

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

HIGHER EDUCATION COMMITTEE

Tuesday, October 16, 2001
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Dave Nething, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Dave Nething, Linda Christenson, Tim Flakoll, Elroy N. Lindaas, Ken Solberg, Rich Wardner; Representatives Rachael Disrud, Michael Grosz, Roxanne Jensen, Nancy Johnson, Myron Koppang, Bob Martinson, Ralph Metcalf, Janet Wentz, Lonny Winrich

Members absent: Senators Tony Grindberg, Ray Holmberg, Ed Kringstad; Representatives Ole Aarsvold, Eliot Glassheim, Pam Gulleason, Bill Pietsch

Others present: See attached appendix

It was moved by Senator Lindaas, seconded by Senator Wardner, and carried on a voice vote that the minutes of the July 18 and September 10-11, 2001, meetings be approved as distributed.

HIGHER EDUCATION PERFORMANCE AND ACCOUNTABILITY MEASURES STUDY

Chairman Nething recognized Mr. Chuck Stroup, President, State Board of Higher Education, who commented on the University System's progress toward establishing a long-term financing plan and resource allocation model. Mr. Stroup said the State Board of Higher Education has established beliefs and principles for the development of the long-term financing plan and resource allocation model based on the recommendations of the 1999-2000 interim Higher Education Roundtable and related legislation of the 2001 Legislative Assembly. He said the State Board of Higher Education approved the long-term financing plan and resource allocation model on first reading on October 8, 2001, and will consider approval on final reading in November 2001.

Mr. Larry Isaak, Chancellor, North Dakota University System, presented a review of the history of the development of a University System long-term financing plan and resource allocation model. A copy of the information is on file in the Legislative Council office.

Mr. Isaak said during the late 1970s and early 1980s, funding for higher education was based on a formula funding model developed in part as a result of a legislative interim study. He said the formulas were largely enrollment- and size-driven with internal

University System institution comparisons. During the late 1980s and 1990s, the formula funding model was abandoned due largely in part to declining state revenues and was replaced with an incremental budgeting and appropriation process. He said 1999 House Bill No. 1003 directed a study of higher education funding to be conducted during the 1999-2000 interim by the Higher Education Committee. A Higher Education Roundtable was formed consisting of 21 members of the Higher Education Committee and 40 representatives of the State Board of Higher Education, business and industry, higher education institutions, and the executive branch. The Higher Education Roundtable made recommendations in several areas, including a recommendation that the State Board of Higher Education and the chancellor develop and recommend to the Legislative Assembly a financing plan to address the gap between current funding levels and resources needed to implement the recommendations of the Higher Education Roundtable, a resource allocation model, and mechanisms to demonstrate both performance and fiscal accountability.

Mr. Isaak said the State Board of Higher Education goals of the long-term financing plan and resource allocation model are to:

1. Reflect institution missions and programs.
2. Provide institutions spending flexibility.
3. Recognize state goals.
4. Address and remove equity differentials in funding among institutions.
5. Shift funding equity comparisons from internal University System institutions to external peers.
6. Guarantee current base funding for every institution.
7. Provide parity or inflationary adjustments to all institutions.
8. Encourage access for students, other clients, and lifelong learners.
9. Encourage entrepreneurial behavior by allowing institutions to retain tuition and not penalizing institutions for raising additional funds.
10. Target funding for repair and replacement of capital assets.

Mr. Dennis Jones, President, National Center for Higher Education Management Systems, Boulder,

Colorado, presented information on the long-term financing plan strategy and components and the National Center for Higher Education Management Systems' involvement with the State Board of Higher Education in the development of the long-term financing plan. A copy of the information is on file in the Legislative Council office.

Mr. Jones said the University System requested the assistance of the National Center for Higher Education Management Systems in developing a long-term financing strategy for the system and its 11 institutions. He said the 1999-2000 Higher Education Roundtable recommended a long-term financing plan be comprised of:

1. A **base funding component** that is based on external benchmarks, simple to understand, adequate and reasonably stable, and consistent with the academic mission of an institution.
2. An **incentive or performance component** to promote achievement of Higher Education Roundtable and state priorities.
3. An **asset funding component** to provide for regular investment in the renewal and replacement of equipment and physical plant assets.

Mr. Jones said to be consistent with the recommendations of the 1999-2000 Higher Education Roundtable, the long-term financing plan developed for the State Board of Higher Education consists of the following components:

1. A **base operating budget** for each institution that includes parity and equity funding.
2. **Capital asset funding** for each institution.
3. **Special initiative funding** for the State Board of Higher Education to support the recommendations of the 1999-2000 Higher Education Roundtable.

Mr. Jones reviewed the following recommendations made to the State Board of Higher Education regarding the base operating budget component of the long-term financing plan:

1. Each higher education institution should receive base operating funding that is adjusted each biennium to address inflation and is not decreased until the institution's funding level exceeds 105 percent of its benchmark.
2. Base operating fund benchmarks should be established for each institution on a per FTE student basis by analyzing peer comparator institutions' unrestricted state appropriation and net tuition revenue. Net tuition revenue is total tuition revenue less scholarships, waivers, and discounts. Revenues from the federal government should be excluded due to its restricted nature, and revenues from other sources such as donations and gifts

should be excluded in order to foster entrepreneurial behavior.

3. The base operating fund benchmarks should be established using the most current data available and reestablished every six years. In the intervening years, the base operating fund benchmarks should be inflated by a percentage amount equivalent to the consumer price index.
4. The base operating fund benchmarks per FTE student should be established as follows:

North Dakota State University, excluding agriculture extension and experiment	\$10,500
University of North Dakota, including the School of Medicine and Health Sciences	\$13,250
Dickinson State University	\$7,500
Mayville State University	\$9,000
Minot State University	\$8,500
Valley City State University	\$9,000
Bismarck State College	\$7,750
Minot State University - Bottineau	\$9,000
State College of Science	\$8,500
Lake Region State College	\$9,250
Williston State College	\$7,500

5. The higher education institutions should have discretion in establishing tuition rates and discounting policies.
6. The funding of institutions should reflect a shared responsibility among the state through appropriations, the students through tuition revenues, and the institutions through entrepreneurial revenues and efficiencies. The targets for funding should be established as follows:

Tiers	State Funding Responsibility	Student Funding Responsibility
University of North Dakota and North Dakota State University	60%	40%
Minot State University	65%	35%
Mayville State University, Valley City State University, and Dickinson State University	70%	30%
Bismarck State College, Minot State University - Bottineau, State College of Science, Lake Region State College, and Williston State College	75%	25%

7. Higher education institutions should be funded at 85 percent of their benchmarks in six years and 95 percent of their benchmarks in 12 years.

Mr. Jones said regarding the capital financing component of the long-term financing plan, the

current replacement value of the University System's buildings and infrastructure excluding auxiliary services is approximately \$932 million, and there is a University System accumulated deferred maintenance backlog of approximately \$114 million. He said the University System received funding of \$9.6 million for the 2001-03 biennium for deferred maintenance, which is approximately 0.5 percent of the University System's capital asset replacement value.

Mr. Jones reviewed the following recommendations made to the State Board of Higher Education regarding the capital financing component of the long-term financing plan:

1. An amount equal to one-half of 1 percent of an institution's total capital asset replacement value be added to the base budget for each of the institutions annually in the 2003-05 biennium and each biennium thereafter until the annual funding reaches 2 percent of the total capital asset replacement value.
2. Institutions be required to demonstrate that they have expended funds appropriated for capital financing on renewal and renovation projects or that funds are being held in escrow to fund a large renewal and renovation project.
3. Once institutions receive annual funding equal to 2 percent of their total capital asset replacement value, the state cease allocating additional renewal and replacement funding to institutions except for the purpose of diminishing the deferred maintenance backlog.
4. New renewal and replacement funds not be added to an institution's annual funding when new facilities are built if the institution is at its benchmark target.
5. Funds allocated for the purpose of removing the deferred maintenance backlog continue to be separate from an institution's annual renewal and replacement funding of 2 percent of the total capital asset replacement value.

Mr. Jones said regarding the special initiative funding component of the long-term financing plan, the University System received funding of \$1.4 million from the general fund for the 2001-03 biennium for State Board of Higher Education priorities. This is approximately 0.3 percent of the University System's total unrestricted revenues and approximately 0.5 percent of the University System's total general fund appropriation. He recommended to the State Board of Higher Education that the amount be increased to either 1 percent of the University System's total unrestricted revenues of \$2.4 million annually or \$4.8 million for a biennium or 2 percent of the University System's total general fund appropriation of \$2.7 million annually or \$5.4 million for a biennium.

Mr. Jones said depending on the share of the funding responsibility selected and not considering inflationary adjustments, the state would have to increase funding by approximately \$91.4 million to \$112.8 million per biennium to achieve funding at a level of 85 percent of the established benchmark levels or increase funding by approximately \$133 million to \$158.6 million per biennium to achieve funding at a level of 95 percent of the established benchmark levels.

In response to a question from Representative Wentz regarding whether the recommended long-term financing plan favors large institutions, Mr. Jones said funding for institutions is equalized by comparing each of the institutions with a set of peer comparator institutions. He said the proposed state funding percentage differs for large and small institutions. He said large institutions have a smaller percentage of state funds due to the ability of large institutions to attract other sources of funds.

In response to a question from Senator Nething regarding base funding targets, Mr. Jones said his recommendation to the State Board of Higher Education is to fund institutions at 85 percent of the benchmarks in six years and 95 percent of the benchmarks in 12 years.

Mr. Stroup and Mr. Isaak presented information on the State Board of Higher Education's recommendations on a long-term financing plan and resource allocation model. A copy of the information is on file in the Legislative Council office.

Mr. Stroup said the State Board of Higher Education on October 8, 2001, reviewed Mr. Jones's recommendations and adopted the following beliefs and principles to serve as the foundation of the long-term financing plan and resource allocation model:

1. Higher education funding should be a shared responsibility of the state, students, and institutions.
2. Institutions should be encouraged to generate additional revenues.
3. Institutions should be encouraged to diversify revenue sources.
4. Institutions and faculty and staff should be rewarded and recognized for behavior consistent with the principles of the 1999-2000 Higher Education Roundtable.
5. Institutions should be given the flexibility to set tuition rates, and the State Board of Higher Education should be accountable for maintaining affordability for North Dakota citizens.
6. Institutions should retain their current level of state general fund appropriation as base operating funds, and biennial adjustments should be made to address parity or inflationary increases.
7. Equity differentials, calculated by comparisons with peer comparator institutions,

should be addressed in the biennial appropriation process.

8. The State Board of Higher Education should receive a specific appropriation to support statewide priorities and to reward collaboration between institutions.
9. Institutions should be held accountable for the outcomes of the goals and objectives in their strategic plans.
10. The unique missions of institutions should be recognized in establishing an institution's base funding and adequate funding should be provided to maintain an institution's capacity to deliver its mission.
11. Institutions should be given the flexibility to allocate resources.
12. The State Board of Higher Education should request separate funding for the maintenance and replacement of University System facilities and infrastructure.

Mr. Isaak reviewed the following steps in development of the long-term financing plan and resource allocation model:

1. 1999 House Bill No. 1003 directed a study of higher education funding.
2. A University System committee was created to develop a new funding model.
3. The 1999-2000 Higher Education Roundtable recommended development of a long-term financing plan and resource allocation model.
4. The 2001 Legislative Assembly passed Senate Bill No. 2003 authorizing budget requests and appropriations for the University System to include a base funding component, an incentive funding component, and an asset funding component and the carryover of unspent appropriation authority and identifying accountability measures to be reported on.
5. The State Board of Higher Education established criteria for selecting comparable peer institutions.
6. A consultant identified an initial list of peer institutions.
7. The initial list of peer institutions was repeatedly reviewed with campuses, and changes were made accordingly.
8. The State Board of Higher Education defined goals of the long-term financing plan and resource allocation model.
9. The State Board of Higher Education established policies to be applied to the long-term financing plan and resource allocation model.
10. The State Board of Higher Education adopted on first reading the long-term financing plan and resource allocation model.

Mr. Isaak said the State Board of Higher Education recommends a long-term financing plan composed of

base operating funding, capital asset funding, and special initiative funding components.

Mr. Isaak reviewed the following recommendations of the State Board of Higher Education relating to the base operating funding component of the long-term financing plan and resource allocation model:

1. Operating fund benchmarks be established on a per FTE student basis for determining budget requests and legislative appropriations for each institution by evaluating the most recently available national integrated postsecondary education data systems (IPEDS) data on state appropriations and net tuition revenues for peer comparator institutions. The operating fund benchmarks be reestablished every six years, and in the intervening years, the benchmarks be inflated by a percentage amount equivalent to the changes in the national consumer price index. The operating benchmarks per FTE student recommended by the State Board of Higher Education are:

North Dakota State University, excluding agriculture extension and experiment	\$10,500
University of North Dakota, including the School of Medicine and Health Sciences	\$13,250
Dickinson State University	\$7,500
Mayville State University	\$9,000
Minot State University	\$8,500
Valley City State University	\$9,000
Bismarck State College	\$7,750
Minot State University - Bottineau	\$9,000
State College of Science	\$8,500
Lake Region State College	\$9,250
Williston State College	\$7,500

NOTE: The operating benchmarks recommended by the State Board of Higher Education are the same as the benchmarks recommended by the National Center for Higher Education Management Systems.

2. Higher education funding be reflective of a shared responsibility among stakeholders. The State Board of Higher Education's recommended shared funding responsibility is:

Tiers	State Funding Responsibility	Student Funding Responsibility
University of North Dakota and North Dakota State University	60%	40%
Minot State University	65%	35%
Mayville State University, Valley City State University, and Dickinson State University	70%	30%
Bismarck State College,	75%	25%

Minot State University - Bottineau, State College of Science, Lake Region State College, and Williston State College		
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NOTE: The shared funding responsibility percentages are the same as those recommended by the National Center for Higher Education Management Systems.

3. Budget requests and legislative appropriations be developed to fund institutions at 85 percent of the benchmarks in six years and 95 percent of the benchmarks in 12 years.
4. The higher education budget requests and legislative appropriations be based on the following:
 - a. Base funding continues to be provided to all 11 institutions and includes operating fund increases to address parity.
 - b. General fund appropriations not be reallocated between institutions.
 - c. A portion of increased state general fund appropriations be allocated to parity and equity with no more than 80 percent of all new funding allocated to parity and no less than 20 percent of new funds allocated to equity.
 - d. Equity funds be distributed on a weighted average of each institution's gap differential to its peer comparator institutions.
 - e. State general fund appropriations not be reduced for any institution from the previous biennium until such time that the institution exceeds 105 percent of its peer benchmark or enrollment declines are sufficient to cause a reevaluation of its benchmark.
5. The State Board of Higher Education continue to approve the base tuition rate at each institution and allow institutions to establish additional tuition rate charges and discounting policies.

Mr. Isaak reviewed the following recommendations of the State Board of Higher Education relating to the capital financing component of the long-term financing plan and resource allocation model.

1. Develop a renewal and replacement funding model to achieve funding equal to 2 percent of total capital asset replacement value within 10 to 16 years.
2. Institutions be required to demonstrate they have expended funds on renewal and renovation projects or they have placed funds in escrow for large renewal and renovation projects.
3. At the time renewal and replacement funding is 2 percent of total capital asset replacement value, institutions cease requesting additional renewal and replacement funding, except for

funds used to address the deferred maintenance backlog.

4. No additional renewal and replacement funds be provided to an institution for costs associated with new capital assets if the institution is already at the renewal and replacement benchmark.

Mr. Isaak said the State Board of Higher Education's recommendation on the state priority funding component of the long-term financing plan and resource allocation model is for an appropriation equivalent to 2 percent of the total University System state general fund appropriation to be phased in over six years.

In response to a question from Senator Nething regarding higher education tuition rates, Mr. Isaak said in June 2001 the State Board of Higher Education adopted a tuition waiver policy that allows institution presidents to establish tuition discounting policies. He said there are no limitations placed upon the presidents in regard to the establishment of discounting policies; however, discussions have taken place with presidents regarding the misuse of tuition discounting policies.

In response to a question from Senator Nething regarding the potential base funding increase to be requested for the 2003-05 biennium, Mr. Isaak said the potential base funding increase would be approximately \$33.6 million, assuming an inflationary increase of 5 percent and no additional funding for capital financing or special initiatives.

In response to a question from Senator Solberg regarding the carryover of general fund appropriations, Mr. Isaak said the general fund carryover authority will allow institutions to plan for events in the future.

In response to a question from Representative Koppang regarding peer comparator institutions, Mr. Jones said the search for peer comparator institutions started on a national level, but due to institution size some institutions have peer comparator institutions on a more regional level.

In response to a question from Senator Nething regarding funding available for institutions that fall short of revenue, Mr. Isaak said the State Board of Higher Education is appropriated a small amount of contingency funds and the State Board of Higher Education may decide to allocate funds from its special incentive funding.

Senator Nething said higher education institutions should be aware that higher education's percentage of total general fund appropriations is unlikely to exceed the current level, and any revenue shortfalls experienced by institutions will have to be overcome through institutional initiatives.

Mr. Eddie Dunn, Vice Chancellor for Strategic Planning and Executive Director of the College Technical Education Council, North Dakota University System, presented information on the State Board of

Higher Education's action plan for the development of a long-term enrollment management plan. A copy of the action plan is on file in the Legislative Council office.

Mr. Dunn said the State Board of Higher Education on September 27, 2001, approved an action plan regarding the development and implementation of a long-term enrollment and service plan for the University System. He said the State Board of Higher Education expects the plan to:

1. Identify population trends, high school graduation levels, and other demographic and economic trends occurring in the state and in surrounding states from which most out-of-state students are drawn.
2. Address the need to expand the working age population of North Dakota through high-value jobs and attractive living and working environment.
3. Respond to the rapid changes taking place regarding the needs and expectations of students and other clients to be served.
4. Be designed to serve all of North Dakota.

Mr. Dunn said in order to develop the long-term enrollment service plan, the University System will obtain and analyze information aimed at determining access to higher education and the extent to which all areas and citizens are being served. He said the plan should be approved by the State Board of Higher Education and presented to the committee in October 2002 and will be made available to the 2003 Legislative Assembly.

Dr. Michael Hillman, Vice Chancellor for Academic Affairs, North Dakota University System, presented information on fall 2001 enrollments. A copy of the information is on file in the Legislative Council office.

Dr. Hillman said the total University System head-count enrollment for fall 2001 is 37,596, an increase of 2,503 from the fall 2000 enrollment. He said the total University System full-time equivalency enrollment for fall 2001 is 31,233, an increase of 1,988 from the previous year. He said the enrollment numbers

reported are under the State Board of Higher Education's new enrollment reporting policy that all degree credit enrollments are reported. He said it is estimated that no more than 1,300 of the additional head-count enrollments for fall 2001 are a result of the policy change. He said a detailed enrollment report will be published later in the year.

The committee recessed for lunch at 12:07 p.m. and reconvened at 1:00 p.m.

Dr. Hillman and Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, presented information on the status of the development of the information to be included in the performance and accountability measures report required by 2001 Senate Bill No. 2041. A copy of the information is on file in the Legislative Council office.

Dr. Hillman said the State Board of Higher Education has adopted 11 performance and accountability measures in addition to the performance and accountability measures provided in Section 19 of 2001 Senate Bill No. 2003. He said the additional measures are to provide information on major State Board of Higher Education objectives and provide information to supplement the measures included in 2001 Senate Bill No. 2003. He said the University System office will seek funds from the University System's special initiative funding for the 2001-03 biennium for participating in national and regional surveys to receive data for several of the measures.

Ms. Glatt said definitions have been developed and data has been collected for all of the financial accountability measures. She said institutions are reviewing the data and determining if any definition changes are necessary.

The following is a summary of the performance and accountability measures included in 2001 Senate Bill No. 2003 and additional measures adopted by the State Board of Higher Education, including information on the level of reporting for each measure, the timing of data to be reported on for each measure, and the sources of data to be used for each measure:

Performance and Accountability Measure	Reporting Level (System, Tier, Campus, Other)		Reporting Timeline	Data Source
	Reporting Level to Legislature	Reporting Level to State Board of Higher Education		
2001 Senate Bill No. 2003 Student performance on nationally recognized examinations in their fields compared to the national averages	By professional area	By campus	2002	Campus data National examination administration
First-time licensure pass rates compared to other states	By professional area	By campus	2001	National licensing boards
Alumni-reported and student-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology knowledge and abilities	By system	By campus	2003	American College Testing (ACT) or Noel Levitz alumni survey ACT student opinion survey or Noel Levitz student satisfaction survey

Performance and Accountability Measure	Reporting Level (System, Tier, Campus, Other)		Reporting Timeline	Data Source
	Reporting Level to Legislature	Reporting Level to State Board of Higher Education		
Employer-reported satisfaction with preparation of recently hired graduates	By system	By campus	2003	combined with Noel Levitz institutional priorities survey Campus placement offices
Biennial report on employee satisfaction relating to the University System and local institutions	By campus per legislative request	By campus	2003	Noel Levitz institutional priorities survey Other employee surveys Higher Education Research Institute (HERI) report
Ratio of faculty and staff to students	By tier	By campus	2002	Annual budget - FTE faculty and staff fall enrollment report
Student graduation and retention rates	By system	By campus	2003	IPEDS Student Progress and Achievement Reporting Cooperative (SPARC) Graduation rate survey Noel Levitz retention management system or ACT nonreturning student survey National clearinghouse
Enrollment in entrepreneurship courses and the number of graduates of entrepreneurship programs	By system	By campus	2002	Higher Education Computer Network (HECN) IPEDS enrollment report and graduation rate survey
Percentage of University System graduates obtaining employment appropriate to their education in the state	By system	By campus	2002	Followup information on North Dakota education and training (FINDET) Placement offices Employer surveys
Number of businesses and employees in the region receiving training	By system (information by quadrant will be in campus year-end report)	By campus	2001	Workforce training quadrants Campus continuing education office
Proportion of residents of the state who are within a 45-minute drive of a location at which they can receive educational programs from a provider	By system	By campus	2002	North Dakota Data Census Center 45-minute map
Number and trends of enrollments in courses offered by nontraditional methods	By system	By campus	2001	Campus administrative information system (AIS) information through HECN
Tuition and fees on a per student basis compared to the regional average	By tier	By campus	2001	Washington tuition and fee survey
Tuition and fees as a percentage of median North Dakota household income	By tier	By campus	2001	Washington tuition and fee survey United States Census Bureau
Cost per student in terms of general fund appropriations and total University System funding	By system	By campus	2001	Audited financial statements Fall enrollment report
Administrative, instructional, and other costs per student	By system	By campus	2001	Audited financial statements Fall enrollment report
Per capital general fund appropriations for higher education	By system	By campus	2001	Audited financial statements United States Census Bureau
State general fund appropriation levels for University System institutions compared to peer institutions general fund appropriation levels	By campus	By campus	2002	IPEDS data

Performance and Accountability Measure	Reporting Level (System, Tier, Campus, Other)		Reporting Timeline	Data Source
	Reporting Level to Legislature	Reporting Level to State Board of Higher Education		
Percentage of total University System funding used for instruction, research, and public service	By system	By campus	2001	Audited financial statements
Percentage of total University System funding used for institutional support, operations, and maintenance of physical plant	By system	By campus	2001	Audited financial statements
Ratio measuring the funding derived from the operating and contributed income compared to total University System funding	By system	By campus	2001	Audited financial statements
Ratio measuring the size of the University System's outstanding maintenance as compared to its expendable net assets	By system	By campus	2002	Campus master plans Audited financial statements
Ratio measuring the amount of expendable net assets as compared to the amount of long-term debt	By system	By campus	2001	Audited financial statements
Research expenditures in proportion to the amount of revenue generated by research activity and funding received for research activity	By system	By campus	2002	Audited financial statements Other sources not yet identified
Report on new construction and major renovation capital projects for which specific appropriations are made, including budget to actual comparison, use of third-party funding, and related debt	By campus	By campus	2001	HECN general ledger
State Board of Higher Education A status report on higher education financing as compared to the long-term financing plan	By campus	By campus	2002	Long-term financing plan (IPEDS data)
Incentive funding, including the allocation and use of incentive funding	By system	By campus	2002	HECN general ledger Campus records
State general fund appropriation levels and trends as compared to changes in the state's economy and total state general fund appropriations	By system	By campus	2002	Office of Management and Budget state appropriation reports
Percentage of total University System funding used for academic support, student services, and scholarships and fellowships	By system	By campus	2001	Audited financial statements
Workforce training information, including levels of satisfaction with training events as reflected in information systematically gathered from employers and employees receiving training	By system (information by quadrant will be in campus year-end reports)	By campus	2001	Workforce training quadrants
Levels and trends in partnerships and joint ventures between University System institutions	By system (with campuses identified in the data)	By campus	2002	Campus articulation agreements North Dakota University System distance education log Number of collaboratively flagged students
Levels and trends in the number of students achieving goals - Institution meeting the defined needs/goals as expressed by students	By system	By campus	2003	ACT entering student survey ACT college outcome survey
Student enrollment information, including: 1. Total number and trends in full-time, part-time, degree-seeking, and non-degree-seeking students being served	By system	By campus	1. 2001 2. 2002	Campus AIS information through HECN Workforce training quadrants and campus continuing education offices

Performance and Accountability Measure	Reporting Level (System, Tier, Campus, Other)		Reporting Timeline	Data Source
	Reporting Level to Legislature	Reporting Level to State Board of Higher Education		
2. The number and trends of individuals, organization, and agencies served through noncredit activities Levels of satisfaction with responsiveness as reflected through responses to evaluations and surveys of clients: 1. Graduates and individuals completing programs 2. Employers 3. Companies and employees receiving training	By system	By campus	1. 2001 2. 2003 3. 2001	ACT or Noel Levitz surveys Workforce training quadrants and campus containing education offices
Levels of satisfaction and reasons for noncompletion as reflected in a survey of individuals who have not completed their program or degree	By system	By campus	2003	ACT college outcome survey or Noel Levitz retention management system Campus exit interviews
Levels and trends in rates of participation of: 1. Recent high school graduates and nontraditional students 2. Individuals pursuing graduate degrees	By system	By campus	2002	HECN Campus AIS information through HECN

In response to a question from Senator Nething regarding the performance and accountability measures report, Ms. Glatt said the University System will complete two separate performance and accountability measures reports--one for the Legislative Assembly and one for the State Board of Higher Education.

Mr. Jones provided comments on the development of performance and accountability measures report. He said it is important for the Legislative Assembly to focus on the performance and accountability measures. He said the state of North Dakota in the past has not made decisions on higher education funding on performance data because the state's information systems were not able to provide the necessary information. Therefore, it is important for the state to continue improving information systems to capture and report essential information. He said some of the information reported in the first performance and accountability report may be surprising but information will be easier to understand after the second performance and accountability report is issued and trend lines are established.

In response to a question from Senator Nething regarding the state's process of granting the University System flexibility with accountability, Mr. Jones said the state has done a good job of aligning higher education funding with the flexibility granted to institutions and with performance and accountability measures.

Chairman Nething said it is important for the committee to remember that the process of granting the University System flexibility with accountability, including the development of a long-term financing plan, a resource allocation model, and a performance

and accountability measures report is a work in progress that will be refined over time. He said the committee will receive comments from institutions during campus tours regarding the University System's long-term financing plan and resource allocation model.

Mr. Josh Askvig, lobbyist, North Dakota Student Association, said the North Dakota Student Association at its last meeting discussed the State Board of Higher Education's long-term financing plan and resource allocation model. He said students support the entrepreneurship, flexibility, and accountability aspects of the plan. He said students are concerned with the percentage of student funding proposed for the larger University System institutions. He said students feel that under the proposed plan they will be penalized for attending larger institutions by being required to pay a larger percentage of the institution's base funding.

STUDY OF THE COLLEGE TECHNICAL EDUCATION COUNCIL AND THE WORKFORCE TRAINING REGIONS

Mr. Dunn presented information on current and future College Technical Education Council initiatives and the council's relationship with the workforce training regions and the Department of Commerce Division of Workforce Development. A copy of the information is on file in the Legislative Council office.

Mr. Dunn said the current initiatives of the council include offering a baccalaureate degree for instructors in technical areas through Valley City State University, improving faculty development through a grant from the Bush Foundation, assisting with the implementation of workforce development and training, and

supporting the school-to-work program. He said the council's future initiatives include implementing the State Board of Higher Education action plans relating to the roles and responsibilities of two-year institutions, conducting a collaborative statewide needs analysis, and identifying information technology education required to meet the current and growing demand for information technology workers.

Mr. Dunn said the College Technical Education Council has met with representatives of the Department of Commerce Division of Workforce Development to identify mutual goals and areas of cooperation. He said the representatives of the council and the four workforce training quadrants and the director of the Division of Workforce Development are working on a workforce development training report for the 2001-02 interim Commerce Committee. He said the council will work with the Division of Workforce Development and Job Service North Dakota to complete an academic program needs analysis.

Mr. Dunn said the workforce training quadrants provided workforce training to 1,347 businesses and 10,669 employees in fiscal year 2001. This is an increase from the training provided in fiscal year 2000 of 829 businesses and 3,206 employees. He said the actual direct training revenue for fiscal year 2001 was \$1,462,042, \$430,292 more than the projected amount of \$1,031,750.

Mr. Lee Peterson, Commissioner, Department of Commerce, said the areas of cooperation between the University System and the Department of Commerce Division of Workforce Development are:

- Staff from the State College of Science and Lake Region State College designed a distance learning option to be used in the department's technical skills training grant to train licensed practical nurses and registered nurses across the state.
- Development of a statewide web site, *NorthDakotahasjobs.com*, to support employer recruitment and retention.

- Development of professionals to identify core data elements and source of information for labor availability studies.
- Development of a process and recommendation for gathering vacancy and training needs assessment data.
- Exploration of commercialization of the research and development at universities.
- Exploration of international business.

OTHER INFORMATION

In response to a question from Senator Solberg regarding the state's enterprise resource planning (ERP) system initiative, Ms. Glatt said that due to the delay in the selection of a software vendor it is unlikely that the financial aid component of the ERP system would be implemented before June 2003 which is the deadline for the University System to comply with new federal regulations. Therefore, it may be necessary for the state to use approximately \$1.5 million of the funding appropriated for the ERP system to rewrite the University System's current financial aid system.

Chairman Nething said the committee's next meeting will be held on Wednesday and Thursday, November 7-8, 2001, at North Dakota State University, Fargo.

The meeting was adjourned subject to the call of the chair at 2:20 p.m.

Roxanne Woeste
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1