

## NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

**HIGHER EDUCATION FUNDING COMMITTEE**

Tuesday and Wednesday, June 3-4, 2014

Gransberg Community Room, Gorecki Alumni Center, University of North Dakota  
Grand Forks, North Dakota

Representative Mark Sanford, Chairman, called the meeting to order at 1:00 p.m.

**Members present:** Representatives Mark Sanford, Thomas Beadle, Lois Delmore, Mark A. Dosch, Eliot Glassheim, Joe Heilman, Dennis Johnson, Andrew G. Maragos, Bob Martinson, Kylie Oversen, Clark Williams; Senators Tim Flakoll, Tony Grindberg, Ray Holmberg, Karen K. Krebsbach, Carolyn C. Nelson, Larry J. Robinson

**Members absent:** Representatives Kathy Hawken, Robert J. Skarphol

**Others present:** Howard C. Anderson, Jr., State Senator, Turtle Lake  
David Monson, State Representative, Osnabrock  
See [Appendix A](#) for additional persons present.

**It was moved by Senator Krebsbach, seconded by Representative Maragos, and carried on a voice vote that the minutes of the April 22, 2014, meeting be approved as distributed.**

**UNIVERSITY OF NORTH DAKOTA SCHOOL OF MEDICINE AND HEALTH SCIENCES**

Dr. Joshua Wynne, Dean, University of North Dakota School of Medicine and Health Sciences, Grand Forks, and Mr. David Molmen, Chairman, University of North Dakota School of Medicine and Health Sciences Advisory Council, Grand Forks, presented an update on the status of the advisory council report regarding the strategic plan, programs, and facilities of the school and an update on the new University of North Dakota School of Medicine and Health Sciences facility ([Appendix B](#)). Mr. Molmen said the 2011 report of the advisory council determined there was a need for additional health care providers in the state. He said the health care workforce initiative was developed to increase the number of health care providers in the state and to improve the delivery of health care.

Dr. Wynne said the School of Medicine received funding from the Legislative Assembly to begin implementing the health care workforce initiative. He said the initiative provides for the School of Medicine class size to increase by 16 students per year, to have 30 additional health sciences students per year, and to have 17 additional medical resident positions available per year. He said the school will be requesting funding from the 64<sup>th</sup> Legislative Assembly to continue implementing the health care workforce initiative.

Dr. Wynne provided an update on the new School of Medicine facility. He said the facility will be located in the northeast corner of the campus and will consist of 325,446 square feet of learning and support space on four floors. He said the building structure will begin to be constructed in June 2014, and the facility is estimated to be complete by June 2016.

In response to a question from Senator Robinson, Dr. Wynne said the health sciences programs include occupational therapy, physical therapy, public health, physician assistant, and medical laboratory programs.

In response to a question from Senator Grindberg, Dr. Wynne said some health sciences programs, such as occupational therapy, have service learning requirements. He said students are required to volunteer to provide services in the community which allow students to gain experience in their field of study.

**HIGHER EDUCATION STUDY****North Dakota State University Agreement With the Sanford College of Nursing**

Dr. Kirsten Diederich, President, State Board of Higher Education, Fargo, presented information ([Appendix C](#)) regarding the agreement to integrate the Bismarck Sanford College of Nursing into North Dakota State University (NDSU). She said the State Board of Higher Education was informed at a meeting in November 2013 of discussions between NDSU and Sanford Health regarding the Bismarck Sanford College of Nursing. She said on March 27, 2014, the State Board of Higher Education approved a five-year agreement to integrate the Sanford College of Nursing into NDSU. She said the agreement includes two optional five-year renewal periods.

Dr. Diederich said the agreement does not provide a financial bailout for Sanford Health. She said NDSU will not need specific general fund appropriations for the operations of the nursing college. She said any program funding shortfalls will be addressed through internal reallocations at NDSU. She said Sanford Health will provide a cash payment to NDSU for college operations during the first three years of the agreement. She said NDSU will lease the existing Sanford College of Nursing facilities for \$1 per year for the first three years of the agreement and for \$20 per square foot for the final two years of the agreement. She said the program will be named NDSU Nursing at Sanford Health for at least 15 years.

Dr. Diederich said the State Board of Higher Education has the constitutional authority to manage the operations of public higher education institutions in the state. She said decisions to expand programs are the responsibility of the board. She said the system could experience program accreditation issues if the Legislative Assembly is involved in decisions on institution programs.

In response to a question from Representative Martinson, Mr. John M. Olson, General Counsel, Sanford West, said the Sanford College of Nursing was notified that changes were needed to the college's governance structure in order to remain accredited. He said Sanford Health reviewed options to remain accredited, including changes to the college's governance structure and partnering with an academic institution. He said the primary focus of Sanford Health is health care delivery and not nursing education.

In response to a question from Representative Martinson regarding the North Dakota University System strategic plan, Dr. Diederich said the State Board of Higher Education had not formally discussed establishing a nursing program in Bismarck, and the University System strategic plan does not address the issue. She said NDSU was presented with the opportunity to take over a nursing program in Bismarck, and the board felt it was an appropriate opportunity to pursue.

In response to a question from Representative Martinson, Mr. Christopher Wilson, General Counsel, North Dakota University System, Fargo, said the agreement provides for Sanford Health to provide program support during the first three years of the agreement through operations payments and minimal lease costs for program facilities. He said the program support is intended to assist in program costs until the program receives state funding through the higher education funding formula.

Representative Martinson said at the March 27, 2014, State Board of Higher Education meeting, a representative of NDSU said board approval was not needed for the agreement. Dr. Diederich said board approval is needed to add or terminate an academic program. She said the agreement was signed by representatives of NDSU prior to the board meeting but was contingent upon board approval.

Representative Martinson said the agreement will require approximately \$1 million of additional funding beginning with year 4 of the agreement. He expressed concern that approval was provided for the agreement even though NDSU has claimed its current funding levels are not adequate.

In response to a question from Senator Flakoll, Mr. Olson said the Bismarck Sanford Health Board approved the agreement on March 6, 2014.

Senator Holmberg said the State Board of Higher Education has recently increased tuition rates rather than internally reallocate funds at institutions for increased program costs. He questioned if internally reallocating funds instead of increasing tuition is a new policy for the board.

Dr. Diederich said it is currently unknown how much funding will be provided through the higher education funding formula for the nursing program. She said NDSU offered to internally reallocate funds if needed.

Ms. Cynthia Rott, Budget Director, North Dakota State University, Fargo, said the estimated funding needed for future program costs was based on the best information available when making the projections. She said institutions will often internally reallocate funds to other programs when needed.

Senator Holmberg said the Legislative Assembly will need to be very specific in defining what costs are to be covered by the higher education funding formula.

Representative Dosch said it is misleading to indicate that no additional state funding will be requested to operate the nursing program. He said the program will receive funding through the higher education funding formula which determines state general fund support.

Dr. Diederich said additional state funding is required to expand a program regardless of whether a program is expanded at a campus or at an offsite location. She said the goal of the agreement is to meet the workforce needs of the state.

Representative Dosch expressed concern regarding certain provisions of the agreement favoring Sanford Health, such as naming rights for the program for 15 years.

Mr. Wilson said Sanford Health is providing over \$2 million in subsidies to NDSU through the agreement. He said NDSU could have either expanded its existing nursing program on its campus or assumed an existing program. He said NDSU decided to assume an existing program in Bismarck in part due to the workforce demands for nurses in the western part of the state.

In response to a question from Representative Dosch, Mr. Wilson said the agreement provides for Sanford Health to provide clinical training opportunities to students in the program.

Representative Dosch expressed concern that the State Board of Higher Education has approved an agreement that appears to favor one private business over other businesses.

In response to a question from Senator Grindberg, Mr. Olson said recent changes in accreditation standards affected the Sanford College of Nursing when acquired by Sanford Health. He said accreditation standards require an autonomous governing board for education institutions. He said Sanford Health would have been required to create a separate entity to govern the College of Nursing.

Mr. Olson distributed a letter ([Appendix D](#)) from Dr. Craig Lambrecht, President, Sanford Health Bismarck, regarding the agreement and workforce demands for nurses.

Chairman Sanford said the agreement appears to have been rushed, and several issues were not fully addressed. He questioned how the agreement fits into the board's strategic planning process and how the agreement will affect future tuition rates. He said it does not appear that NDSU fully reviewed the faculty members who will become NDSU employees to determine if they meet institution employment requirements. He said the agreement will not result in any additional nursing student positions, and the only thing that is changing is that the state will be responsible for the students in the Sanford College of Nursing rather than Sanford Health. He also questioned who will be responsible for facility maintenance costs.

In response to a question from Representative Glassheim, Dr. Diederich said the Sanford College of Nursing may have been forced to close due to accreditation issues. She said the agreement allows the program to continue which prevents the loss of nursing student positions.

Dr. Carla Gross, Associate Dean, Nursing Program, North Dakota State University, Fargo, said the agreement provides preference for clinical training opportunities for students in the program. She said the institution normally has to negotiate for clinical training opportunities for students.

### **Institution Financial Review**

Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, presented a financial review report ([Appendix E](#)) of University System institutions. She said the report provides a historical comparison of institution financial information using several key ratios. She reviewed the composite financial ratio for each institution and provided a summary of financial position at each institution.

In response to a question from Senator Holmberg, Ms. Glatt said Dickinson State University is developing a plan to address financial issues at the institution. She said the institution will submit the plan to the University System office, and it will be reviewed by the State Board of Higher Education Budget and Finance Committee.

### **COMMITTEE TOUR**

The committee conducted a tour of the joint Information Technologies Building on the campus of the University of North Dakota. The 2011 Legislative Assembly provided a \$12.5 million general fund appropriation for the project.

The committee recessed at 5:00 p.m. and reconvened at 8:30 a.m. on Wednesday, June 4, 2014.

### **HIGHER EDUCATION STUDY**

#### **Campus Master Plan and Space Utilization Study**

Mr. Dan Paulien, President, and Mr. Frank Markley, Principal, Paulien & Associates, Inc., Denver, Colorado, and Mr. Peter Scanlon, Vice President of Professional Services, VFA, Inc., Boston, Massachusetts, presented an

update ([Appendix F](#)) on the development of the University System campus master plan and space utilization study. Mr. Paulien said the study reviewed projected demographic changes in all regions of the state to determine future enrollments at institutions. He said the headcount enrollment of the University System is expected to increase from the current level of 48,000 students to more than 60,000 students by 2025.

Mr. Markley said the study review projected workforce needs in various regions of the state. He said most future job openings in the state will require some form of education. He said job categories with the highest projected demand vary by each region in the state.

Mr. Scanlon reviewed capital project needs at institutions ranked by condition. He said the heating plants at Valley City State University and NDSU are in need of repair. He said several academic buildings at institutions also need immediate repairs.

In response to a question from Senator Robinson, Mr. Scanlon said the facility needs costs included in the study are based on current project prices adjusted for geographic location cost factors.

In response to a question from Senator Flakoll, Mr. Paulien said sufficient information was not available to review classroom utilization levels. He said the study suggests a space utilization study be conducted to determine the appropriate amounts of classroom, laboratory, and office space at each institution.

In response to a question from Chairman Sanford, Mr. Rick Tonder, Director of Facility Planning, North Dakota University System, Grand Forks, said the University System has software to assist in the collection of data for a classroom utilization review. However, he said, there may not be enough staff resources available to analyze the data.

In response to a question from Chairman Sanford, Mr. Paulien said the study assumed the use of distance education delivery methods would increase at a proportional rate to overall student enrollment increases.

In response to a question from Senator Holmberg, Mr. Paulien said the University System should review the use of extraordinary repairs funding to pay special assessments and the potential for a separate funding allocation for special assessments. He said using the funding for special assessments reduces the amount of funding available for repairs to campus facilities.

Mr. Tonder presented information ([Appendix G](#)) regarding recent bids received for capital projects at University System institutions. He said bids have generally been higher than project estimates for capital projects.

### **Higher Education Funding Formula**

Ms. Tammy Dolan, Budget Analyst, Office of Management and Budget, presented information ([Appendix H](#)) regarding the higher education funding formula. She said the preliminary calculations for the 2011-13 biennium indicate there were 7,284,976 adjusted student credit-hours completed at institutions. She said this amount represents an increase of 437,657 adjusted student credits from the 2009-11 biennium. However, she said, the biennial full-time equivalent (FTE) enrollment decreased by 959 students from the 2009-11 biennium to the 2011-13 biennium.

Ms. Dolan said funding was provided by the 2013 Legislative Assembly for specific campus security, energy impact, and flood recovery needs. She said adjusting the funding formula to include these campus-specific items can have a significant impact on future funding calculations.

Chairman Sanford said it may not be appropriate to include funding for energy impact and flood recovery in the base calculations of the funding formula. He said it may be more appropriate to keep the funding separate from the funding formula.

Senator Krebsbach expressed concern regarding the removal of energy and flood impact funding from the funding formula.

Chairman Sanford said the affected institutions could continue to receive the same amount of funding for energy and flood impacts. However, he said, it would be separate from the funding formula.

Senator Flakoll said it is important to know how changes to the funding formula will affect tuition rates at institutions.

Representative Johnson said security funding should be included in base funding calculations, but there should be consistency among the institutions.

Chairman Sanford asked Ms. Dolan to provide information at a future meeting regarding options to provide consistent security funding for all campuses.

Chairman Sanford said there was a request for discussion at a previous meeting regarding options to provide deferred maintenance funding through the funding formula.

Senator Grindberg said funding for deferred maintenance should be directed for specific campus needs. He said it may not be appropriate to distribute the funding through the funding formula.

Senator Flakoll said consistent deferred maintenance funding levels are important to allow institutions to plan for future projects.

Senator Robinson suggested providing deferred maintenance funding to campuses separate from the higher education funding formula. He said the Legislative Assembly can revisit the issue in the future to determine if it is appropriate at that time to provide deferred maintenance funding through the funding formula.

### **Student Affordability**

Chairman Sanford said there was a request at a previous committee meeting to discuss student affordability. He said one issue that was previously noted is that tuition at University System two-year institutions is higher than the regional average.

Senator Holmberg said tuition at two-year institutions should be less than or comparable to tuition in regional states. He said the Legislative Assembly needs to be clear regarding expectations for tuition rate increases.

Senator Robinson said tuition rates in general should be affordable at all institutions.

Senator Flakoll said the tuition rates at University System two-year institutions may be causing North Dakota students to attend two-year institutions in other states. He suggested the committee receive information regarding which out-of-state two-year institutions North Dakota students are attending.

Chairman Sanford asked the Legislative Council staff to prepare information regarding costs to limit tuition rate increases at two-year institutions during the 2015-17 biennium.

Representative Oversen suggested the committee also receive information regarding costs to limit tuition rate increases at four-year institutions during the 2015-17 biennium.

### **Higher Education Performance Funding Pool**

At the request of Chairman Sanford, Dr. Larry Skogen, Interim Chancellor, North Dakota University System, provided comments regarding the higher education performance funding pool. He said the Legislative Assembly appropriated \$5 million from the general fund to the University System for performance funding distributions to institutions during the 2013-15 biennium. He said the University System is reviewing options to distribute a portion of the funding to an institution for a predictive analytics pilot program. He said predictive analytics can be used to identify student risk factors, which would allow students to receive assistance when needed. He said predictive analytics can improve student retention and completion rates.

In response to a question from Senator Holmberg, the Legislative Council staff said 2013 Senate Bill No. 2003 requires the performance funding pool to be distributed to institutions based on the institution meeting specified goals or other performance measures as determined by the State Board of Higher Education.

Representative Glassheim expressed concern with allocating money based on measures such as retention and graduation rates. He said institutions need to understand unique student needs which affect student success. He said the purpose of college is about learning and knowledge, and many aspects of a successful college education cannot be measured.

Representative Martinson said institutions need to be rewarded for doing better than expected and not for doing what each institution should already be doing. He said some institutions may try to manipulate data in order to receive performance funding.

In response to a question from Representative Maragos, Dr. Skogen said the University System previously identified three performance measures for institutions. He said the measures are fall to spring semester student retention, fall semester to the following fall semester student retention, and student completion.

Representative Oversen said retention and completion rates do not always reward the efforts of staff members, such as student affairs staff, that assist students.

In response to a question from Representative Martinson, Dr. Skogen said the predictive analytics program would cost approximately \$2.5 million.

Representative Martinson said he does not support the use of the performance funding pool for a predictive analytics program. He expressed concern that half of the performance funding would be used to determine where the funding should be distributed. He said the funding may be better utilized by institutions for other purposes, such as addressing deferred maintenance needs.

Senator Flakoll said he is not opposed to the University System using a predictive analytics program. However, he said, the performance funding pool should be allocated to institutions to reward outcomes.

Senator Grindberg said it may be more appropriate for the University System to present the predictive analytics program proposal to the 64<sup>th</sup> Legislative Assembly for possible funding.

### **POSTSECONDARY ACADEMIC MATCHING GRANTS**

Lt. Governor Drew Wrigley presented an update regarding the award of postsecondary academic matching grants as authorized in Senate Bill No. 2003. He said the Legislative Assembly appropriated \$29 million from the general fund to award grants to institutions to match private donations. He said the grant review committee developed rules and provisions for the distribution of the grants. He said grants can be provided for investments in scholarships, technology, research, endowed chairs, and educational infrastructure.

Lt. Governor Wrigley said the grant program has helped institutions that have not traditionally had strong fundraising programs. He said the grant review committee has met eight times, and six institutions have received grant funds totaling \$6.7 million. He said the committee has denied some requests due to the requests not complying with program guidelines.

Ms. DeAnna Carlson Zink, Executive Vice President and Chief Executive Officer, University of North Dakota Alumni Association and Foundation, Grand Forks, provided comments regarding the grant program. She said donors are eager to partner with the state on projects. She said the institution has received grants for 56 projects totaling \$3.1 million. She said 40 donations have been received for endowed scholarships which help alleviate the financial impact of attending college.

Mr. Marv Semrau, Vice President for Advancement, Minot State University, Minot, provided comments regarding the grant program. He said the grant program has allowed the institution to achieve record fundraising levels. He said more than half of the funds donated to the college for the grant program have come from out-of-state donors.

Ms. Laurel Goulding, Vice President for Advancement, Lake Region State College, Devils Lake, provided comments regarding the grant program. She said the program has helped smaller institutions with fundraising efforts. She said the program has resulted in a significant increase in donations made to the institution for endowments.

### **OTHER BUSINESS**

Chairman Sanford called on Dr. John Richman, President, North Dakota State College of Science, Wahpeton, for comments regarding dual-credit courses. Dr. Richman said there is an increasing number of high school students enrolling in dual-credit courses. He said a predictor of student success in college is if a student enrolled in a dual-credit course in high school. He suggested the committee review options to reduce the cost for a student to enroll in a dual-credit course.

In response to a question from Senator Flakoll, Dr. Richman said a dual-credit course is a college course that high schools accept for high school credit. He said for college purposes, a dual-credit course is treated the same as any other college course.

In response to a question from Senator Nelson, Dr. Richman said some dual-credit course students may be eligible for a tuition waiver if the student is a dependent of an institution employee.

Chairman Sanford asked the Legislative Council staff to work with Dr. Richman to develop options to reduce dual-credit course costs.

Senator Flakoll suggested the committee also receive information regarding options to reduce costs for advanced placement courses. He said the committee should also consider the tuition costs that are saved by students who take dual-credit or advanced placement courses in high school.

Representative Oversen suggested the committee receive information regarding current programs that provide tuition assistance to students enrolled in dual-credit or advanced placement courses.

Senator Nelson suggested the committee receive information regarding how dual-credit and advanced placement courses affect a student's ability to receive scholarships.

The Legislative Council staff distributed a bill draft [[15.0127.01000](#)] regarding the regulation of private postsecondary institutions. Chairman Sanford said the committee will consider the bill draft at the next committee meeting.

Representative Delmore suggested the committee receive additional information regarding penalties for violating private postsecondary institution statutes.

Chairman Sanford announced the committee is tentatively scheduled to meet next on Tuesday, July 22, 2014.

No further business appearing, Chairman Sanford adjourned the meeting at 12:05 p.m.

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Brady A. Larson  
Assistant Legislative Budget Analyst and Auditor

ATTACH:8