82%	\$2,346
2001-02	\$15.6 million	6,626	84%	\$2,354
2002-03	\$17.2 million	7,190	86%	\$2,392
2003-04	\$19.8 million	7,744	87%	\$2,556
2004-05	\$20.0 million 1% increase	6,475 16.4% (decrease)	72%	\$3,089 20.9%
Increase from 1989-90 to 2004-05	\$14.7 million 277%	3,654 130%		\$1,211 64.5%

NDUS Four-Year Campus Average Student Loan Indebtedness by Year

(DSU, MaSU, MiSU and VCSU)

Year	Loan Amount Borrowed	Number of Borrowers by Year	Number of Borrowers/Total Headcount Enrollment	Average Annual Loan
1989-90	\$ 7.6 million	3,897	56%	\$1,950
1992-93	\$12.2 million	4,572	64%	\$2,668
1993-94	\$12.3 million	4,716	63%	\$2,608
1997-98	\$13.9 million	5,100	75%	\$2,725
1998-99	\$15.9 million	5,579	82%	\$2,849
1999-00	\$16.1 million	5,724	82%	\$2,812
2000-01	\$16.4 million	5,877	84%	\$2,790
2001-02	\$17.3 million	6,111	83%	\$2,830
2002-03	\$17.7 million	5,968	77%	\$2,966
2003-04	\$21.2 million	6,803	84%	\$3,116
2004-05	\$23.4 million 10.4% increase	6,130 9.9% (decrease)	74%	\$3,817 22.5%
Increase from 1989-90 to 2004-05	\$15.8 million 208%	2,233 57.3%		\$1,867 95.7%

NDUS Doctoral Campus Average Student Loan Indebtedness by Year
(NDSU and UND)

Year	Loan Amount Borrowed	Number of Borrowers by Year	Number of Borrowers/Total Headcount Enrollment	Average Annual Loan
1989-90	\$19.3 million	8,392	39%	\$2,299
1992-93	\$33.0 million	11,398	53%	\$2,895
1993-94	\$37.4 million	11,495	54%	\$3,253
1997-98	\$46.0 million	13,603	69%	\$3,381
1998-99	\$52.1 million	14,850	75%	\$3,508
1999-00	\$56.4 million	15,707	78%	\$3,590
2000-01	\$63.1 million	18,060	86%	\$3,493
2001-02	\$69.4 million	19,080	86%	\$3,637
2002-03	\$77.1 million	20,275	86%	\$3,803
2003-04	\$86.2 million	20,839	86%	\$4,136
2004-05	\$89.9 million 4.3% increase	19,727 5.3% (decrease)	78%	\$4,557 10.2% increase
Increase from 1989-90 to 2003-04	\$70.6 million 366%	11,335 135%		\$2,258 98%

The majority of information used in Appendices 2-3 was gathered from the following sources: (1) a federal campus reporting form entitled, "Fiscal Operations Report and Application to Participate," (2) Student Loans of North Dakota (SLND), and (3) the Education Assistance Corporation (EAC) for academic years 1989-90, 1992-93, 1993-94, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, and 2004-05. SLND and EAC guarantee over 90 percent of all student loan volume for University System students.



Recommendations to Improve ConnectND

Bonnie Neas
Interim Deputy CIO & CND Executive Director

Randall Thursby
Interim CIO

North Dakota University System
January 18, 2006



- Recommendation #1:
 - Increase investment in human resources
 - 11.5 fte
 - Timeframe: 2007-2008
 - Estimated Cost: \$825,000 (salaries & operating)



- Recommendation #2:
 - Finance upgrade from v8.4 to v8.9
 - Grants & Contracts upgrade included
 - Timeframe: FY08
 - Estimated Cost: \$600,000 -- \$800,000



- Recommendation #3:
 - Student Administration (SA) Data Center technical upgrade
 - Process Scheduler – AppWorx
 - Timeframe: Purchased for installation by June 2007
 - Cost: Application = \$298,000
 - Hardware – replace all existing SA platforms and add to them to increase service functionality. Replace and enhance the Storage Area Networks (SANs (disc storage)). Utilize Microsoft Windows Server operating system on all servers (~70).
 - Timeframe: To be completed by August 2007
 - Estimated Cost: \$1.7M



- Recommendation #4:
 - SA Upgrade from 8.0 to 9.0
 - Estimated Cost: \$1.1M
 - Timeframe: completed by August 2008

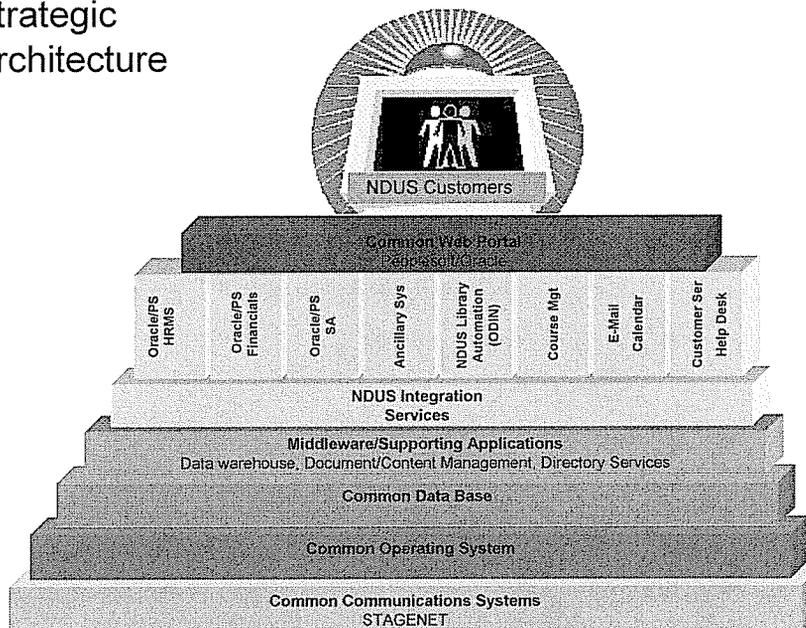


- Recommendation #5:
 - SA Security Risk Assessment
 - Timeframe: To be completed by July 2007
 - Estimated Cost: \$100,000 - \$250,000

CONNECT ND

- Recommendation #6:
 - SA Data Center Disaster Recovery Planning
 - Timeframe: Completed by June 2008
 - Cost: \$150,000 (technical installation)
 - Cost: \$100,000 - \$250,000 (plan development)

Strategic Architecture





- **Recommendation #7**
 - Consider utilizing a consistent tool set for optimal manageability and stabilizing the ConnectND SA Applications
 - Timeframe: 2007-2008
 - Estimated Cost: \$2.0M - \$2.6M



- **Recommendation #8**
 - NDUS Data Warehouse
 - Project planning and initial implementation
 - Timeframe: 2007-2009
 - » Planning – 2007-2008
 - » Implementation – 2008-2009
 - Estimated Cost: \$500,000 -- \$1,000,000



- Recommendation #9:
 - SA Application -- Admissions
 - Customer Relationship Management (CRM) for recruiting
 - Timeframe: 2007-2009
 - Estimated cost: \$500,000



- Recommendation #10:
 - Training/Documentation: User Productivity Kit (UPK)
 - For Finance and SA upgrades
 - Timeframe: 2007-2008
 - Estimated Cost: \$225,000



Q & A

SUMMARY AND RECOMMENDATION MaSU STUDY

Summary

Following a financial review of Mayville State University, in April 2006 Chancellor Potts appointed a work group to develop a plan to address the long-term fiscal stability and viability of that institution. The SBHE included in its budget request approximately \$4 million for West Hall renovation or an alternative project at MaSU. The executive budget included only \$1 million of this request, for "development of a master capital plan and for deferred maintenance projects at Mayville state university as approved by the board."

The MaSU work group recommended using the \$4.0 million for West Hall renovation, if funded, for campus-wide deferred maintenance and energy retrofit projects. They also recommended funding to hire a consultant to assist in development of a comprehensive strategic plan and comprehensive energy and space utilization studies. Based on discussions with MaSU officials, legislative leaders and others, it is apparent that decisions on funding capital projects at MaSU should be guided by a comprehensive campus strategic plan and a facility and energy study. Further, it is important that the facility and space utilization study be available to assist legislators during the 2007 legislative session. Additional background and rationale is included in the attached January 16, 2007 memorandum regarding a Proposed MaSU Study.

Recommendation

I recommend the following motion be adopted by the SBHE:

"The SBHE approves and adopts the recommendations stated in the attached January 16, 2007 Proposed MaSU Study memorandum to provide \$41,653 in one-time funding from the Board contingency fund, with \$30,000 provided by MaSU to complete a facility/energy assessment; and that MaSU is directed to engage a consultant to assist in preparing a comprehensive campus strategic plan with costs paid by MaSU, not to commence before a new president at MaSU is appointed and to be completed no later than the end of 2007."

by no later than April, 2007



Eddie Dunn, Chancellor

Date of Meeting: January 18, 2007

NORTH DAKOTA UNIVERSITY SYSTEM

The Vital Link to a Brighter Future

TO: Members, SBHE

FROM: Eddie Dunn, Chancellor 

DATE: January 17, 2007 Memo #M-07-03

RE: Proposed Mayville State University (MaSU) Study

On June 15, 2006 the SBHE approved a rank ordered list of major capital project requests for state funding in the 2007-09 budget. The number two (out of ten) ranked project was \$3.957 million for West Hall renovation or an alternative project at MaSU. At the June 30, 2006 meeting, the SBHE approved a series of recommendations made by the MaSU Chancellor Work Group including the following recommendation: *“Board support MaSU using the \$4 million capital project priority for West Hall renovation, if funded, for campus-wide deferred maintenance and energy retrofit projects that will reduce energy consumption. In addition, we recommend that the Board be diligent in its efforts to obtain sizeable deferred maintenance funding in the 2007-09 Legislative Session.”* MaSU currently has almost \$11 million in outstanding deferred maintenance, the fourth highest amount in the NDUS, behind UND, NDSU and MiSU.

Furthermore, in the same report, the Work Group made the following recommendations, which were approved by the SBHE as part of the overall report approval:

- Board provide initiative funds or other funding to hire an external consultant to prepare (in cooperation with the MaSU cabinet) a comprehensive strategic plan for MaSU to refine mission, focus, and expectations.
- Consideration should be given for special legislative funding to offset unanticipated and uniquely higher energy costs at MaSU and for a comprehensive energy study and space utilization study. The study should provide solutions to mitigate the effects of rising fuel costs and MaSU’s dependence on fuel oil and provide assurance that campus facility utilization is maximized.

The 2007-09 Executive Budget recommendation includes \$1.0 million in one-time funding in capital assets in the NDUS Office appropriation with corresponding legislative intent which states: *“The sum of \$1,000,000, or so much of the sum as may be necessary, included in the capital assets line item in subdivision 1 of section 3 of this Act, may be used for the development of a master capital plan and for deferred maintenance projects at Mayville state university as approved by the board.”* The Executive Budget does not include separate or additional funding of \$3.957 million for West Hall or an alternative project as requested by the SBHE.

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E-mail: NDUS.office@ndus.nodak.edu • Web: www.ndus.nodak.edu

MaSU has submitted two study proposals to the NDUS Office consistent with the work group recommendations and is seeking funding assistance from the SBHE. The first would be to engage an external consultant to assist with a comprehensive strategic planning process. The three strategic planning proposals range in cost from \$25,000 to \$61,000. The second study proposal is for a comprehensive energy/facility assessment at a cost of \$71,653.

Based on previous SBHE action and significant discussion with MaSU administrators, the MaSU legislative delegation and OMB, it is clear that a more in-depth review of facility and energy needs is required to be able to determine the best and highest priority use of a nearly \$4.0 million investment at MaSU. This study will need to be completed in short-order, so it can be utilized by lawmakers as they consider the budget. Although completing the comprehensive strategic plan first, followed by the campus facility/energy study, would be most appropriate, the limited time available before the end of the legislative session does not provide sufficient time to undertake a thorough and meaningful strategic planning process first.

Based on SBHE actions already taken, input from various constituents and the current legislative process, I am recommending the following:

- The SBHE provide \$41,653 in one-time funding from the SBHE Contingency Fund, with the remaining \$30,000 provided by MaSU to complete the campus facility/energy assessment by no later than March 15, 2007. The MaSU funding for the balance of the study cost could come from the retirement funds returned to MaSU following the departure of the former President, due to vesting provisions.
- The SBHE direct MaSU to engage a consultant to assist in preparing a comprehensive campus strategic plan with costs to be paid by MaSU. This process would not commence before a new president at MaSU is appointed and would be completed by no later than the end of the 2007 calendar year. This will allow additional time and opportunity for MaSU to identify funding for this study as well.

During 2006, the SBHE allocated funds to MaSU to hire a CPA firm to assist with the cash reconciliation process, with a final cost of \$9,853, and up to \$60,000 to assist MaSU with the presidential search costs. The current uncommitted balance in the SBHE Contingency and Capital Improvement Emergency Fund is \$249,532 and in the SBHE Initiative Fund the uncommitted balance is \$26,174. In addition, the SBHE has an unallocated remaining balance of \$116,978 in the operations pool during 05-07.

