

INFORMATION REGARDING THE 1999-2000 INTERIM HIGHER EDUCATION FUNDING STUDY AND RELATED 2001 LEGISLATION

Section 19 of 1999 House Bill No. 1003 directed a study of higher education funding. The study was to solicit input from the Governor, State Board of Higher Education, executive branch, University System campuses, and representatives of business and industry and address:

- The expectations of the University System in meeting the state's needs in the 21st century;
- The funding methodology needed to meet these expectations and needs; and
- The appropriate accountability and reporting system for the University System.

HIGHER EDUCATION ROUNDTABLE

A Higher Education Roundtable consisting of the 21 members of the Higher Education Committee and 40 representatives from the State Board of Higher Education, business and industry, higher education institutions including tribal colleges and private colleges, and the executive branch was formed to address the expectations and needs of the University System in meeting the state's needs in the 21st century. The University System contracted with Mr. Dennis Jones, President, National Center for Higher Education Management Systems, Boulder, Colorado, and Dr. Charles Schwahn, Schwahn Leadership Associates, Custer, South Dakota, for consulting services and to facilitate roundtable discussion and recommendations.

The University System received financial support for the Higher Education Roundtable from the Western Interstate Commission for Higher Education and the Western Policy Exchange, supported by funding from the Kellogg and Ford Foundations.

The Higher Education Roundtable with assistance from the facilitators conducted meetings in Jamestown, Carrington, and Rugby and completed the following:

1. Discussed shifts, trends, and future conditions that impact the state of North Dakota and the University System.
2. Discussed realities relating to the state of North Dakota and the University System.
3. Developed a vision and expectations for the University System.
4. Developed recommendations concerning higher education in North Dakota.
5. Developed accountability measures and success indicators that correspond with the expectations for the University System.

Shifts, Trends, and Future Conditions

The Higher Education Roundtable received information from the facilitators regarding the following shifts, trends, and future conditions that are redefining life, opportunities, challenges, organizations, and careers and impacting the state of North Dakota and the University System:

- Change is our only constant.
- Quality is an entrance requirement.
- Lifelong learning is required of everyone.
- Customers demand value.
- Quality and success are transitory.
- Competence must be considered as capital, knowledge as power.
- The anywhere, anytime workplace is here.

North Dakota Realities

The Higher Education Roundtable received information from the facilitators regarding the following realities facing the state of North Dakota and the University System:

- North Dakota's population is static in size, getting older, and becoming more concentrated in Fargo, Grand Forks, Bismarck, and Minot.
- North Dakota has higher college participation rates than all the surrounding states except Minnesota and Iowa.
- The number of North Dakota high school graduates is projected to decline by more than 1,000 over the next 12 years.
- The proportion of the state's tax revenue allocated to higher education is well above the national average while the overall level of total support provided on a per student basis, which includes tuition and state appropriations, is well below the national average.
- The share of the cost being borne by students has increased considerably in recent years, although tuition relative to family income is not above the national average.

North Dakota University System Expectations

The Higher Education Roundtable, based on its discussions of the shifts, trends, future conditions, and realities facing the state of North Dakota, by consensus, identified that the University System should:

1. Serve an expanded client base, including nontraditional students, lifelong learners,

communities, businesses, and industries, and should provide rewards and incentives for doing so.

2. Be accessible to clients, considering alternative methods of delivery.
3. Be affordable based upon the client's ability to pay.
4. Be customer-centered and have procedures to "connect" to its customers.
5. Be a high-quality system that emphasizes learner outcomes, high-quality faculty and staff, and current technology.
6. Function as a system where the resources of the system are used to respond to customer needs and the funding mechanism encourages this behavior.
7. Strive to eliminate borders, including the recruitment of out-of-state students, distance education development, and global thinking.
8. Be flexible, responsive, entrepreneurial, and accountable.

North Dakota University System Goal

The Higher Education Roundtable by consensus identified the goal of the University System to be "to enhance the economic vitality of North Dakota and the quality of life of its citizens through a high-quality, more responsive, equitable, flexible, accessible, entrepreneurial, and accountable University System."

Task Force Process

To assist the University System in meeting the established goal, six task forces composed of Higher Education Roundtable members were formed to study the following key areas or "cornerstones" that emerged from Higher Education Roundtable discussions:

- Economic Development Connection - Direct connections and contributions of the University System to the economic growth and social vitality of North Dakota.
- Education Excellence - High-quality education and skills development opportunities that prepare students to be personally and professionally successful, readily able to advance and change careers, be lifelong learners, good citizens, leaders, and knowledgeable contributing members of an increasingly global and multicultural society.
- Flexible and Responsive System - A University System environment responsive to the prioritized needs of its clients and that serves as a model of a flexible, empowering, competitive, entrepreneurial, and rewarding organization for a new economy in a rural state.
- Accessible System - A University System that is proactively accessible to all areas of North Dakota and seeks students and customers from outside the state. It provides students,

business, industry, communities, and citizens with access to educational programs, workforce training opportunities, and technology access and transfer.

- Funding and Rewards - A system of funding, resource allocation, and rewards which assures quality and is linked to the expressed high-priority needs and expectations of the University System.
- Sustaining the Vision - A structure and process that assures the University System for the 21st century remains connected, understood, relevant, and accountable to the present and future research, education, and public services needs of the state and its citizens.

The task forces, chaired by legislative committee members, met in early 2000 and with the assistance of the facilitators developed by consensus the recommendations attached as Appendix A.

The Higher Education Roundtable accepted the task force reports at its April 2000 meeting in Rugby and forwarded the recommendations to the Higher Education Committee for its consideration.

Higher Education Roundtable Recommendations Requiring Legislative Action

The committee reviewed the recommendations in the Higher Education Roundtable report which may require legislative action. The recommendations were in six areas--funding issues, information technology infrastructure, reporting and audit issues, research, sustaining the vision, and workforce training. The following are summaries of the recommendations.

Funding Issues

- Modify and simplify the budget request and appropriation process to provide campus budgetary flexibility.
- Modify funding practices to encourage and reward multicampus collaboration and the meeting of the needs for students, businesses, and industries.
- Assist in making teaching in the University System attractive so campuses can employ and retain high-quality faculty, including providing state-of-the-art equipment and technology.
- Remove strong oversight and move from a means accountability system to an ends accountability system.
- Provide lump sum base and strategic appropriations to the State Board of Higher Education and institutions.
- Remove all income that is in addition to the state general fund from the appropriation process.

- Continue to approve the construction of new facilities and the major renovation of existing facilities.

Information Technology Infrastructure

- View the development and operation of the technology infrastructure as a public utility thereby ensuring affordable broadband, high-speed Internet access is available to all citizens in North Dakota.

Reporting and Audit Issues

- Reach agreement on financial and performance accountability measures.
- Revise the audit process.

Research

- Maximize research and development funding opportunities such as Experimental Program to Stimulate Competitive Research (EPSCoR) whereby funds are available to assist in research projects in North Dakota.

Sustaining the Vision

- Make a conscious effort to build trusting relationships.
- Provide the legislative changes to allow for the conversion from a "long-range plan" to a "strategic plan."
- Assist the State Board of Higher Education in scheduling a joint session of the Legislative Assembly during each legislative session at which the board can provide a status report on higher education in North Dakota.

Workforce Training

- Provide support for the workforce training delivery system.

The committee recommended the following bills regarding higher education funding:

- Senate Bill No. 2037 (2001) to provide a continuing appropriation for all funds in higher education institutions' special revenue funds, including tuition and to allow institutions to carry over at the end of the biennium unspent general fund appropriations (provisions amended into Senate Bill No. 2003).
- Senate Bill No. 2038 (2001) to require the budget request for the University System to include budget estimates for block grants for a base-funding component and for an initiative-funding component for specific strategies or initiatives and a budget estimate for an asset-funding component for renewal and replacement of physical plant assets at the institutions of higher education and the appropriation for the University System to include block grants to the State

Board of Higher Education for a base-funding appropriation and for an initiative-funding appropriation for specific strategies or initiatives and an appropriation for asset funding for renewal and replacement of physical plant assets (provisions amended into Senate Bill No. 2003).

- Senate Bill No. 2039 (2001) to allow the State Board of Higher Education to authorize campus improvements and building maintenance projects that are financed by donations, gifts, grants, and bequests if the cost of the improvement or maintenance is not more than \$500,000 (approved with a limit of \$385,000).
- Senate Bill No. 2040 (2001) to allow the University System to provide bonuses, cash incentive awards, and temporary salary adjustments without reporting the activity to the Office of Management and Budget as a fiscal irregularity (was not approved by the 2001 Legislative Assembly).
- Senate Bill No. 2041 (2001) to recognize the institutions under the control of the State Board of Higher Education as the North Dakota University System and to require the University System to develop a strategic plan which defines University System goals and objectives and to provide an annual performance and accountability report regarding performance and progress toward the goals and objectives (approved by the 2001 Legislative Assembly).
- Senate Bill No. 2042 (2001) to amend and repeal statutes relating to the powers of the State Board of Higher Education and the duties and responsibilities of institutions under the control of the State Board of Higher Education which are no longer appropriate (approved by the 2001 Legislative Assembly).

Financial Accountability Measurements

To assist in the development of financial accountability measurements for the University System, a subcommittee of the committee, the Financial Accountability Measurements Subcommittee, was formed that included some committee members, the chairmen of the Legislative Audit and Fiscal Review Committee and the Information Technology Committee, and private sector, higher education, and executive branch representatives. The development of acceptable financial accountability measurements was determined to be the key to allowing the University System the flexibility recommended in the Higher Education Roundtable report.

The Financial Accountability Measurements Subcommittee reviewed information regarding higher education measurement practices in other states and learned many states tie higher education accountability measurements to higher education goals, and many

