

# NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

### HIGHER EDUCATION COMMITTEE

Monday and Tuesday, September 13-14, 2010  
House Chamber, State Capitol  
Bismarck, North Dakota

Representative Bob Skarphol, Chairman, called the meeting to order on Monday, September 13, 2010, at 9:00 a.m.

**Members present:** Representatives Bob Skarphol, Lois Delmore, Mark A. Dosch, Kathy Hawken, Brenda Heller, Dennis Johnson, Nancy Johnson, Joe Kroeber, Bob Martinson, Darrell D. Nottestad, Kenton Onstad, Ken Svedjan, Clark Williams; Senators Tim Flakoll, John M. Andrist, Tony S. Grindberg, Ray Holmberg, Dave Nething, David O'Connell, Larry J. Robinson, Tom Seymour

**Members absent:** Representative RaeAnn G. Kelsch; Senators Karen K. Krebsbach, Elroy N. Lindaas

**Roundtable members present:** Jon Backes, Robert Badal, John Bertel, Melissa Bonner, Dean Bresciani, Maren Daley, Kirsten Diederich, Duaine Espegard, Dave Farnsworth, David Fuller, John Girard, Shane C. Goettle, William G. Goetz, Ken Grosz, Gary Hagen, Bob Harms, Keith Hovland, Bill Isaacson, Mike Jacobs, Doyle Johannes, Robert Kelley, Wayne Kutzer, Claus Lembke, Richard McCallum, Don Morton, John Richman, Tom Ross, Grant Shaft, Steven Shirley, Larry Skogen, Richie Smith, Earl Strinden, Robert Wetsch, Deannette Piesik on behalf of Ray Nadolny, Kayla Effertz on behalf of Ron Rauschenberger

**Roundtable members absent:** Dave Batcheller, Wayne Biberdorf, Mike Bower, John Hamilton, Michael Haugen, Joe Rothschilder, Wayne Sanstead

**Others present:** Jim W. Smith, Legislative Council, Bismarck

Representative Al Carlson, member of the Legislative Management, was also in attendance.

See [Appendix A](#) for additional persons present.

**It was moved by Senator Robinson, seconded by Senator Seymour, and carried on a voice vote that the minutes of the August 16, 2010, meeting be approved as distributed.**

#### HIGHER EDUCATION ROUNDTABLE

Chairman Skarphol welcomed representatives of business, industry, the State Board of Higher Education, the institutions of higher education, and the executive branch who joined the committee for a Higher Education Roundtable discussion. He said changes may be needed to the current system of education in order for North Dakota to remain competitive with other states and countries.

Roundtable Member Backes said the roundtable is a unique process to gather information from all higher education stakeholders. He said the original roundtable members were visionary by making higher education more entrepreneurial.

Roundtable Member Goetz said the original roundtable was used to address the needs of the state. He said the North Dakota University System strategic plan is an evolving document that is used to develop priorities and initiatives for higher education. He said the use of accountability measures ensures that the University System is meeting the objectives of the strategic plan. He said the roundtable needs to set expectations for the future of higher education.

Representative Skarphol said the work of the roundtable allows the Legislative Assembly to determine what needs to be done for higher education to be successful. He said specific expectations should be developed for higher education, and the success of the University System in meeting the expectations should be measured.

Mr. Doug Johnson, Executive Director, North Dakota Council of Educational Leaders, presented information ([Appendix B](#)) regarding the activities of the North Dakota Commission on Education Improvement. He said the commission has developed recommendations for several areas of elementary and secondary education. He said the commission is recommending changes to the academic and career and technical education scholarship program to allow more students to be eligible to receive a scholarship.

Roundtable Member Farnsworth said scholarship programs should be used to encourage students to pursue careers in areas that have future workforce needs.

Senator Holmberg said the 2009 Legislative Assembly provided funding to improve student affordability. He said needs-based financial aid program funding was increased, and funding was provided to limit tuition increases at institutions.

Dr. David Longanecker, President, Western Interstate Commission for Higher Education, Boulder, Colorado, presented information ([Appendix C](#)) regarding higher education funding. He said a state higher education finance policy should focus on state goals by defining the goals, measuring progress to meet the goals, and rewarding the accomplishment of the goals. He said performance funding may provide an incentive for higher education institutions to meet the goals of the state.

Dr. Longanecker said the University System currently reports 33 performance measurements for higher education. He suggested reducing the number of measures to approximately five and refining the measures to clearly state the expectations for higher education.

In response to a question from Representative Svedjan, Dr. Longanecker said some states provide funding for higher education based on the number and type of courses included in academic programs.

In response to a question from Senator Nething, Dr. Longanecker said student performance on nationally recognized occupational examinations can be used as a measurement for performance funding; however, he said, some occupational examinations are not uniform across all states.

Mr. Mark Schneider, Vice President, American Institutes for Research, Washington, D.C., presented information ([Appendix D](#)) regarding productivity measures for higher education. He said student debt has become a concern in most states. He said North Dakota students have better student loan repayment rates and student loan default rates than the national average.

Mr. Schneider said the productivity of research faculty can be measured based upon grants received, articles published, and awards received. He said research faculty in North Dakota generally have a lower productivity rate than research faculty in other states.

In response to a question from Senator Holmberg, Mr. Schneider said the research faculty productivity data includes agricultural research programs.

The roundtable recessed for lunch at 12:15 p.m. and reconvened at 1:15 p.m.

Mr. Richard L. Petrick, higher education consultant, presented information ([Appendix E](#)) regarding performance-based funding methods. He said the state of Ohio has developed performance funding methods specifically for main universities, regional universities, and community colleges. He said the funding methods focus on issues that affect institution research, student access, student success, and workforce training.

In response to a question from Representative Svedjan, Mr. Petrick said students in Ohio that have not completed certain high school courses are not allowed to enroll at certain postsecondary institutions.

In response to a question from Senator Flakoll, Mr. Petrick said a portion of higher education funding in Ohio is distributed based on student completion rates. He said providing funding based on student completion rates has not affected the quality of education.

In response to a question from Representative Svedjan, Mr. Petrick said the Ohio higher education performance funding methods were developed in response to a directive from the Ohio Board of Regents to increase efficiency.

In response to a question from Representative Skarphol, Mr. Petrick said data used for performance

funding measures is reported by each institution. He said the data is evaluated to determine reporting accuracy.

In response to a question from Roundtable Member Hovland, Mr. Petrick said performance funding received by an institution may not always be included in an institution's future base budget calculations.

In response to a question from Representative Skarphol, Mr. Petrick said it is important for institutions to understand the process for meeting performance goals and the potential rewards. He said incentives should be substantial enough to ensure institutions will focus on meeting the goals.

In response to a question from Roundtable Member Fuller, Mr. Petrick said Ohio collects unit record data for students, faculty, and facilities. He said less data is being collected now in comparison to the amount of data collected in 1997.

Dr. Longanecker said there is a concern when an education system reports directly to a Governor or state legislature. He said it is important to have a higher education system that is perceived as being responsive to all areas of state government.

Mr. Schneider said it is important for students to understand the benefits of completing a higher education program. He said student retention, progression, and completion can be used to determine student success.

Mr. Petrick said several performance funding methods currently exist, including funding distributed based on student completion rates, student retention rates, and institution success in meeting workforce needs. He suggested the committee review existing methods to determine if any would be applicable to the needs of the state.

In response to a question from Roundtable Member Farnsworth, Dr. Longanecker said community colleges generally have a close relationship with local business and industry.

Mr. Petrick said community colleges in Ohio have an advisory committee comprised of local industry and business representatives.

In response to a question from Representative Skarphol, Roundtable Member Skogen said the Bismarck State College online education program was developed to meet the needs of local industry. He said the college collaborated with private businesses to develop program courses.

In response to a question from Roundtable Member Lembke, Dr. Longanecker said a higher education funding method was developed in Colorado that was based on providing funding to students rather than directly to institutions. He said the funding method did not produce the intended results.

In response to a question from Roundtable Member Badal, Dr. Longanecker said the adult population of the state should be considered as potential college students. He said many adults have completed college courses but have not received a degree.

Roundtable Member Kelley said it is important for students to experience a seamless transition when transferring from one higher education institution to another.

Roundtable Member Bresciani said it is important to view higher education as an economic development tool for the state.

Roundtable Member Hovland expressed concern regarding the lack of distance and online learning in elementary and secondary education. He suggested additional emphasis should be placed on entrepreneurial programs.

Roundtable Member Bertel said additional career advising for elementary and secondary students may improve college retention and completion rates.

In response to a question from Representative Skarphol, Roundtable Member Kutzer said the number of career counselors in elementary and secondary schools has increased.

Roundtable Member Morton said it is important to recruit the top-ranking students from both in the state and outside of the state. He said internships are important for student development.

Roundtable Member Isaacson said because of North Dakota's small size, changes to higher education should be easier to implement than in larger states. He said it is important to focus on the future of higher education.

Roundtable Member Girard said liberal arts are an important part of higher education. He said the quality of education also needs to be considered when reviewing the length of time a student needs to complete a higher education program.

Roundtable Member Wetsch said collaboration among institutions allows for additional efficiency in higher education.

Representative Skarphol said it is important for the Legislative Assembly to provide direction to the University System for its strategic plan. He said a vision needs to be established to guide higher education for the next 10 years. He said a commission consisting of higher education stakeholders could be used to develop recommended changes for higher education.

Roundtable Member Johannes said concern exists among the public regarding the increased funding needed for higher education.

Roundtable Member Backes said it is important to invest in higher education when resources are available.

The roundtable recessed at 4:30 p.m. and reconvened at 8:30 a.m. on Tuesday, September 14, 2010.

Chairman Skarphol called on Roundtable Member Goetz to provide information regarding the 2011-13 budget request of the University System.

Roundtable Member Goetz said many of the funding increases included in the 2011-13 biennium University System budget request are for nondiscretionary costs, such as utilities and salary increases. He said funding is also being requested to

limit tuition increases and to continue new scholarship programs implemented by the 2009 Legislative Assembly.

In response to a question from Senator Holmberg, Roundtable Member Goetz said all institutions review academic programs to determine if the programs should be continued. He said programs may be eliminated due to budget requirements.

In response to a question from Roundtable Member Wetsch, Roundtable Member Goetz said he would provide information regarding the amount of discretionary and nondiscretionary funding included in the University System budget along with historical funding amounts for each.

Senator Andrist said in addition to enhancing services, the initiatives of the University System should also be used to reduce costs. He suggested the University System provide information to the 2011 Legislative Assembly regarding ways to increase efficiency.

In response to a question from Representative Skarphol, Roundtable Member Goetz said some initiatives included in the 2011-13 University System budget request are for an information technology facility, funding for a program to address immediate workforce needs, additional funding for competitive research, and a capital construction manager for the University System.

In response to a question from Representative Dosch, Roundtable Member Goetz said past events at institutions have resulted in concerns regarding the appropriate use of funds. He said the issues have been corrected, and the focus is now on the future of the University System.

In response to a question from Representative Skarphol, Dr. Longanecker said many states are currently reducing funding for higher education. He said North Dakota is in a unique position due to its positive budget outlook. He said the state may want to review options for using available funds to develop programs for student financial aid or other initiatives.

In response to a question from Roundtable Member Harms, Dr. Longanecker said Wyoming created a scholarship fund for Wyoming students. He said the earnings of the fund are used to provide scholarships to students that attend an institution in the state. He said merit-based scholarships can be used to encourage students to remain in the state to attend college.

Representative Skarphol said open communication between the State Board of Higher Education and the Legislative Assembly is important. He said the missions of higher education institutions are different, and it is important to understand the differences among institutions.

Roundtable Member Bonner said online courses are important to students. She said current policies that require students to pay additional tuition costs for taking online courses discourage on-campus students from taking online courses.

Roundtable Member Ross said a definition of success for higher education needs to be determined. He said an investment in affordable higher education is an investment in the future of the state.

Representative Hawken said it is important to consider the results of higher education when reviewing the funding needed for higher education.

Roundtable Member Farnsworth said it is important to focus on the desired outcomes for higher education.

Representative N. Johnson said many communities have strong support for higher education. She said it is important to have career counselors in elementary and secondary education.

Roundtable Member Harms suggested future roundtable meetings include the use of small discussion groups.

Senator Nething said the first meeting of the roundtable intentionally did not include discussion regarding funding. He said many higher education initiatives are critical for the future of the state.

Representative Dosch said it is important for the University System to increase efficiency.

Representative Svedjan said an effort needs to be made to revitalize the roundtable and give it a renewed purpose. He said productivity and efficiency are important, and performance measures should be incorporated into the budgeting process.

Roundtable Member Bertel said the roundtable should provide direction for higher education, including initiatives to pursue.

Representative Delmore said consideration should be given to differences among students. She said each student has different needs, objectives, and goals. She said emphasis should also be placed on determining why students do not succeed.

Representative Skarphol said higher education is an important part of economic development for the state. He said the return on investment of higher education should be given consideration.

Roundtable Member Backes said there may be disagreements regarding the amount of funding provided to higher education, but it is important to discuss the goals for the state and for higher education.

Representative Carlson said discussion regarding higher education will be an ongoing topic. He said it is important to determine the value that can be provided by higher education.

Chairman Skarphol thanked the members of the Higher Education Roundtable for their participation and concluded the roundtable.

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

## HIGHER EDUCATION STUDY

The Legislative Council staff presented bill drafts to continue the requirement of a block grant format for the University System budget requests and appropriations [10163.0100], to extend the authority to continue unspent general fund appropriations for the

University System [10164.0100], and to extend the continuing appropriation of special revenue funds for the University System [10165.0100]. The Legislative Council staff said the bill drafts were based upon the recommendations of the 1999-2000 Higher Education Roundtable, and the authority granted in each bill draft is for a two-year period. He said the bill drafts were first enacted by the 2001 Legislative Assembly, and each subsequent Legislative Assembly has continued the authorizations.

**It was moved by Senator O'Connell, seconded by Representative Nottestad, and carried on a roll call vote that the bill drafts to continue the requirement of a block grant format for the University System budget requests and appropriations, to extend the authority to continue unspent general fund appropriations for the University System, and to extend the continuing appropriation of special revenue funds for the University System be approved and recommended to the Legislative Management.** Representatives Skarphol, Delmore, Dosch, Hawken, Heller, N. Johnson, Martinson, Nottestad, Onstad, and Svedjan and Senators Flakoll, Holmberg, Nething, O'Connell, Robinson, and Seymour voted "aye." No negative votes were cast.

Chairman Skarphol asked for comments regarding the following topics that were included in a document ([Appendix F](#)) that was distributed of potential discussion items for higher education:

1. Create a two-tiered or three-tiered higher education system for budgeting and strategic investment purposes.
2. Make the chancellor position an executive director and change the vice chancellor positions to directors.
3. Increase the emphasis on students who graduate from four-year institutions in four years.
4. Create central coordination for online courses and remove duplicative courses throughout the system.
5. Revise and update the roundtable for the next 10 years.
6. Implement zero-based budgeting.
7. Provide that the No. 1 priority of campus presidents is fundraising.
8. Increase coordination between elementary, secondary, and postsecondary education.
9. Make entrepreneurial training a priority.
10. Special effort and recognition should be given to technology transfer to the private sector and the creation of new business opportunities in the state.

Senator Robinson expressed concern that a multitiered system of higher education may reduce collaboration among institutions.

Senator Seymour suggested the State Board of Higher Education review potential options for a multitiered system of higher education and provide recommendations to the committee.

Mr. Backes said the state is best-served by the current structure for higher education that includes a chancellor as chief executive of the University System.

Representative Nottestad said it is important to have a strong chief executive for the University System to represent all institutions.

Senator Holmberg said measuring the number of students who complete a program in a certain amount of time could be used as a measure for performance funding.

Senator Flakoll said the central coordination of online courses has previously been discussed. He said many institutions use online courses as a source of revenue.

Chairman Skarphol asked for suggestions regarding future Higher Education Roundtable meetings.

Senator Nething suggested roundtable members be contacted and asked for suggestions to improve future roundtable meetings.

Mr. Bertel suggested topic areas be provided in advance for which input is being requested. He said it is important to provide information to roundtable members prior to a meeting in order for the members to become familiar with the topic areas to be discussed.

Representative Svedjan said there appears to be a desire to continue the work of the roundtable in the future.

Senator Flakoll said the Legislative Assembly may need to provide specific study topic areas for future Higher Education Committees. He said the focus of the studies should be limited to fewer topics.

Mr. Backes said the expectations of the roundtable may need to be better-defined.

Mr. Goetz distributed a copy of the University System's *2009 Accountability Measures Report* ([Appendix G](#)). He said the report contains various higher education performance measures as requested by the Legislative Assembly and the State Board of Higher Education.

Chairman Skarphol announced the next committee meeting will be October 13, 2010, in Bismarck.

The meeting was adjourned at 2:30 p.m. subject to the call of the chair.

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Brady A. Larson  
Fiscal Analyst

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Allen H. Knudson  
Legislative Budget Analyst and Auditor

ATTACH:7