

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

HIGHER EDUCATION COMMITTEE

Thursday, July 13, 2006
 Roughrider Room, State Capitol
 Bismarck, North Dakota

Senator Ray Holmberg, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Ray Holmberg, Tim Flakoll, Tony Grindberg, Ed Kringstad, Elroy N. Lindaas; Representatives Larry Bellew, Lois Delmore, Mary Ekstrom, Kathy Hawken, Andrew G. Maragos, Bob Martinson, Darrell D. Nottestad, Mark S. Owens, Earl Rennerfeldt

Members absent: Senators Nicholas P. Hacker, Dave Nething, David O'Connell; Representatives Ole Aarsvold, Tom Brusegaard, Nancy Johnson, Steven L. Zaiser

Others present: See attached appendix
 Senator Larry J. Robinson, member of the Legislative Council, was also in attendance.

HIGHER EDUCATION FUNDING AND ACCOUNTABILITY STUDY

Dr. Mary McKeown-Moak, Partner, MGT of America, Inc., who joined the committee via conference call, provided comments relating to committee member requests for clarification of recommendations and explanation of supporting information relating to the final report for the higher education funding and accountability study. A copy of the comments is on file in the Legislative Council office. The following is a summary of the requests for clarification and the MGT of America, Inc., responses:

Requests for Clarification of Recommendations and Explanation of Supporting Information	MGT of America, Inc., Responses
Should the funding model include components related to tuition collections, or should the model focus strictly on state support?	The model should include components related to net tuition collections. Every state has its own policies on tuition and state support for higher education institutions. Some states have low state support and high tuition rates, and other states have high state support and low tuition rates.
Could a funding model be developed that would distribute state funds based on the student headcount enrollment or full-time equivalent (FTE) enrollment?	The North Dakota University System long-term finance plan determines the total per student support for a higher education institution from the combination of state appropriations and tuition and fees. The long-term finance plan also includes a specified percentage that is expected to be contributed by students through net tuition and fees.
Could you please expand on the MGT of America, Inc., reasoning for excluding agricultural research experiment and extension from North Dakota State University?	MGT of America, Inc., recommended a funding model that distributes the equity component of funding on a combination of headcount enrollment and FTE enrollment.
	A model could be developed that would distribute state funds based solely on student headcount enrollment or FTE enrollment. However, such a model would not be desirable because the model would not consider the unique characteristics of each higher education institution.
	MGT of America, Inc., did not recommend excluding agricultural research experiment and extension from North Dakota State University. The MGT of America, Inc., final report for the higher education funding and accountability study provides that adjustments are not made for agricultural research experiment and extension because similar adjustments could not be made for the peer institutions without a special survey of the peer institutions which could not be completed within the timeframe of the study. To use the model in determining and comparing funding levels, it is recommended the North Dakota University System survey the peer institutions for North Dakota State University to be able to remove agricultural research experiment and extension expenditures. MGT of America, Inc., understands North Dakota Century Code (NDCC) prevents the commingling of funds appropriated, especially for the agricultural programs at North Dakota State University; however, MGT of America, Inc., also recognizes certain expenditures are made by North Dakota State University that benefit the agricultural programs and are not charged to these programs.

Requests for Clarification of Recommendations and Explanation of Supporting Information	MGT of America, Inc., Responses
<p>How did MGT of America, Inc., arrive at the conclusion that because of the difficulties implementing the ConnectND system, the North Dakota University System does not have the capability of collecting, retrieving, and using all the data needed to support a funding formula?</p> <p>Some representatives of the North Dakota University System have testified that the system does have the capability of collecting, retrieving, and using data needed to support a funding formula methodology. If this is correct, would MGT of America, Inc., recommend the North Dakota University System use a funding formula methodology instead of a peer funding comparison methodology?</p> <p>At one time, representatives of MGT of America, Inc., stated that it does not seem appropriate for a large campus, such as the University of North Dakota, to have the same voting power as a small campus, such as Minot State University - Bottineau. What are the MGT of America, Inc., recommendations in this area?</p>	<p>Based upon conversations with staff at each of the higher education institutions and the North Dakota University System office, MGT of America, Inc., determined the ConnectND system had serious deficiencies and problems with storing and retrieving data.</p> <p>A funding formula envisioned by MGT of America, Inc., requires data, such as student credit hours by level and discipline, program costs, building condition, staffing levels, outside funded research, and library holdings. Although the ConnectND system has the capability to handle the necessary data elements, data on program costs was not available at the time of the study.</p> <p>A system having the capability of collecting, retrieving, and using data does not mean the system is operational or the data is available. At the time of the study, MGT of America, Inc., determined the ConnectND system did not have the capability of generating the necessary data and reports for the 2007 Legislative Assembly. When data can be stored, retrieved, and used at the level of detail and analysis required for a funding formula, MGT of America, Inc., would support a funding formula for the North Dakota University System.</p> <p>MGT of America, Inc., understands each higher education institution has one vote on matters before councils and committees of the North Dakota University System. This is a decision made by the North Dakota University System, and MGT of America, Inc., makes no recommendations in this area.</p>

In response to a question from Representative Delmore, Dr. McKeown-Moak said all higher education institutions are calculating headcount and FTE enrollment in the same manner.

Senator Holmberg said MGT of America, Inc., noted that when data can be stored, retrieved, and used at the level of detail and analysis required for a funding formula, MGT of America, Inc., would support a funding formula for the North Dakota University System.

Chairman Holmberg said the North Dakota University System has recently been in the news and will continue to be in the news in the future. He said the Higher Education Committee should let the State Board of Higher Education work through its personnel issues. He said he will ask the State Board of Higher Education to provide a presentation to the committee at its next meeting scheduled for September 7-8, 2006, regarding any policy changes being considered by the board, including information on how the policy changes fit with the goals of the Higher Education Roundtable. At that time, he said, if the committee believes legislative changes are necessary, the committee will have an additional meeting to consider any related bill drafts.

Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, provided information regarding:

- The State Board of Higher Education implementation of the recommendations included in the MGT of America, Inc., final report for the higher education funding and accountability study, including information on revisions to the long-term finance plan and accountability measures.
- Information on parity funding, including a list of costs included in the definition of parity, the calculation of parity, and the most recent budget numbers in which parity distribution was made.
- Information on the distribution of equity funding for the 2005-07 biennium, not including the \$2 million equity pool allocated by the State Board of Higher Education.
- The status of utilities budgets for the institutions of higher education for the 2005-07 biennium.
- An overview of the North Dakota University System budget request for the 2007-09 biennium.

A copy of the information is on file in the Legislative Council office.

Ms. Glatt provided the following summary of the State Board of Higher Education implementation of the recommendations included in the MGT of America, Inc., final report for the higher education funding and accountability study:

MGT of America, Inc., Recommendations	North Dakota University System Status
<p>Accountability measures and benchmarks</p> <ul style="list-style-type: none"> • Establish benchmarks and goals for each measure 	<p>Benchmarks for each accountability measure will be established and included in the annual performance and accountability report issued in January 2008. Sufficient data is available to determine trends and evaluate progress; therefore, the State Board of Higher Education will set targets for some or all of the accountability measures in future performance and accountability reports.</p>

MGT of America, Inc., Recommendations	North Dakota University System Status
<ul style="list-style-type: none"> • Include data for each higher education institution in summary fashion in the University System annual performance and accountability report • Reduce the number of accountability measures • When the number of accountability measures is reduced, retain those same measures for five or six years. • Include a measure of faculty productivity that is appropriate for each institution 	<p>Accountability information for each higher education institution is currently compiled and provided to the State Board of Higher Education. A summary of the information will be included in the annual performance and accountability report or provided as a supplement to the report.</p> <p>A matrix of the 31 existing accountability measures has been developed and will be used to identify accountability measures that higher education stakeholders believe need to be retained and those measures considered to be less valuable. A survey of the stakeholders, including representatives of the Legislative Assembly, executive branch, higher education institutions, private sector, State Board of Higher Education, and the North Dakota University System office, will be conducted for the purpose of recommending changes to the measures prior to the 2007 Legislative Assembly.</p> <p>The recommendation will be adopted by the State Board of Higher Education when the other revisions to the measures have been completed and are considered by the board.</p> <p>The Academic Affairs Council is in the process of reviewing possible measures of faculty productivity appropriate for the various types of institutions within the North Dakota University System.</p>
<p>Peer institutions</p> <ul style="list-style-type: none"> • Establish peer lists of no fewer than 15 institutions • Use peer institutions as recommended by MGT of America, Inc., for the purposes of determining adequate funding levels for North Dakota higher education institutions 	<p>The North Dakota University System has adopted a new set of 15 peers per higher education institution as part of the University System 2007-09 budget request.</p> <p>The North Dakota University System has adopted the peer institutions as recommended by MGT of America, Inc., as part of the University System 2007-09 budget request with the following exceptions:</p> <ul style="list-style-type: none"> • Dickinson State University - Substituted University of Science and Arts of Oklahoma for University of Pittsburgh-Bradford. • Valley City State University - Substituted Virginia Military Institute for University of Pittsburgh-Bradford. • Williston State College - Substituted Nicollet Area Technical College for University of Pittsburgh-Bradford. <p>Comparable financial information was not available for the Pittsburgh campuses. The three replacement campuses were selected based on the original criteria established by MGT of America, Inc.</p>
<p>Long-term finance plan</p> <ul style="list-style-type: none"> • Determine the count of students for the base funding component of the plan by using an average of the two most current years' fall enrollment--25 percent based on student headcount and 75 percent based on FTE students • Use the peer institutions recommended by MGT of America, Inc., to update the peer funding comparisons. Keep the same set of peer institutions for at least two bienniums, unless there are major changes that suggest a peer group may need revision. • Update the data for the peer institutions by using the most current Integrated Postsecondary Education Data System (IPEDS) data available at the time the biennial budget request is prepared. Collect information on appropriations and net tuition revenues for agriculture programs from peer institutions. • Revise the method of allocating parity and equity so that a minimum of 80 percent of the new funding is allocated to equity and 20 percent to parity. Further allocate 20 percent of the parity dollars in inverse proportion to the percentage of peer funding so that institutions that are the furthest from peer funding would be the greatest relative parity and equity increase. 	<p>The North Dakota University System has adopted and implemented the recommendation as part of the University System 2007-09 budget request.</p> <p>The North Dakota University System has adopted and implemented the recommendation as part of the University System 2007-09 budget request.</p> <p>The North Dakota University System has adopted and implemented the recommendation as part of the University System 2007-09 budget request. The peer institutions for North Dakota State University were surveyed to gather financial information needed to remove agricultural research experiment and extension activities from the benchmark calculation.</p> <p>The North Dakota University System has adopted and implemented as part of the University System 2007-09 budget request the following parity and equity allocation methodology:</p> <ol style="list-style-type: none"> 1. Parity - Funding for new and continuing salary and health insurance costs. 2. Equity - No less than 15 percent of the total new funding available. 3. Parity - Funding for operating inflation, including utility cost increases. 4. Equity - Any remaining funding. <p>The North Dakota University System has adopted a new equity allocation methodology based on the average of:</p> <ul style="list-style-type: none"> • Variable weighting of percentage distance from peers with more weighting given to those institutions furthest from their peer benchmark. • Simple weighting of dollar distance from peers.

MGT of America, Inc., Recommendations	North Dakota University System Status
<ul style="list-style-type: none"> • Increase state funding to the University System to reach a goal of 21 percent of the state general fund budget • Establish more realistic targets for the percentage of peer funding 	<p>The North Dakota University System has adopted a 2007-09 budget request equivalent to 21 percent of the projected total 2007-09 state general fund budget.</p> <p>The North Dakota University System is in the process of developing targets based on future state economic forecasts.</p>

Ms. Glatt said the State Board of Higher Education has also adopted the following recommendations relating to the North Dakota University System long-term finance plan which were not included in the MGT of America, Inc., final report for the higher education funding and accountability study:

- Maintain the current state and student funding shares.
- Continue to provide parity funding to higher education institutions should the institutions exceed their peer benchmark.
- Continue to calculate utility cost increases as part of the overall operating inflation.
- Retain the same parity funding components.
- Calculate benchmark averages consistently by dividing the sum of the peer revenues by the sum of the peer enrollments.
- Recognize IPEDS reporting changed with the implementation of Governmental Accounting Standards Board Statement Nos. 34 and 35 making historical comparisons impossible.
- Remove direct appropriations for agricultural research experiment and extension from North Dakota State University and its peers, but include direct appropriations for the UND

School of Medicine and Health Sciences in University of North Dakota and its peers.

In response to a question from Senator Holmberg, Ms. Glatt said the 2007-09 parity funding allocated for new and continuing salary costs relate to costs associated with salary increases provided by the 2005 Legislative Assembly and would not be affected by salary increases provided in excess of the increase provided by the Legislative Assembly. She said the request continues the 4 percent/3 percent salary increases funded by the 2005 Legislative Assembly.

In response to a question from Senator Flakoll, Ms. Glatt said the State Board of Higher Education has adopted a new methodology for allocating equity funding for the 2007-09 biennium. She said the new methodology is based on the average of the percentage distance from the peer benchmark, with more weighting given to those institutions furthest from their peer benchmark, and the dollar distance from the peer benchmark. She said the new methodology is used to allocate the \$10 million of equity funding included in the North Dakota University System budget request for the 2007-09 biennium.

Ms. Glatt provided the following summary of information on parity funding calculations for the 2005-07 and 2007-09 bienniums:

Parity Funding Components	2005-07 Biennium (73 Percent of Total Parity Funded)	2007-09 Biennium (30 Percent of Operating Inflation Funded)
Continuation of state-funded salary increases provided in the second year of the biennium	2004-05 legislatively appropriated salary increase of 0 percent	2006-07 legislatively appropriated salary increase of 3 percent
Salary increases for the upcoming biennium	4 percent for 2005-06 and 3 percent for 2006-07	5 percent per year
Health insurance increases for the upcoming biennium	\$65.25 per month	\$146 per month
Operating inflation increases, including utilities	2.2 percent per year	2.4 percent per year
Utilities for new facilities coming online during the upcoming biennium	Bismarck State College, University of North Dakota, North Dakota State University, Dickinson State University, Mayville State University, and Valley City State University	Bismarck State College and North Dakota State University

In response to a question from Senator Lindaas, Ms. Glatt said the State Board of Higher Education has decided to calculate utility cost increases as part of the overall operating inflation instead of applying a separate inflation factor to utility costs. She said the base budget used for calculating utility costs for the 2007-09 biennium is the original utility costs budget for the 2005-07 biennium and does not take into consideration the potential \$5 million deficiency.

In response to a question from Senator Holmberg, Ms. Glatt said 30 percent of higher education institutions' operating inflation increases are funded in

the North Dakota University System budget request for the 2007-09 biennium.

Ms. Glatt said the 2005-07 legislative appropriation for the North Dakota University System included \$3,815,784 of funding from the general fund for equity at the higher education institutions. She said the funding was distributed to higher education institutions in accordance with the original long-term finance plan which used a simple weighting formula based on each institution's dollar distance from its peer benchmark for allocating equity funding. The following is a

summary of the \$3,815,784 of equity funding provided in the 2005-07 biennium:

Bismarck State College	\$359,125
Lake Region State College	129,140
Williston State College	52,031
University of North Dakota	1,197,686
UND School of Medicine and Health Sciences	333,373
North Dakota State University	1,331,324
State College of Science	57,137
Dickinson State University	157,804
Mayville State University	0
Minot State University	149,314
Valley City State University	0
Minot State University - Bottineau	48,850
Total	\$3,815,784

Ms. Glatt said utility estimates, updated in March 2006, indicate the North Dakota University System will experience a utility shortfall of over \$5 million in the 2005-07 biennium. She said the impact varies significantly by higher education institution due to differences in heating sources. She said higher education institutions have had to absorb the cost increases by reallocating resources from other areas of their budgets or passing the cost increases to the students through tuition increases. She said the University System intends to request a deficiency appropriation to offset the cost increases. She said the University System will continue to update the utility estimates throughout the remainder of the 2005-07 biennium.

In response to a question from Senator Holmberg, Ms. Glatt said most of the higher education institutions have completed an energy improvement audit either through a private sector entity or the Department of Commerce Division of Community Services. She said a majority of the energy improvements implemented as a result of the audits are lighting improvements and other projects with short payback periods. She said energy improvements relating to heating typically require a larger investment and have a longer payback period.

Ms. Glatt said the State Board of Higher Education has adopted a budget request for the 2007-09 biennium that includes at least \$63 million of additional funding. The following is a summary of the additional funding included in the North Dakota University System budget request for the 2007-09 biennium:

Required general fund increases	
Increase in capital bond payments	\$2,100,000
Common information services pool - Parity costs	2,096,200
North Dakota University System office - Parity costs	750,200
Forest Service - Parity costs and 5 percent increase over parity	410,600
Student financial aid increase	2,850,000

Capital assets increase	4,000,000	
Total - Required general fund increases		\$12,207,000
Other ConnectND needs		
Permanent funding - Replace funding from board initiatives pool	\$1,500,000	
Permanent funding - Replace technology bond revenue	920,000	
Funding for critical business function solutions	1,700,000	
Total - Other ConnectND needs		4,120,000
Campus parity and equity		
Campus parity	\$33,852,000	
Campus equity	10,000,000	
Total - Campus parity and equity		43,852,000
Additional needs		
Board initiative funding enhancement	\$500,000	
Wide area network growth	250,000	
Standards-based interface to ConnectND system	161,000	
Competitive research - Experimental Program to Stimulate Competitive Research (EPSCoR)	310,000	
External student recruiting initiative	700,000	
Northern Tier Network annual maintenance	900,000	
Total - Additional needs		2,821,000
Grand total		\$63,000,000

In response to a question from Senator Holmberg, Ms. Glatt said the parity increase of \$750,200 for the North Dakota University System office includes funding for dues increases for the Midwest Higher Education Compact and the Western Interstate Commission on Higher Education.

In response to a question from Senator Robinson, Ms. Glatt said the 2007-09 budget request for \$63 million of additional funding would allow higher education institutions to meet revenue goals by increasing tuition rates by approximately 5 percent per year.

In response to a question from Senator Robinson, Ms. Glatt said if the North Dakota University System does not receive the additional \$63 million of funding for the 2007-09 biennium, initiatives will need to be reprioritized and tuition rates would be affected.

In response to a question from Senator Holmberg, Ms. Glatt said the State Board of Higher Education has identified the following requests for one-time funding for the North Dakota University System for the 2007-09 biennium:

Deferred maintenance	\$10 million
Collaboration project - Phase 1	1 million
Campuses network refurbishment	2 million
Northern Tier Network	1.35 million to 2.7 million
Total	\$14.35 million to \$15.7 million

In response to a question from Representative Ekstrom, Ms. Glatt said the proposed external student recruitment initiative could be a system-level program or an institutional-level program and the initiative could involve recruiting either out-of-state students or out-of-country students.

Chairman Holmberg said Governor Tim Pawlenty has proposed a free college tuition program for top students in Minnesota. Under the program, he said, all Minnesota high school students who graduate in the top 25 percent of their class or post a comparable ACT score would attend their first two years of public college for free and students' third and fourth years of college would also be free if they majored in a mathematics or science field.

In response to a question from Senator Holmberg, Ms. Glatt said the State Board of Higher Education has not discussed the Minnesota proposed free tuition program or the potential impact of the program on the North Dakota University System. She said the North Dakota University System is in the process of updating its enrollment management plan and the impact of the proposed Minnesota program may be addressed in the revised plan.

In response to a question from Senator Robinson, Ms. Glatt said the North Dakota University System is exploring ways to increase funding those programs with capped enrollments. She said the University System is also recruiting out-of-state and out-of-country students to be able to spread fixed costs among more students.

In response to a question from Senator Flakoll, Ms. Glatt said the North Dakota University System budget request for the 2007-09 biennium does not include any special incentives for students enrolled in mathematics and science fields.

In response to a question from Senator Holmberg, Ms. Glatt provided the following summary of requests for additional funding for the 2007-09 biennium for the North Dakota University System and related entities:

North Dakota University System - 2007-09 needs-based budget request	\$63 million
North Dakota University System - 2007-09 one-time funding requests	14.35 million to 15.7 million
North Dakota University System - 2003-05 potential deficiency appropriation for utilities	5 million
Workforce training - Additional 2007-09 funding request	2.7 million
Agricultural Experiment Station, North Dakota State University Extension Service, and Upper Great Plains Transportation Institute - Additional 2007-09 funding request	8.5 million
Total	\$93.55 million to \$94.9 million

Senator Flakoll suggested the State Board of Higher Education monitor and review utility costs on a square-foot basis at the higher education institutions.

Dr. D. C. Coston, Vice President for Agriculture and University Extension, North Dakota State University, provided comments regarding funding for the Agricultural Experiment Station and North Dakota

State University Extension Service. A copy of the comments is on file in the Legislative Council office. He said the Agricultural Experiment Station and Extension Service have statewide missions and responsibilities. He said the entities are part of the North Dakota State University system but are separate agencies from the academic functions of the North Dakota State University campus.

Dr. Coston said NDCC Section 4-05.1-02 provides that funds appropriated to the Agricultural Experiment Station may not be commingled with funds appropriated to North Dakota State University, and appropriation requests to defray expenses of the Agricultural Experiment Station must be separate from appropriation requests to defray expenses of North Dakota State University. He said Section 4-08-10 provides that funds appropriated to the Extension Service may not be commingled with funds appropriated to North Dakota State University, and appropriation requests to defray expenses of the Extension Service must be separate from appropriation requests to defray expenses of North Dakota State University.

Dr. Coston said the funds for the Agricultural Experiment Station and Extension Service are managed separately from the academic teaching programs of North Dakota State University. He said the funding for the Agricultural Experiment Station and Extension Service is driven by the entities' missions. He said the funding is not available for support of the instructional programs at North Dakota State University because the North Dakota Century Code and federal guidelines prohibit such uses.

Dr. Coston said North Dakota State University contacted its peer institutions and received information regarding funding associated with agricultural experiment and extension activities. He said the information was forwarded to MGT of America, Inc., and the State Board of Higher Education. He said the university has provided the names and numbers of the individuals contacted at the peer institutions to the North Dakota University System office so the numbers could be independently verified. He said the State Board of Higher Education has voted to exclude funding for the Agricultural Experiment Station and the Extension Service from North Dakota State University for the long-term finance plan.

Dr. Coston said most institutions with agricultural experiment and extension service components have a general and administrative fee which the agricultural experiment and extension service components pay to the university. He said a similar fee was in place at North Dakota State University; however, the 1999 Legislative Assembly permanently transferred \$700,000 of funding from the Agricultural Experiment Station and the Extension Service to the university.

Mr. Jerry Effertz, Chairman, State Board of Agricultural Research and Education, provided comments regarding funding for the Agricultural Experiment Station and Extension Service. He said the State Board of Agricultural Research and

Education was established in 1997 and has 13 voting members. He said the board's responsibilities include the development of strategies for the provision of research solutions and resources, dissemination of research information, and development of a biennial budget request for the related entities. He said the State Board of Higher Education has approved the separation of the agricultural experiment and extension service components and he hopes the Higher Education Committee would affirm that separation.

Dr. Charles E. Kupchella, President, University of North Dakota, provided information regarding issues raised at the April 13, 2006, meeting relating to peer funding formulas at North Dakota State University and the University of North Dakota. A copy of the information is on file in the Legislative Council office. He said the University of North Dakota is a doctoral institution with a law school as well as a School of Medicine and Health Sciences. He said the doctoral institution status and the presence of a medical school were both determining factors in the identification of peer institutions for the university. He said the University of North Dakota School of Medicine and Health Sciences receives a biennial general fund appropriation that is used to fund the programs of the medical school. He said the biennial appropriation does not include funds for physical plant support, such as utilities, custodial services, and maintenance; institutional support for centrally provided services, such as accounting and payroll services; and student and academic support for centrally provided services, such as registrar, financial aid, campus computing, and student health. He said students, faculty, and staff cannot be isolated within the confines of the medical school nor can they be barricaded outside the boundaries of the medical school. He said the greater the degree of interaction and integration, the more dynamic and successful the institution.

Dr. Kupchella provided the following summary of general fund appropriations and per FTE student general fund appropriations for the University of North Dakota and the University of North Dakota School of Medicine and Health Sciences:

	University of North Dakota	University of North Dakota School of Medicine and Health Sciences
2005-07 general fund appropriation	\$92,826,602	\$31,361,002
Fiscal year 2004 per FTE student general fund appropriation	\$3,251	\$21,205

Dr. Kupchella said although the appropriation for the medical school is separately budgeted and tracked within the University of North Dakota, both financial statement and IPEDS reporting reflect data for the legal entity as a whole. He said there is no way to cleanly divide the university and medical school since there are students paying university tuition who take courses taught at the medical school and there are also students paying tuition for

programs in the medical school taking other university courses.

Dr. Kupchella said the University of North Dakota perspective regarding the phrase "funding equity" is that it means all the public funding coming to a university. He said it would hardly make sense to discuss equity about just one aspect of what universities are given public money to do while disregarding the others. He said the North Dakota Century Code provides universities, such as the University of North Dakota, missions in teaching and learning, research, and service. He said the University of North Dakota considers the funding it receives from the state to be the first money to help the university meet its mission across all three fundamental areas.

In response to a question from Senator Flakoll, Dr. Kupchella said the University of North Dakota School of Medicine and Health Sciences is one of the smallest medical schools with approximately 60 students per class.

Ms. Glatt distributed a copy of the State Board of Higher Education's major capital projects prioritization list. A copy of the list is on file in the Legislative Council office.

In response to a question from Senator Holmberg, Ms. Glatt said the prioritization list will be forwarded to the Governor's office for use during the executive budget process.

OTHER ITEMS

Professional Student Exchange Program Study

Ms. Glatt said the State Board of Higher Education, at its May 2005 meeting, passed a motion directing the chancellor to conduct a study regarding access options and other solutions to help meet the needs of the state in dentistry, optometry, and veterinary medicine; the admissions selection process; and long-term funding for the professional student exchange program and the program at Kansas State University. She said the North Dakota University System office completed the study in February 2006. She said the State Board of Higher Education has adopted the following recommendations and will introduce legislation in the 2007 legislative session to facilitate the recommendations:

- Meeting North Dakota's workforce needs be the primary factor in making annual allocations and biennial funding decisions between the three professional programs. Secondly, student demand and interest in each of the three professional programs should be considered.
- Maintain the current allocation of slots between the three professional programs. Allocate new slots based on the factors outlined above.
- Maintain all current professional program options through the Western Interstate Commission on Higher Education, Minnesota, Kansas, and Iowa. Review all program options every three to five years to explore other ways to improve the partnership and communication

to provide expanded opportunities for North Dakota and North Dakota students.

- Pursue conversations and negotiations with Kansas and Iowa in an attempt to establish fixed price contracts and other additional benefits for North Dakota students, such as internship and externship opportunities.
- Create a new state-funded community matching loan forgiveness program, primarily targeted at rural or underserved communities, to provide an incentive to encourage graduates to return to North Dakota to practice. If a community loan forgiveness program is not implemented and funded, a repayment program provision should be implemented in each of the three professional programs as a means of encouraging students to return to North Dakota to practice following graduation.
- Any funds collected as a result of a repayment provision be used to fund additional slots according to the guidelines previously outlined.
- Recommend the consolidation of the appropriation for the Kansas State University program with the appropriation for the professional student exchange program in the 2007-09 biennial budget request.
- Evaluate the effectiveness of North Dakota's involvement in the selection process at Kansas State University prior to the 2009 Legislative Assembly. If judged at that time to not be adding sufficient value, recommend the Legislative Assembly eliminate the requirement.

In response to a question from Senator Flakoll, Ms. Glatt said House Bill No. 1397 (2005) provided that the State Board of Higher Education may contract with Kansas State University to provide an opportunity for up to five eligible students to enroll in the veterinary medicine education program at Kansas State University. She said the bill also provided the board a \$262,500 special funds appropriation from the student loan trust fund for reducing tuition and other costs payable by or on behalf of eligible students enrolled in the veterinary medicine education program at Kansas State University. In May 2005, she said, the State Board of Higher Education decided to fund only two students per year instead of five students as provided for in the legislation. She said the board did so to ensure there would be enough money to support the students until they earned their degrees.

In response to a question from Senator Flakoll, Ms. Glatt said she is not aware of any stakeholders who supported the reduction in the number of students to be supported in the Kansas State University program.

In response to a question from Senator Holmberg, Ms. Glatt said the State Board of Higher Education may have made a different decision regarding the number of students to be supported in the Kansas State University program if House Bill No. 1397 did not require the board to develop a plan for the continuation of the funding for the program for the 2007-09 biennium and future bienniums.

In response to a question from Representative Delmore, Ms. Glatt said the most current data provided by the Western Interstate Commission on Higher Education for 2002 suggests that approximately 65 percent of the total number of professional student exchange program students (69 percent in dentistry, 45 percent in optometry, and 70 percent in veterinary medicine) that received state support in a Western Interstate Commission on Higher Education slot returned to North Dakota to practice in their given profession after graduation.

PROPOSED HIGHER EDUCATION BILL DRAFTS

Mr. John Q. Paulson, President, State Board of Higher Education, provided comments regarding the bill drafts being considered by the committee relating to the continuation of legislation passed by the 2005 Legislative Assembly. A copy of the comments is on file in the Legislative Council office. He said the bill drafts provide flexibility as follows:

- Tuition revenues at higher education institutions would be appropriated in the same way all other institutional funds such as grants and contracts, auxiliary revenues and private funds are appropriated for another two-year period through June 30, 2009.
- Appropriations for higher education institutions would be in two line items--operations and capital assets--and the appropriation for specific strategies or initiatives for another two-year period through June 30, 2009.
- The carryover of unexpended funds from the 2005-07 to 2007-09 biennium.

Mr. Paulson said the State Board of Higher Education requests the committee either recommend the provisions in the bill drafts as a permanent part of the North Dakota Century Code or reenact them for another two-year period.

The committee recessed for lunch at 11:45 a.m. and reconvened at 1:00 p.m.

HIGHER EDUCATION FUNDING AND ACCOUNTABILITY STUDY

Mr. Thomas Shorma, CEO and President, WCCO Belting, Inc., Wahpeton, provided comments regarding the committee's higher education funding and accountability study. A copy of the comments is on file in the Legislative Council office. He said the goal of the Higher Education Roundtable is enhancing the economic vitality of North Dakota and the quality of life of its citizens through a high-quality, more responsive, equitable, flexible, accessible, entrepreneurial, and accountable North Dakota University System. He said to ensure that the University System was working to meet the expectations of the Higher Education Roundtable, a series of accountability measures were developed. He provided the following summary of information regarding accountability measures that are of

particular interest to private sector members of the Higher Education Roundtable:

Accountability Measures	Status										
Enrollment in entrepreneurship courses and the number of graduates of entrepreneurship programs	In fiscal year 2004, a reporting system was developed to identify entrepreneurial courses and programs offered and the number of students enrolled in each. At the present time, the North Dakota University System offers 33 entrepreneurial courses and two entrepreneurial programs. A total of 871 students enrolled in entrepreneurial courses and 17 students graduated from entrepreneurship programs during the 2004-05 academic year.										
Number of businesses and employees in the region receiving training	The number of businesses that use the new workforce training system to provide training for their employees has increased dramatically between fiscal year 2000 and fiscal year 2005—from 518 businesses in 2000 to 1,818 businesses in 2005. The number of employees trained has also increased; however, in recent years that number has started to decline as a result of the training program being extended to the more rural areas of the state.										
Research expenditures in proportion to the amount of revenue generated by research activity and funding received for research activity	The North Dakota University System has expanded efforts to increase research revenue through a multitude of initiatives, including the development of research parks, incentives to faculty and departments, and participation in the Red River Valley Research Corridor Initiative and the centers of excellence program. From fiscal year 2000 to fiscal year 2004, the combined growth of sponsored research increased by 102 percent at the University of North Dakota and 104 percent at North Dakota State University.										
Ratio of North Dakota University System general fund appropriations to total state general fund appropriations	<table border="1"> <tr> <td>1997-99</td> <td>20.3%</td> </tr> <tr> <td>1999-2001</td> <td>20.5%</td> </tr> <tr> <td>2001-03</td> <td>21.0%</td> </tr> <tr> <td>2003-05</td> <td>20.1%</td> </tr> <tr> <td>2005-07</td> <td>19.5%</td> </tr> </table>	1997-99	20.3%	1999-2001	20.5%	2001-03	21.0%	2003-05	20.1%	2005-07	19.5%
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2005-07	19.5%										

Mr. Shorma said in regard to workforce training, the findings and results of the accountability measures suggest that the number of businesses being served and the number of employees receiving training will remain relatively constant or flat and most certainly cannot be expanded unless or until additional financial resources are invested in the workforce training system.

Mr. Shorma said the private sector members of the Higher Education Roundtable recently felt compelled to hold their own separate meeting to further discuss in detail those things they believed the University

System was doing well and those things that still required more improvement. He said two specific areas of performance that were clearly identified as exceptional by the entire private sector group were:

- The successful increase of research dollars generated by the various campuses.
- The role of the private sector in guiding the Higher Education Roundtable and allowing its voice to be heard.

Mr. Shorma said one particular area clearly stood out far above all others during the discussion of things that the private sector believes needs to be changed or improved upon. He said the North Dakota University System is not sharing in the wealth of a much-improved North Dakota economy as originally agreed upon by and with the Higher Education Roundtable. He said the private sector was adamant and unanimous that the Higher Education Roundtable and the state have not lived up to the original agreement with campus leadership to provide additional funding to those institutions if the campus leadership would agree to embrace and respond to the changes recommended by the Higher Education Roundtable.

**OTHER ITEMS
P-16 Initiative**

Dr. Robert L. Potts, Chancellor, North Dakota University System, provided a status report on the P-16 Initiative. A copy of the information is on file in the Legislative Council office. He said the P-16 Education Task Force is researching and studying the standards and alignment process for students leaving high school and entering the workforce or college. The following is a summary of issues and goals being worked on by the task force:

Issue	Goal
Different standards and expectations between kindergarten through grade 12 and higher education	North Dakota needs to put in place and enforce, throughout its P-16 education system, uniform and consistent proficiency expectations and standards and ensure that each student has a support system in place to enable the student to achieve proficiency.
Curriculum	All North Dakota students should have equitable access to and the expectation of completing a rigorous core curriculum for high school graduation taught by highly qualified teachers.
Recruiting and retaining quality teachers for all students	Top performing North Dakota students should be encouraged to become P-16 educators. North Dakota educators are professionals, their quality should be assured, and they should be paid accordingly, including receiving additional resources for professional development and for demonstrated improved performance.

Issue	Goal
Help students make better choices, providing better guidance and counseling	<p>To provide academic and career assessment and counseling that is comprehensive, developmental, and systematic from preschool through postsecondary education and to employment and life which helps students:</p> <ul style="list-style-type: none"> • Enhance their academic achievement by linking classroom studies to future choices. • Achieve skills they will need to transition successfully to post-secondary education and work. • Develop the skills needed to make informed decisions throughout life.

Dr. Potts said the task force will complete a final report in the fall of 2006.

Representative Delmore said the P-16 Education Task Force has completed a sizeable amount of work. She said one issue the task force has discovered is a larger percentage of out-of-state higher education students require remedial education than in-state students.

Dual-Credit Programs

Ms. Julie Schepp, Academic Affairs Associate and Director of Research, North Dakota University System, provided information regarding dual-credit programs at higher education institutions. A copy of the information is on file in the Legislative Council office. She said higher education institutions may cooperate with high schools for the purpose of offering high school students the option of enrolling in postsecondary courses for dual credit. She said the higher education institutions may permit eligible students in grades 11 and 12, who have written permission from their school district superintendents, to enroll in postsecondary courses for dual credit upon payment of the required tuition and fees.

Ms. Anita Decker, Director, School Approval and Accreditation, Department of Public Instruction, provided information regarding dual-credit enrollments. A copy of the information is on file in the Legislative Council office. She said from inception to date, not including the spring 2006 enrollment, 16,390 courses have been taken by North Dakota high school juniors and seniors for dual credit. She said most students take dual-credit courses from only one higher education institution. She said dual-credit registrations for the North Dakota University System were the greatest at Lake Region State College and Dickinson State University and the least at North Dakota State University. She said dual-credit courses were taken by students from all sizes of school districts; however, larger schools were least likely to have significant enrollments in dual-credit courses. She said potential issues to address regarding dual-credit programs include:

- Cost - North Dakota law provides that all costs are to be borne by students and their parents. Dual-credit students are not eligible for college financial aid. The state may want to consider paying the tuition for income-eligible students to increase their participation in dual-credit programs.
- Access - All students may not have the opportunity to participate. High schools set their own dual-credit policies, and some policies are very restrictive. The state may want to consider assuring that all students have access to at least one form of accelerated learning option.
- Acceptance of credit - Although dual-credits are accepted at all the North Dakota University System higher education institutions and at many institutions across the nation, not all higher education institutions accept college credits earned in high school.
- Research and reporting - The state may want to consider funding programming to address issues of quality, research, availability, and financing and reporting to policymakers, researchers, students, parents, and practitioners.

In response to a question from Senator Grindberg, Ms. Decker said dual-credit courses help to level out the drop in the rigor between the senior year of high school and the freshman year of college. She said dual-credit courses also help students finish college faster.

In response to a question from Senator Robinson, Ms. Decker said to date 16,390 courses have been taken by North Dakota high school juniors and seniors for dual credit. She said she will provide the committee with information regarding the number of unduplicated students taking dual-credit courses.

Remedial Education

Ms. Schepp provided information regarding the provision of remedial education by higher education institutions. A copy of the information is on file in the Legislative Council office. She said for the fall 2005 semester, North Dakota University System higher education institutions enrolled 2,212 students in 28 remedial education courses. She said each of the higher education institutions use different methods of determining which students need remedial education.

Faculty Written and Verbal English Proficiency

Dr. Michel Hillman, Vice Chancellor for Academic and Student Affairs, North Dakota University System, provided a report regarding faculty written and verbal English proficiency. A copy of the information is on file in the Legislative Council office. Dr. Hillman said NDCC Section 15-10-42, which was enacted by the 2005 Legislative Assembly, provides that the State Board of Higher Education shall create a policy for all institutions under its control relating to the assessment of faculty and teaching assistant communications

skills, including the ability to speak English clearly and with good pronunciation, the notification to students of opportunities to file complaints, and the resolution of reported communication problems. He said State Board of Higher Education Policy 609, which was revised by the board in June 2005, provides that each higher education institution shall establish a process for verifying communication skills, including English language proficiency and the ability to speak English clearly and with good pronunciation, of all personnel whose appointment includes classroom instruction. Each institution is to:

- Develop the process and standards for validating and assessing proficiency through an inclusive process which recognizes the needs of departments, programs, students, and faculty.
- Determine proficiency prior to employment.
- Provide a means of continuously improving communication proficiency of all instructors to meet or exceed defined standards.
- Establish a process for students and personnel affected by this policy to register concerns or file complaints and a process for notifying students of the policy and complaint process.
- Periodically review the effectiveness of the policy and provide reports to the board upon request.
- Establish procedures to ensure compliance with Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act as well as federal and state constitutions and laws. The procedures shall include a mechanism to identify otherwise qualified personnel who may be unable to demonstrate requisite proficiency due to a disability or because of race, religion, or other protected characteristic.

Dr. Hillman distributed copies of individual higher education institutions' policies on communication proficiency. Copies of the information are on file in the Legislative Council office.

Dr. Hillman said to date there have been four reported related complaints--one at Bismarck State College, one at the State College of Science, and two at North Dakota State University. He said two of the complaints were filed by students and the other two were filed by parents. He said the North Dakota University System will be requesting higher education institutions to forward any English proficiency complaints to the University System office following every fall and spring semester.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Senator Flakoll said according to information received from Mr. Larry Isaak, President, Midwest Higher Education Compact, North Dakota's dues will be \$90,000 for 2007-08 and \$95,000 for 2008-09.

It was moved by Representative Martinson, seconded by Representative Rennerfeldt, and carried on a voice vote that the committee adjourn subject to the call of the chair. The meeting was adjourned at 2:30 p.m.

Roxanne Woeste
Senior Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

[ATTACH:1](#)