

# MICROFILM DIVIDER

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ROLL NUMBER

DESCRIPTION

2398

2007 SENATE EDUCATION

SB 2398

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2398

Senate Education Committee

Check here for Conference Committee

Hearing Date: January 30, 2007

Recorder Job Number: 2260, 2261

Committee Clerk Signature

Minutes:

Chairman Freborg opened the hearing on SB 2398, a bill relating to a performance and accountability report by the board of higher education. All members were present.

Senator Heitkamp introduced the bill. He said he should go to work with the United Nations because he has UND and NDSU in the room this morning and something tells him they agree on the bill. This bill was meant to put everyone in the room and have a discussion. We gave away some control with the round table. Higher education is being asked to be an economic developer for the state, they are not just education any more. He was approached by an individual writing for a grant. If you were writing for a grant, what percentage gets tacked onto the grant that you have to go out and procure. That was a concern for the person writing the grant. If its 45% is, that too much, are administration fees getting to be too much? The people in the room know the answers. We are calling for a report that includes detailed analysis of costs not related to the classroom. We have been able to get good paying jobs through our University System, good jobs but what is the cost? He is not going after the football coaches, how do you pay for jobs that pay over \$100,000. It is good to have the discussion. Senator Heitkamp went through the bill (meter 5:10). Certain bills are put in to gain information and

have discussions. This committee will do with this bill what should be done and leave the room with as much information as can be gathered.

Senator Flakoll asked if the contact person was complaining about using some research dollars to pay for administrative costs yet the intent of the bill is to get rid of research dollars?

Senator Heitkamp said we first have to find out if we are tacking on 42%, why? You can't solve the problem until you find out why. Is there 42% more work added to the University System due to that grant?

Senator Flakoll said with the importance of the research corridor, in section 2 we are going to really hammer them for doing the research.

Senator Heitkamp said he agrees. It's there to grab attention. When you hear of the fiscal note, that is not the intent of the bill.

Senator Flakoll said the new recreation facility at UND, a \$20 million facility, essentially funded by student dollars with not a lot of classroom activity that goes on there, how would that play out in the bill?

Senator Heitkamp that is a valid question. You are going to hear it in relation to food service, to snow removal, to moving steam through the lines. They are doing what we begged them to do. The only reason the bill was introduced was this individual pleaded her case, maybe 42% is a problem.

Senator Taylor asked if we will get to 2 University Systems, one for economic development and one for teaching our students?

Senator Heitkamp said it's already happened. It's not such a big problem at the other campuses. He believes in the round table. With a budget as big as the University System there are plenty of opportunities for things to fall through the cracks.

Chairman Freborg asked if he heard Senator Heitkamp say if we get answers we can kill the bill?

Senator Heitkamp said he is not convinced this bill is good policy. He is convinced Chairman Freborg will have a chance to talk to them.

Keith Bjerke, Vice President for University Relations, NDSU, testified in opposition to the bill.

(Written testimony attached)

Senator Gary Lee said in section 1, is this information already available and publicly available, outside of salaries.

Mr. Bjerke said all salaries are public record. Which salaries are not classroom related would be extra work.

Senator Taylor said he has friends in extension that work  $\frac{1}{4}$  classroom and  $\frac{3}{4}$  extension, is that publicly available?

Mr. Bjerke said all records are an open book. Bruce Bollinger is the keeper of the key. There is a separation of budgets and that is taken very seriously, Bruce accounts for every dollar.

The College of Ag is part of 1003, the extension and research part is 1020.

Senator Taylor asked about departments beyond agriculture.

Mr. Bjerke said they have many avenues of fund generation, all are accounted for.

Phil Boudjouk, Vice President for Research at NDSU, testified in opposition to the bill. The indirect cost rate for grants is 42%, there is a comparable rate at UND. It is a challenge every researcher has to meet at every university in the country. It is less than at MIT where it runs 85 – 90%. We are at a competitive advantage. Each grant and contract issued at NDSU goes through his office. 42% of the indirect cost goes back to the department of the successful

faculty member. The chair negotiates with the successful faculty member what portion goes back to him or her. The number is what NDSU is allowed to bill for based on an external audit.

That is their government accepted rate. Every institution must go through it. The data for it is publicly available. The return of almost half of the indirect cost dollars to the department is the most generous turn back he knows of, Montana is in the 25% range, University of California keeps it all. These funds are used to renovate labs, repair small equipment, update software. The overhead is what the chair has available to hire an extra undergrad during the summer, travel, that is the real life of a researcher. Equipment is not allowed to be purchased from grant money. Research universities live and die on the indirect costs. There is not a faculty member in this country that writes grants without indirect costs. 42% is very much on the low side.

Senator Flakoll asked how many research dollars does NDSU bring in?

Dr. Boudjouk said research expenditures at NDSU for the last 3 years have been over \$100 million. At UND their research expenditures are a bit less, in the \$45 – 50 million range. Non teaching expenditures at NDSU are \$165 million. To talk about a corresponding decrease in those costs is very troublesome. NDSU is the top research institution in the five state area of the Dakotas, Idaho, Montana and Wyoming. They would take a really hard hit.

Senator Flakoll said if there were no indirects, to perform those functions, you would have to look for other sources to cover those costs?

Dr. Boudjouk said they would need significant dollars. Assistant professors get almost 100% of the costs to start their career, those are indirect costs, the start up packages to put a new faculty member into a new lab with the right kind of equipment.

Senator Taylor said if an external audit sets the 42% and we are at an advantage, what parameters go into that?

Dr. Boudjouk said they do a complete inventory of all lab equipment, the amount of square footage under research capable space, level of instrumentation, all justifies the rate.

Senator Taylor asked how long is the rate locked in? Is the 42% because North Dakota has made some investment in research?

Dr. Boudjouk said they expect it to last about 3 years.

Eddie Dunn, Chancellor, North Dakota University System, testified in opposition to the bill.

(Written testimony attached)

Senator Taylor said not all of us have universities in our districts but we all have students. Is tuition helping to pay for COE, job creation? In layman's terms, how do we justify tuition increases?

Dr. Dunn said he has spent a good deal of his life in the classroom, in research and extension.

The University System has to do a good job of keeping separate the costs of teaching and the

costs of research. The key is sufficient funding to support the core functions of the university.

If you don't there is pressure on tuition rates, it's difficult to meet salary needs and to maintain a facility that is attractive to students.

Phil Harmeson, Senior Associate to the President had to attend a funeral and submitted written testimony. (Written testimony attached)

Representative Boucher was unable to attend and sent written testimony, (Written testimony attached)

Chairman Freborg closed the hearing on senate bill 2398.

Senator Flakoll moved a Do Not Pass on SB 2398, seconded by Senator Gary Lee.

Senator Taylor said we know the intent of the bill, it could have been more palatable without section 2, it still would have been significant accounting. He will support the do not pass.

Senator Flakoll said if you look at the big picture, the campuses would be hurt by doing

research. When you look at some of the expectations of the campuses and the greater good, we have to be careful that they can stay on the cutting edge. There is a known expectation on

the part of those who fund grants that there will be a portion of the funds that go to support the administrative functions of the university.

The motion carried 5 – 0. Senator Flakoll will carry the bill.



# FISCAL NOTE

Requested by Legislative Council

01/26/2007

**REVISION**

Bill/Resolution No.: SB 2398

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						(\$29,500,000)
<b>Expenditures</b>			\$110,000		(\$10,881,000)	(\$29,500,000)
<b>Appropriations</b>			\$110,000		(\$10,881,000)	

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Adds additional accountability measure reporting. Requires reduction in nonclassroom expenses by at least same percentage tuition is increased.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Funding for a new accountability reporting position and revenue loss and expenditure reduction from nonclassroom reductions.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Reduction in revenues of \$29.5 million, resulting from reduced expenditures, and related revenues, in such areas as auxiliaries (e.g. food service, residence halls) and research grants and contracts. Reduction is based on an assumed 5% per year tuition increase.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Increased state expenditures of \$110,000 in 07-09 and \$119,000 in 09-11 to provide for a new accountability reporting position. With the current measures, plus (5) contained in SB2398 and (9) in HB1027 there would be a total of 45 measures. There is not adequate staff to absorb the additional reporting requirements. Reduction in expenditures of \$11,000,000 in general fund in 09-11; and reduction of \$29.5 million (and related non-general fund revenue), resulting from reduced revenues and expenditures in such areas as auxiliaries (e.g. food service, residence halls) and research grants and contracts. Reduction is based on an assumed 5% per year tuition increase in 07-09.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Increase in state appropriations of \$110,000 in 07-09 and \$119,000 in 09-11 related to new position and reduction in state general fund appropriations by \$11,000,000 in 09-11 for non-classroom expenses (5% per year), including areas such as utilities, facility upkeep, and student services, if these funds cannot be relocated to the classroom.

<b>Name:</b>	Laura Glatt	<b>Agency:</b>	NDUS
<b>Phone Number:</b>	328-4116	<b>Date Prepared:</b>	01/26/2007

# FISCAL NOTE

Requested by Legislative Council

01/24/2007

Bill/Resolution No.: SB 2398

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				(\$28,000,000)		(\$29,500,000)
<b>Expenditures</b>			(\$9,890,000)		(\$10,881,000)	
<b>Appropriations</b>			\$110,000		\$119,000	

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Adds additional accountability measure reporting. Requires reduction in nonclassroom expenses by at least same percentage tuition is increased.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Funding for a new accountability reporting position and revenue loss and expenditure reduction from nonclassroom reductions.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Reduction in revenues of \$28 and 29.5 million, resulting from reduced expenditures in such areas as auxiliaries (e.g. food service, residence halls) and research grants and contracts. Reduction is based on an assumed 5% per year tuition increase in 07-09.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Increased state appropriation of \$110,000 in 07-09 and \$119,000 in 09-11 to provide for a new accountability reporting position. With the current measures, plus (5) contained in SB2398 and (9) in HB1027 there would be a total of 45 measures. There is not adequate staff to absorb the additional reporting requirements.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Reduction in state appropriations by \$10,000,000 in 07-09 and \$11,000,000 in 09-11 for non-classroom expenses, including areas such as utilities, facility upkeep, and student services, if these funds cannot be relocated to the classroom.

<b>Name:</b>	Laura Glatt	<b>Agency:</b>	NDUS
<b>Phone Number:</b>	328-4116	<b>Date Prepared:</b>	01/25/2007



**REPORT OF STANDING COMMITTEE**

**SB 2398: Education Committee (Sen. Freborg, Chairman) recommends DO NOT PASS**  
(5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2398 was placed on the  
Eleventh order on the calendar.

2007 TESTIMONY

SB 2398

Testimony of Keith Bjerke  
Vice President for University Relations  
North Dakota State University  
Senate Education Committee,  
Layton Freborg, Chair  
SB 2398

Mr. Chairman and members of the committee, my name is Keith Bjerke and I am the Vice President for University Relations at North Dakota State University. I am here to urge your opposition to Senate Bill 2398.

In my personal experience since 2001 in North Dakota higher education, I have witnessed a total transformation of the expectations and possibilities for higher education, in general, and for research universities, in particular. North Dakota has long supported the educational mission of North Dakota State University, but education is only one of our three missions. Research and public service round out our three-fold mission and each is important to the citizens of our state.

I am discussing our three-fold mission because this bill suggests that only those who engage in classroom teaching contribute in a positive way. But that is clearly not the case. Increasingly, North Dakota is looking to university research and service to build our state's economy. Higher education is expected to be entrepreneurial and to harness the power of new discovery. We are expected to form private sector partnerships, such as those already established through the Red River Valley Research Corridor and the Centers of Excellence program. We are expected to create the jobs that will help retain our state's young people.

To do all of this, higher education has been granted greater flexibility with accountability. We have taken this flexibility and more than doubled our research expenditures. We have been successful because of the specialized work of the researchers and administrators who make advanced research programs possible. Their efforts compliment the work of their colleagues in the classroom by adding resources to the university.



Institutions across the nation including NDUS institutions are moving forward in advocating transformative education, a holistic process of learning which considers the whole campus as a learning community that places the student at the center of the learning experience. This concept substantiates the work of teaching and non-teaching educators as partners in the broader campus curriculum. This new concept, Learning Reconsidered, is a blueprint for action for the integrated use of all higher education's resources in the education and preparation of the whole student. It is also a new way of understanding and supporting learning and development as intertwined, inseparable elements of the student experience.

Senate Bill 2398 would penalize universities for having the non-teaching personnel required to maintain and expand education, research and service programs.

If all that was expected of higher education was that we teach, then perhaps this bill would have merit. But you have told us in clear terms that you expect more of us. At NDSU and across the North Dakota University System, we have made great progress in creating new jobs. But we have much more work to do. Senate Bill 2398 is a threat to university research and service programs.

# Testimony before Senate Education Committee

## On SB 2398

By Chancellor Eddie Dunn  
North Dakota University System

*January 30, 2007*

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Chairman Freborg and members of the Senate Education Committee. For the record, I am Eddie Dunn, Chancellor of the North Dakota University System. Thank you for the opportunity to provide testimony on SB 2398.

Upon the recommendation of all 11 colleges and universities in the North Dakota University System, the SBHE has taken a position in opposition to SB 2398. Others will speak to the concerns they have with the specific provisions of the bill. I will confine my comments to the additional accountability measures that would be required by this legislation.

The Roundtable on Higher Education – which is a collaborative effort involving over 20 legislators, a number of private sector representatives, college presidents, the State Board of Higher Education, the Executive Branch and public and Tribal colleges – spent the better part of the 1999-01 interim legislative period examining the trends and opportunities impacting North Dakota.

One of the primary reasons the Roundtable was formed was to address the issue of the lack of a common vision and a clear set of expectations for higher education coupled with a specific set of agreed-upon accountability measures. The accountability measures developed by the Roundtable have been adopted by the legislature and have also been reviewed and refined as necessary each legislative session. I have attached the latest form that was used by the 2005-07 interim Higher Education Committee for that review.

The University System also publishes an Annual Accountability Measures Report and reviews it with the House and Senate Appropriations Committees during legislative years and with the interim Higher Education Committee during non-legislative years.

The main point I would like to make is, there currently are 31 accountability measures that have been agreed upon and which are used to assess the performance of the colleges and universities in the University System. The Roundtable members anticipated there will likely be a tendency to add more accountability measures. Therefore, one of the 12 key principles adopted by the Roundtable addresses that issue by including a statement in its report which reads: "Limit the freedom of other parties to expect accountability outside the domains established and agreed upon." I have

attached a report titled, "Summary of Key Principles of the Roundtable on Higher Education," which references that recommendation.

The North Dakota Roundtable model, with its accountability measuring system, has received several national honors and is being used as a model for other states. This collaborative effort has resulted in impressive performance improvements by the colleges and universities within the NDUS. We would encourage the committee to resist adding more measures to a system that is working extremely well.

Thank you again for the opportunity to provide comments. I would be happy to respond to questions.

G:\TERRY\1100\07\SES\Eddie's Testimony on SB2398 1-30-07.doc

# Form for Use by Key Stakeholders to Identify Higher Education in Identifying Accountability Measures to be Retained, Revised, Deleted or Added

July 8, 2006

Stakeholder Group: \_\_\_\_\_ (SBHE, Executive Branch, Legislature, NDUS, Campuses, or Private Sector)

Identifi- cation #	Title of Accountability Measure	Source of Measure		Recommendation			
		Legis. Mandated	SBHE Mandated	Recomm. Retaining	Recomm. Revising	Recomm. Deleting	Recommend Adding (Please Specify)
	<b>Cornerstone 1: Economic Development Connection</b>						
ED1	Enrollment in entrepreneurship courses and the number of graduates of entrepreneurship programs	Legis 2.a.					
ED2	Percentage of University System graduates obtaining employment appropriate to their education in the state	Legis 2.b.					
ED3	Number of businesses and employees in the region receiving training	Legis. 2.c.					
ED4	Research expenditures in proportion to the amount of revenue generated by research activity and funding received for research activity	Legis 5.d.					
ED5	Workforce training information, including levels of satisfaction with training events as reflected in information systematically gathered from employers and employees receiving training		SBHE-1				
	<b>Cornerstone 2: Education Excellence</b>						
EE1	Student performance on nationally recognized exams in their major fields compared to the national averages	Legis 1.a.					
EE2	First-Time Licensure Pass Rates compared to other states	Legis 1.b.					

		Source of Measure				Recommendation			
Identifi- cation #	Title of Accountability Measure	Legis. Mandated	SBHE Mandated	Recomm. Retaining	Recomm. Revising	Recomm. Deleting	Recommend Adding (Please Specify)		
EE3	Alumni-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology knowledge and abilities	Legis 1.c.							
EE4	Student-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology knowledge and abilities	Legis 1.c.							
EE5	Employer-reported satisfaction with preparation of recently hired graduates	Legis 1.d.							
EE6	Student graduation and retention rates								
EE7	Non-completers satisfaction – levels of satisfaction and reasons for non-completion as reflected in a survey of individuals who have not completed their program or degree	Legis 1.f.	SBHE-2						
EE8	Student goals – levels and trends in the number of students achieving goals – institution meeting the defined needs/goals as expressed by students		SBHE-3						
	<b>Cornerstone 3: Flexible and Responsive System</b>								
FRS1	Biennial report on employee satisfaction relating to the university system and local institutions	Legis 1.e.							
FRS2	Levels of satisfaction with responsiveness, as reflected through responses to evaluations of companies receiving training (combined 1.c., 1.d., and 7.e.)		SBHE-4						

Identifi- cation #	Title of Accountability Measure	Source of Measure			Recommendation		
		Legis. Mandated	SBHE Mandated	Recomm. Retaining	Recomm. Revising	Recomm. Deleting	Recommend Adding (Please Specify)
	<b>Cornerstone 4: Accessible System</b>						
AS1	Number and proportion of enrollments in courses offered by non-traditional methods	Legis 3.a.					
AS2	Tuition and fees on a per-student basis compared to the regional average	Legis 4.a.					
AS3	Tuition and Fees as a percentage of median North Dakota Household Income	Legis 4.b.					
AS4	Student enrollment information, including: (a) Total number and trends in full-time, part-time, degree-seeking and non-degree-seeking students being served and (b) The number and trends of individuals, organization, and agencies served through noncredit activities		SBHE-5				
AS5	Student participation-levels and trends in rates of participation of (a) Recent high school graduates and nontraditional students, and (b) Individuals pursuing graduate degrees		SBHE-6				
	<b>Cornerstone 5: Funding and Rewards</b>						
FR1	Cost per student in terms of general fund appropriations and total University System funding	Legis 4.c.					
FR2	Cost per student and percentage distribution by major function (combined 4.d., 5.a., 6.e., and 5.b. from 2004 report)	Legis 5.a.					

