

NORTH DAKOTA LEGISLATIVE MANAGEMENT
Minutes of the
HIGHER EDUCATION FUNDING COMMITTEE

Thursday, September 26, 2013
Bavendick Stateroom, National Energy Center of Excellence, Bismarck State College
Bismarck, North Dakota

Representative Mark Sanford, Chairman, called the meeting to order at 8:30 a.m.

Members present: Representatives Mark Sanford, Lois Delmore, Eliot Glassheim, Kathy Hawken, Joe Heilman, Dennis Johnson, Bob Martinson, Kylie Oversen, Clark Williams; Senators Tim Flakoll, Ray Holmberg, Larry J. Robinson

Members absent: Representatives Thomas Beadle, Mark A. Dosch, Andrew G. Maragos, Robert J. Skarphol; Senators Tony Grindberg, Karen K. Krebsbach, Carolyn C. Nelson

Others present: Mike Nathe, State Representative, Bismarck
See [Appendix A](#) for additional persons present.

It was moved by Senator Flakoll, seconded by Senator Robinson, and carried on a voice vote that the minutes of the August 6, 2013, meeting be approved as distributed.

Dr. Larry Skogen, President, Bismarck State College, presented information ([Appendix B](#)) on Bismarck State College's fall 2013 enrollment, capital projects, and business partnerships. He said the 2013 fall semester full-time equivalent (FTE) student enrollment was 2,955, and construction of a new communications and creative arts center is anticipated to start in the spring of 2014. He said Bismarck State College continues to work with business partners, including Montana Dakota Utilities, Hess, and Tesoro.

HIGHER EDUCATION STUDY

Ms. Alice Brekke, Vice President for Finance and Operations, University of North Dakota, presented information ([Appendix C](#)) on revenues and expenditures at institutions of higher education. She said the major sources of revenue are state funding, tuition, grants, and other fees. She said expenditures may be classified by type such as salaries, operations, and capital projects or by function such as instruction, student services, and physical plant. She provided examples from Bismarck State College, Minot State University, and the University of North Dakota (UND) regarding revenues, expenditures by type, and expenditures by function.

In response to a question from Representative Sanford regarding the accuracy of fund balance projections, Ms. Brekke said institutions may be able to more precisely project fund balances because the new higher education funding formula increases the predictability of funding. She said the fund balances are still subject to discrepancies from uncontrollable factors such as enrollment changes.

Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, presented information ([Appendix C](#)) on the biennial budget for the University System. She said general fund appropriations for the University System have increased by 92.6 percent since the 2007-09 biennium. She said all of the institutions are included in one appropriation bill, except for the Northern Crops Institute, the North Dakota State University (NDSU) Extension Service, and the Agricultural Experiment Station.

Senator Flakoll said 1995 Senate Bill No. 2283 provided the funds appropriated to the Northern Crops Institute, the NDSU Extension Service, and the Agricultural Experiment Station may not be commingled with funds appropriated to NDSU. He said the intent of Senate Bill No. 2283 was to preclude the University System from transferring funds from the Northern Crops Institute, the Extension Service, or the Agricultural Experiment Station to NDSU.

In response to a question from Senator Holmberg, Ms. Glatt said after the University System has distributed funds from its funding pools, the amounts are included in the appropriations to the individual institutions.

Ms. Glatt said North Dakota ranks fourth of the 50 states for its level of higher education funding from the general fund per capita. She said North Dakota ranks 11th of the 50 states for its level of higher education funding from the general fund per FTE student.

Ms. Glatt said the University System is in the process of implementing the three accountability measures recommended by the University System's Performance Funding Task Force. She said the three measures are student retention from fall to spring at the institution where the student initially enrolled, student retention from fall to fall at any institution with the University System, and the number of students awarded degrees between July 1 and June 30 of each year.

Dr. Lisa Feldner, Vice Chancellor for Information Technology and Institutional Research, North Dakota University System, presented information ([Appendix C](#)) on the recent activities of the System Information Technology Services. She said all institutions will be using a web-based budgeting system for their 2015 budgets, and instructor use of Tegrity--a video capture system for lectures--has increased 200 percent since its implementation in July 2012.

Dr. Michel Hillman, Interim Vice Chancellor for Academic and Student Affairs, North Dakota University System, presented information ([Appendix C](#)) on North Dakota University System Online and the North Dakota Higher Education Consortium for Substance Abuse Prevention. He said North Dakota University System Online has created efficiencies for students by allowing students to take classes online from multiple campuses. He said substance abuse is the biggest barrier to student success, and survey results indicate the consortium's programs are helping to reduce substance abuse at the institutions.

Dr. Gary Hagen, President, Mayville State University, Mayville, presented information ([Appendix C](#)) on efficiency improvements of campuses. He said the use of direct deposit for paychecks has decreased administrative expenses, and the new athletic conference Mayville State University has joined will decrease travel costs.

Dr. John Richman, President, North Dakota State College of Science, Wahpeton, presented information ([Appendix C](#)) on efficiency improvements of campuses. He said industry partners provide equipment for student training such as land surveying instruments, and all forms and applications are now available online.

Dr. Thomas DiLorenzo, Provost and Vice President for Academic Affairs, University of North Dakota, Grand Forks, presented information ([Appendix C](#)) on efficiency improvements of campuses. He said the university's strategic enrollment management system helps students plan and monitor their academic progress online. He said a "one-stop" service center is being developed to answer general inquiries on all topics from students.

Ms. Glatt presented information ([Appendix C](#)) on audits of the University System. She said the University System has received an unqualified audit opinion for at least the past 20 years. She said the errors identified in prior audit recommendations varied by type and by campus. She said the challenges of internal control include staff turnover, the complexity of reporting standards, and the diverse responsibilities of campus controllers. She said the University System has implemented improvements based on the audit recommendations, including employee training, policy manuals, and peer reviews.

In response to a question from Representative Martinson, Ms. Glatt said all internal auditor positions have been transferred from UND and NDSU to the University System office. She said there are currently two vacant University System internal auditor positions.

Mr. Jon Godfreed, Vice President of Government Affairs, Greater North Dakota Chamber, Bismarck, presented information ([Appendix D](#)) on the activities of the North Dakota Higher Education Partnership. He said the focus of the North Dakota Higher Education Partnership is to develop collaboration between the private sector and higher education to address the growing workforce issues in the state. He said discussion during the first meeting highlighted the need for communication between the business community and higher education and the need for higher education institutions to be flexible to respond to workforce needs.

In response to a question from Representative Sanford, Mr. Godfread said the University System should seek to attract students from out of state to meet the growing workforce needs of North Dakota businesses.

The committee recessed for lunch at 12:00 noon and reconvened at 12:30 p.m.

Ms. Tammy Dolan, Office of Management and Budget, presented information ([Appendix E](#)) on the new higher education funding formula. She said the general fund base appropriation for each institution is calculated based on the number of weighted student credit-hours, the size of the institution, the number of credit-hours completed, and the base funding amount per student credit-hour. She said the minimum base funding level that can be received by an institution is equal to 96 percent of the funding received by the institution in the previous state fiscal year.

In response to a question from Representative Delmore, Ms. Dolan said the 2013-15 biennium funding level of \$563 million is an increase of \$62 million from the 2011-13 biennium. She said the \$62 million increase includes \$39 million for inflation, \$16 million for equity adjustments in the formula, and \$6 million of other adjustments.

The Legislative Council staff distributed a memorandum entitled [Higher Education Funding Committee - Survey Results](#) summarizing the results of a survey completed by committee members relating to the prioritization of various University System accountability measures.

Mr. Larry Isaak, President, Midwestern Higher Education Compact, Minneapolis, Minnesota, presented information ([Appendix F](#)) on the current condition of postsecondary education in North Dakota and higher education accountability measures. He said 55 percent of adults between ages 25 and 64 currently have a postsecondary certificate or higher. He said industry demand for the percentage of individuals who have a postsecondary certificate or higher is projected to reach 69 percent by the year 2020. He said this projected increase may create a challenge for the University System to meet the growing workforce needs of North Dakota businesses. He said the challenges that North Dakota faces in addressing workforce needs are academic preparation, affordability, institutional effectiveness and efficiency in degree completion, and postsecondary learning. He said the committee should consider establishing a goal for the state, such as increasing the postsecondary educational attainment to a certain percentage by a specified year.

Mr. Isaak suggested identifying approximately 10 accountability measures for the University System. He said the committee members' survey responses regarding the ranking of accountability measures are similar to current trends in higher education. He said the committee should consider adding the proportion of college-bound students who demonstrate college ready achievement and the number of enrolled students requiring remedial work that continue after their first semester, first year, and second year to the list of accountability measures to be monitored.

Mr. Isaak said current research does not provide conclusive evidence on the success of performance funding. However, he said, the state of Tennessee has dedicated a significant amount of funds to performance funding, and the results have been successful.

In response to a question from Representative Sanford regarding the implementation of a plan to address higher education challenges in North Dakota, Mr. Isaak said the committee should set specific goals, determine the appropriate accountability measures, identify the actions necessary to achieve each goal, and link progress to performance funding.

OTHER BUSINESS

Dr. Kirsten Diederich, President, State Board of Higher Education, Fargo, commented on the appointment of Dr. Larry Skogen as the Interim Chancellor of the University System. She said the board is planning for the future of higher education and focusing on student success.

Dr. Larry Skogen, Interim Chancellor, North Dakota University System, presented information ([Appendix G](#)) on the Pathways to Student Success Plan and the status of distributions from funding pools appropriated to the University System. He said the State Board of Higher Education is reviewing the proposed indexed admissions criteria of the Pathways to Student Success Plan, including the use of ACT scores. He said institution admissions criteria and the higher education funding model need to be data driven.

Representative Martinson suggested members of the State Board of Higher Education present information to the committee at its next meeting on the Pathways to Student Success Plan, including the justification and rationale for implementing the plan. He also suggested the committee receive comments from the institution presidents at a future meeting regarding the Pathways to Student Success Plan and potential benefits and consequences of implementing it.

Dr. Skogen said the State Board of Higher Education has approved \$5 million of allocations from the deferred maintenance funding pool to institutions. He said the remaining \$5 million will be allocated after the completion of the University System's master plan and space utilization study.

In response to a question from Senator Holmberg, Mr. James Foertsch, Vice President for Business Services, Williston State College, Williston, said the Stevens Hall project will continue with the reduction in scope approved by the State Board of Higher Education and Budget Section.

COMMITTEE DISCUSSION

Representative Glassheim distributed information ([Appendix H](#)) on the University System's revenue by source, FTE compensation by type of employee, and average faculty salaries compared to the national average. He said the state provides approximately 30 percent of the revenue for the institutions. He said administrators' earnings comprise approximately 8 percent of all FTE compensation. He said the average faculty salary is approximately 90 percent of the national average.

Major Goals for the University System

Representative Glassheim distributed the following outline ([Appendix I](#)) summarizing the results of the accountability measure survey completed by committee members:

1. Quality product.
 - a. Academic standards met (judged by professors).
 - b. Quality of graduates (judged by employers).
 - c. Quality of graduates (judged by national tests, licensure pass rates).
2. Long-term character traits.
 - a. Ethical people.
 - b. Civic leaders and good citizens.
 - c. Analytical and problem-solving skills (habits).
 - d. Broadening understanding of world.
 - e. Adaptability to change.
 - f. Alumni-reported satisfaction.
3. Attention to student success.
 - a. Student satisfaction.
 - b. Certificates and degrees awarded.
 - c. Graduation rates.
 - d. Retention rates.
 - e. Successful developmental improvement.
4. Cost and value.
 - a. Affordability (average debt, tuition rate increases compared with regional peers).
 - b. Administrative costs per credit-hour.
 - c. Cumulative debt of graduates.
 - d. Earning potential of graduates.

- e. Job placement of graduates.
- 5. Payback to the state.
 - a. Retention of graduates of the state.
 - b. Employment rate of recent graduates.
 - c. Responsiveness to workforce heads.
 - d. Percent of people with postsecondary degrees.

Chairman Sanford said the next meeting of the committee is tentatively scheduled for Wednesday, November 20, 2013, in Valley City.

No further business appearing, Chairman Sanford adjourned the meeting at 3:20 p.m.

Adam Mathiak
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:9