

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

HIGHER EDUCATION COMMITTEE

Wednesday, June 30, 1999
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator David E. Nething, Chairman, called the organizational meeting of the committee to order at 9:00 a.m.

Members present: Senators David E. Nething, Tim Flakoll, Tony Grindberg, Ed Kringstad, Elroy N. Lindaas, Ken Solberg, Rod St. Aubyn, Steve Tomac, Rich Wardner; Representatives Ole Aarsvold, Al Carlson, Eliot Glassheim, Nancy Johnson, Myron Koppang, Ed Lloyd, Andrew G. Maragos, Bob Stefanowicz, Gerald O. Sveen

Members absent: Senator Ray Holmberg; Representatives Jack Dalrymple, Janet Wentz

Others present: See Appendix A

Chairman Nething said that Representative Ed Lloyd would serve as vice chairman of the Higher Education Committee.

Chairman Nething commented on the higher education and Division of Independent Study responsibilities assigned to the committee. He said the committee would study the higher education system as a whole and would not focus on developing budgets for the institutions or the University System. He said the focus would be on the funding methodology. He discussed and reviewed relevant portions of the 1986 Bush Foundation higher education study that included references to the need for a shared vision for higher education in North Dakota, public policy offering no final solutions to higher education issues, changes needed to higher education in North Dakota or the quality would be at risk, the necessity of a coordinated effort to shape the future of higher education, North Dakota requiring a true state system of higher education, and the necessity of leadership which can be accomplished by forming coalitions that include public input and education. He said the University System was created in 1989 and has resulted in many developments, including the IVAN system, common course numbering, uniform class system, and uniform semesters and institutional school calendars.

Chairman Nething said the study would focus on the future of higher education and would address areas including funding methodology, technology, funding equity issues, and accountability and flexibility.

HIGHER EDUCATION FUNDING STUDY

The Legislative Council staff presented a memorandum entitled *Higher Education Funding - Background Memorandum*. This memorandum provides information regarding the study responsibilities of the Higher Education Committee relating to higher education funding that include soliciting input to identify the expectations of the North Dakota University System in the 21st century, the funding methodology needed to meet these expectations, and an appropriate accountability and reporting system. In addition, the committee is assigned, pursuant to North Dakota Century Code Section 15-10-14.2, the responsibility to receive reports from the State Board of Higher Education with respect to the status of the University System in meeting its goals and objectives. The memorandum provides background information regarding the funding of higher education, provisions contained in 1999 House Bill No. 1003, 1999 Legislative Assembly related legislation, the North Dakota University System strategic plan for 1998-2004, and previous Legislative Council studies.

Mr. Larry Isaak, Chancellor, North Dakota University System, presented information regarding the committee's study of higher education funding, including the Bush Foundation study report and the system's six-year strategic plan. A copy of the information is on file in the Legislative Council office. Mr. Isaak said the recommendations of the Higher Education Committee will be among the most important decisions to be made to date regarding higher education in North Dakota. He said it is critical that the state have a common vision for the University System, and he looks forward to the possibility of arriving at a common vision. He said the study should identify the expectations, and once they have been defined and agreed upon a consensus should be developed as to how to meet those expectations. He said in addition a list of accountability factors should be developed. A copy of Mr. Isaak's comments are attached as Appendix B.

Mr. Isaak reviewed provisions of the University System's 1998 six-year plan and other State Board of Higher Education initiatives. Mr. Isaak also discussed the *Partners for Progress The Next Steps* report prepared in April 1997.

Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, presented information regarding the status of the system's implementation of the 1999-2001 legislative appropriations, a copy of which is on file in the Legislative Council office. Ms. Glatt discussed the system's salary increase policy, the allocation of the critical salary pool, the allocation of the equity and special needs funding pool, the allocation of the technology funding pool, the establishment of tuition rates for the 1999-2000 school year, and other issues.

Dr. Mike Hillman, Vice Chancellor for Academic Affairs, North Dakota University System, provided information regarding the Midwestern Higher Education Commission, a copy of which is on file in the Legislative Council office. Dr. Hillman reviewed the purpose of the commission, member states, and North Dakota's commissioners. He said, as provided for in 1999 House Bill No. 1003, North Dakota will join the commission but will not participate for at least two years in the midwestern student exchange program.

Ms. Jeanette Satrom, President, State Board of Higher Education, Oriska, said she welcomes the study of higher education funding and said a broad-based study approach is an appropriate way to proceed. She said the board's July 1999 retreat will be devoted to expectations relating to a North Dakota University System for the 21st century. She offered the board's assistance to the committee and thanked the committee for its effort.

Mr. Jess Cooper, Greater North Dakota Association, Bismarck, discussed the Greater North Dakota Association's efforts in the Vision 2000 and the Work Force Development and Training Task Force and offered any assistance necessary to the Higher Education Committee in its study.

Mr. Cooper introduced Mr. William Marcil, Forum Communications, Fargo, who discussed the Vision 2000 committee process and the need to involve "stakeholders" in developing the expectations of the North Dakota University System. He said the state's goals should include a higher education system of excellence, should be developed anticipating future needs, and should be developed in partnership. He said for the study to be effective, it will need the support of all participants, including the Governor, the Board of Higher Education, the business sector, the legislature, students, faculty, and economic development leaders. Mr. Marcil distributed a document identifying the human capital and the need to create a compact for education excellence in North Dakota, a copy of which is on file in the Legislative Council office.

Mr. Dennis Johnson, Chairman and Chief Executive Officer, TMI System Design Corporation, Dickinson, provided testimony regarding the higher education funding study, a copy of which is on file in the Legislative Council office. Mr. Johnson's testimony included the identification of future trends and

issues that North Dakota must address, the need for more customized training, and the need for vocational and technical education and training, with two-year associate degrees accessible in all areas of the state.

Mr. William Goetz, Chief of Staff, Governor's office, provided testimony regarding the committee's study of higher education funding. He said the study represents a challenge to the Higher Education Committee and the citizens of North Dakota. He said the Governor has pledged his support for the study and views it as a continuation of the message he sent in his budget development process for the 1999-2001 biennium. He said the timing is appropriate for a study of higher education funding. He said the study needs to challenge the participants to be strategic and to set aside community and legislative district interests, to call upon "investors" to be sure that the interests of the people are represented, and to provide for the strategic communication of information and findings. He said the "investors" need to be accountable and credible to have a finished product that is acceptable to the citizens of North Dakota.

The Legislative Council staff distributed and discussed a memorandum entitled *Higher Education Funding - Study Plan*.

Senator Grindberg suggested that the study plan include information on other states' comparisons, including Nebraska, and the possibility of faculty endowments to be used for special salary increases for faculty.

Senator Tomac suggested the funding study include a review of the methodology for faculty compensation and a comparison with industry positions as well as other institutions of higher education.

It was moved by Senator St. Aubyn, seconded by Senator Flakoll, and carried on a roll call vote that the committee approve the higher education study plan as submitted, including the references to other states' comparisons, faculty endowments, and faculty salary comparisons. Senators Nething, Flakoll, Grindberg, Kringstad, Lindaas, Solberg, St. Aubyn, Tomac, and Wardner and Representatives Aarsvold, Carlson, Glassheim, Johnson, Koppang, Lloyd, Stefonowicz, and Sveen voted "aye." No negative votes were cast.

Chairman Nething said he plans to use a "roundtable study" approach that would include extending invitations to the private sector, State Board of Higher Education, higher education campuses, and labor representatives for two roundtable meetings. He said the first meeting will be held in Jamestown in September 1999 and will include presenters on various subjects and a facilitator to help identify areas for task forces to review. He said approximately five task forces will then be formed. The task force membership will include Higher Education Committee members and others, and the task forces will have responsibilities in specific subject areas. He said each of the task forces will be chaired by a member of

the Higher Education Committee and will complete the assigned work for presentation to a roundtable meeting in the spring of 2000. He said the roundtable recommendations will then be presented to the Higher Education Committee for its action and legislation if necessary. He said the end product should be reflective of the vision of the people of North Dakota.

The committee recessed at 12:15 p.m. and reconvened at 1:15 p.m.

Chairman Nething said members of the Higher Education Committee would also have budget tour responsibilities of state institutions that will be conducted as part of the committee's meetings.

DIVISION OF INDEPENDENT STUDY

The Legislative Council staff presented a memorandum entitled *Division of Independent Study - Background Memorandum*. The committee's responsibility is to study the role, mission, operation, and privatization of the Division of Independent Study, including educational services provided by the division to out-of-state students. The background memorandum summarizes the funding provided for the Division of Independent Study and the related statutory provisions. The memorandum indicates that the Division of Independent Study has three major divisions--the Independent Study Center, the North Dakota Learning Resource Center, and the Curriculum Leadership and Improvement Unit. The memorandum also provides information regarding course and student enrollments, revenue collections, student fees, and staffing. The memorandum includes a proposed study outline of the Division of Independent Study.

Mr. Neil Howe, Director of Education, Division of Independent Study, Fargo, provided testimony regarding the committee's study of the Division of Independent Study, a copy of which is on file in the Legislative Council office. Mr. Howe discussed the history of the Division of Independent Study and recent course expansions. He said the division offers its courses to students in the traditional print-based correspondence format and through on-line courses on the World Wide Web. He said the division is involved in three distance education initiatives and its future plans include the conversion of the remaining 132 print-based courses to on-line courses, development of fourth and fifth grade curricula, rewriting courses to meet North Dakota subject area content standards, the introduction of appropriate delivery systems as new technologies are introduced, the writing and offering of an advanced placement human geography on-line course, and collaboration with the state University System in the development of dual enrollment courses. He said each biennium the legislature has asked the division to generate more funds from fee collections and out-of-state student collections. He said for the 1998-99 fiscal year, the division had \$1.9 million of other funds including \$286,000 of resident student fees and nonresident fees of

\$1.6 million. He said the funding breakdown for the Division of Independent Study for fiscal year 1999 is resident fee revenue - 13 percent, general fund appropriation - 18 percent, and nonresident fee revenue - 69 percent. He said the division does not support the idea of privatization as privatization will lead to excessive fees charged to North Dakota students because out-of-state enrollments will drop as the school loses the creditability it now has as a state institution. He said the school is a nationally recognized school and offers immense potential for North Dakota students of the future. He said it could be the savior of the small but necessary North Dakota schools.

In response to questions from Senator Flakoll, Mr. Howe said the nonresident tuition rate was increased by \$8, from \$65 to \$73, following the 1997 Legislative Assembly. This rate is \$12 more per one-half credit than resident rates. He said as a result the division received complaints and course enrollments were reduced from 9,600 to 9,200. He said no fee increases are planned for the 1999-2001 biennium. He said Alaska, which has approximately 1,660 students enrolled at the Division of Independent Study, participates heavily because of its isolation and its history in the use of distance education. He said representatives of the division attended a conference in 1991 in Anchorage, Alaska, which resulted in expanded Alaska participation in the Division of Independent Study courses.

In response to a question from Senator Nething, Mr. Howe said 83 students graduated from the Division of Independent Study for the 1997-98 school year, and 125 students graduated for the 1998-99 school year.

In response to questions from Senator Lindaas, Mr. Howe said the Division of Independent Study is an attraction to out-of-state students because it provides sound, challenging courses, can provide a high school diploma, and has a wide variety of course offerings.

In response to a question from Representative Sveen, Mr. Howe said students have one year to complete a correspondence course but can extend the course for an additional year with a \$30 payment.

In response to a question from Representative Aarsvold, Mr. Howe said high schools in North Dakota accept student credits received through the Division of Independent Study while some states such as Florida are somewhat reluctant to accept the coursework. He said the states of Utah, Florida, and Wisconsin require a review and approval of the coursework prior to acceptance of the credits.

In response to a question from Representative Stefonowicz, Mr. Howe said the average number of courses taken by a student through the Division of Independent Study is 1.6. He said the average number of courses for out-of-state students should not vary from that of a North Dakota student.

In response to a question from Representative Lloyd regarding the issue of privatization, Mr. Howe said that the state currently provides a facility and its costs that would have to be recovered by student fees if privatized, which could result in a substantial increase in fees for coursework.

In response to a question from Senator Solberg regarding the agency's delayed response to the Information Services Division regarding Y2K compliance, Mr. Howe said he was unsure of the status of the division's response but believes the Division of Independent Study's system is Y2K compliant.

In response to a question from Representative Koppang, Mr. Howe said the division must compete for students and the major competition is from the University of Nebraska in Lincoln. He said the university recently received a \$50 million grant from the federal government for on-line course development. He said North Dakota is the leader in the nation in on-line independent study courses with 35 and plans to seek grant funding to accelerate the development of on-line courses.

In response to questions from Representative Carlson, Mr. Howe said curriculum information is shared with school districts and a catalog is developed each year that is provided to each school district in the state. He said in situations where a small school is unable to offer a course and numerous students receive the course credit through the Division of Independent Study, the school district may pay for the cost of the coursework. He said in other cases the student may pay for the cost of the course, and the school district may reimburse the student upon completion of the coursework. He said for an average day each Division of Independent Study teacher has approximately 120 lessons to evaluate.

Dr. Wayne Sanstead, Superintendent, Department of Public Instruction, commented regarding the Division of Independent Study. He said he was glad the study was to be conducted and said it comes at a critical time as the director of the Division of

Independent Study, Mr. Robert Stone, is retiring and because teacher supply is a major concern in North Dakota. He said the Department of Public Instruction is exploring the possibility of providing the Division of Independent Study services at the Job Corps facility in Minot.

In response to a question from Representative Johnson, Mr. Howe said all 29 of the independent study organizations in the United States are public and all are university-related except for the North Dakota Division of Independent Study. He said one private school, the American School in Chicago, provides secondary education.

It was moved by Representative Lloyd, seconded by Senator St. Aubyn, and carried on a roll call vote that the committee approve the proposed study plan regarding the study of the Division of Independent Study. Senators Nething, Flakoll, Kringstad, Lindaas, Solberg, St. Aubyn, and Wardner and Representatives Aarsvold, Carlson, Johnson, Koppang, Lloyd, Stefonowicz, and Sveen voted "aye." No negative votes were cast.

It was moved by Senator Wardner, seconded by Senator Lindaas, and carried that the committee adjourn subject to the call of the chair. The committee adjourned at 2:31 p.m.

Jim W. Smith
Assistant Legislative Budget Analyst and Auditor

Chester E. Nelson, Jr.
Legislative Budget Analyst and Auditor

ATTACH:2