

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### HIGHER EDUCATION COMMITTEE

Friday, July 17, 2009  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Representative Bob Skarphol, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Representatives Bob Skarphol, Lois Delmore, Mark A. Dosch, Kathy Hawken, Brenda Heller, Dennis Johnson, RaeAnn G. Kelsch, Bob Martinson, Darrell D. Nottestad, Kenton Onstad, Ken Svedjan, Clark Williams; Senators Tim Flakoll, Tony S. Grindberg, Ray Holmberg, Karen K. Krebsbach, Elroy N. Lindaas, David O'Connell, Larry J. Robinson, Tom Seymour

**Members absent:** Representatives Nancy Johnson, Joe Kroeber; Senators John M. Andrist, Dave Nething

**Others present:** Jim W. Smith, Director, Legislative Council

Lonny Winrich, State Representative, Grand Forks

See attached [appendix](#) for additional persons present.

Mr. Allen H. Knudson, Legislative Budget Analyst and Auditor, reviewed the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#).

#### COMMENTS BY COMMITTEE CHAIRMAN

Chairman Skarphol said the Higher Education Committee has been assigned studies relating to higher education, including a review of tuition waivers and higher education funding. He said the committee will use small discussion groups at upcoming meetings to gather input from representatives of higher education and the private sector. He said certain committee meetings may involve the use of outside experts to discuss specific topic areas.

Chairman Skarphol announced the following tentative dates for committee meetings:

- August 20, 2009.
- September 23-24, 2009.
- October 28-29, 2009.
- December 2, 2009.

Chairman Skarphol said the August 20, 2009, meeting will be held on the campus of the State College of Science in Wahpeton. He said committee members will also be encouraged to attend a meeting of the Midwestern Higher Education Compact in Fargo on November 9, 2009.

#### HIGHER EDUCATION STUDY

The Legislative Council staff presented a memorandum entitled [Higher Education Study -](#)

[Background Memorandum](#) relating to the following committee studies assigned to the Higher Education Committee:

1. Section 31 of 2009 Senate Bill No. 2003 provides for a Legislative Council study of the options for funding higher education institutions, including a review of funding based upon student completion rates.
2. Section 32 of 2009 Senate Bill No. 2003 provides for a Legislative Council study of the impact of tuition waivers on higher education institutions under the control of the State Board of Higher Education. The study must review the types of tuition waivers available, the number of tuition waivers granted, and the value of tuition waivers.
3. Section 9 of 2009 Senate Bill No. 2038 provides for a study of various issues affecting higher education. The study requires the use of at least six educational summit meetings to discuss topics that may include:
  - a. Alternative uses of institutions and changes to institutional missions.
  - b. Issues affecting two-year campuses.
  - c. Tuition affordability, including a review of tuition reciprocity agreements.
  - d. Accessibility of higher education.
  - e. Workforce needs.
  - f. Contributions to economic development.
  - g. Utilization and capacity of higher education institution facilities.
  - h. Quality of education being delivered.
  - i. Revenue-neutral policies that would aid in the reduction of student loan debt.

As part of the study, Chairman Skarphol said he may invite topic experts, representatives of the North Dakota University System, the private sector, and students to participate in the summit meetings to provide information to the committee as determined necessary to assist the committee in conducting its study.

The Legislative Council staff reviewed information regarding the University System long-term finance plan and resource allocation model, tuition waivers granted by University System institutions, and related legislation approved by the 2009 Legislative Assembly. The Legislative Council staff presented the following proposed study plan for the committee's consideration relating to its higher education study:

1. Receive and review information regarding options available that may build a more cost-effective system, including a more appropriate mix of institutions, new types of providers, effective collaboration among institutions, and a more efficient use of existing resources.
2. Hold at least six educational summit meetings to discuss specific higher education topics, which may include alternate uses of institutions and changes to institutional missions, issues affecting two-year campuses, tuition affordability, accessibility of higher education, workforce needs, contributions to economic development, utilization and capacity of higher education institution facilities, quality of education being delivered, revenue-neutral policies that would aid in the reduction of student loan debt, or any other topic identified by the committee.
3. Receive and review information regarding changes to the academic production function, including programs of cost-effective size and a reengineering of curricula and course delivery.
4. Receive and review information regarding a history of the number, value, and types of tuition waivers granted in the University System.
5. Review the University System long-term financing plan and the impact of the state's changing demographics on the plan.
6. Review the appropriateness of the higher education cornerstones and develop goals for each.
7. Receive and review information regarding options available to provide funding to higher education institutions based on student completion rates.
8. Receive testimony from other interested persons regarding the committee's study of higher education.
9. Develop recommendations and any bill drafts necessary to implement the recommendations.
10. Prepare a final report for submission to the Legislative Council.

Senator Grindberg suggested committee members and other Higher Education Roundtable participants review the original Higher Education Roundtable report developed during the 1999-2000 interim.

Representative Kelsch said it is important to have a seamless transition between all education levels, including high school and college, in order to reduce the amount of remedial education needed by students.

Senator Flakoll suggested that members of the State Board of Higher Education be involved in discussions of higher education funding and of the statewide longitudinal data system. He said the board should be asked to provide the committee with its proposal for an appropriate funding system for the University System.

In response to a question from Representative Skarphol, Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, said she would provide the committee with information regarding a study of tuition waivers that was conducted by the University System.

In response to a question from Senator Flakoll, Ms. Glatt said she would provide the committee with information regarding reciprocity agreements with other states, including the amount of tuition costs saved by North Dakota students as a result of the agreements.

In response to a question from Representative Dosch, Ms. Glatt said there is no limit to the number or value of tuition waivers that may be granted by an institution.

**It was moved by Senator Robinson, seconded by Senator Flakoll, and carried on a voice vote that the Higher Education Committee approve the proposed study plan presented by the Legislative Council staff.**

In response to a question from Representative Williams, Ms. Glatt said she would provide the committee with information regarding the number of resident and nonresident students attending each higher education institution.

Chairman Skarphol asked that University System institutions present information at future meetings regarding institution policies for granting tuition waivers.

Senator Robinson suggested the committee receive information regarding the value of tuition waivers granted by University System institutions compared to total tuition revenue.

In response to a question from Representative Nottestad, Ms. Glatt said most University System institutions charge nonresident tuition rates to students from Canada with the exception of students that reside in Saskatchewan and Manitoba. She said students from Saskatchewan and Manitoba are charged a special contiguous province tuition rate.

Representative Kelsch suggested the committee receive information regarding the cost of educating students using distance education methods compared to a traditional classroom setting.

Representative Hawken said the state should explore ways to retain students who graduate from North Dakota higher education institutions.

Representative Williams expressed concern regarding the number of tuition waivers granted by higher education institutions. He said tuition rates for students may be affected by the number of waivers granted to nonresident students.

Senator Grindberg said the committee may wish to receive information on the capacity of University System institutions.

Representative Onstad said the committee should review the available capacity of higher education programs. He said additional funding may need to be directed to programs that consistently operate at capacity.

In response to a question from Representative Kelsch, Dr. Michel Hillman, Vice Chancellor for Academic and Student Affairs, North Dakota University System, said some higher education students take classes online because classroom capacity issues prevent the students from taking the class on campus.

Chairman Skarphol asked that University System institutions present information at future meetings regarding how each campus is addressing regional workforce needs.

The Legislative Council staff presented a memorandum entitled [History of Legislative Higher Education Studies and Higher Education Roundtable Recommendations](#). The Legislative Council staff reviewed previous higher education studies and said the Higher Education Roundtable first met during the 1999-2000 interim and has met a total of nine times.

In response to a question from Representative Skarphol, Mr. Jon Backes, Vice President, State Board of Higher Education, said the State Board of

Higher Education has not discussed changes to the current higher education funding model. He said the board may review potential funding options at an upcoming meeting.

Representative Kelsch expressed concern regarding the unavailability of e-mail addresses of State Board of Higher Education members and suggested the State Board of Higher Education allow for easier communications between the board members and private citizens. She suggested the Legislative Council staff provide committee members with contact information for State Board of Higher Education members.

Dr. Hillman presented information regarding the actions of the University System in response to goals recommended by the 2007-08 interim Higher Education Committee. He presented the following actions for each goal:

Goals Adopted by the 2007-08 Interim Higher Education Committee	Related Actions by the State Board of Higher Education
<p><b>Attainment</b> - The education attainment of North Dakota's population will be at the level of the highest-performing countries in the world.</p>	<ol style="list-style-type: none"> <li>1. Developing a P-20 initiative to create a seamless P-20 education system</li> <li>2. Increased education opportunities for nontraditional students through the:                             <ol style="list-style-type: none"> <li>a. Adult Education Council</li> <li>b. College Access Program</li> </ol> </li> <li>3. Increased student services and support to help students achieve success</li> </ol>
<p><b>Accessibility</b> - Students in all parts of North Dakota will have ready access to both two-year and four-year degrees in a wide range of academic programs.</p>	<ol style="list-style-type: none"> <li>1. Developing a higher education center in Bismarck</li> <li>2. Increasing number of programs available through distance education</li> <li>3. Increased program collaboration</li> <li>4. Supporting the initiative for increased awareness of two-year programs</li> </ol>
<p><b>Contribution to economic development</b> - North Dakota will have an increasing number of high-wage jobs through the following methods:</p> <ul style="list-style-type: none"> <li>• The University System will produce graduates who are educated to meet the needs of the state's economy.</li> <li>• The University System will be responsive to the training needs of the state's employers.</li> <li>• The research conducted at the state's universities will contribute to the expansion and diversification of the state's economy.</li> </ul>	<ol style="list-style-type: none"> <li>1. Communicated with business and industry representatives</li> <li>2. Participating in workforce meetings with state agencies, including the Department of Commerce and Job Service North Dakota</li> <li>3. Served the training needs of 1,345 employers throughout North Dakota during fiscal year 2008 through TrainND workforce training efforts</li> <li>4. Increased research by 19 percent from fiscal year 2004 to fiscal year 2008 with a significant increase in grants from federal sources</li> </ol>
<p><b>System functioning</b> - The University System will function in a way that all the assets of the system will be efficiently utilized in achieving the goals established.</p>	<ol style="list-style-type: none"> <li>1. Initiated a process for reviewing the University System and institutional missions</li> <li>2. Increased collaborative course development through technology</li> <li>3. Trained faculty and staff in use of collaborative technologies</li> </ol>

Goals Adopted by the 2007-08 Interim Higher Education Committee	Related Actions by the State Board of Higher Education
<p><b>Affordability</b> - Higher education in North Dakota will be affordable to both the students and the taxpayers of the state.</p>	<ol style="list-style-type: none"> <li>1. Focusing on affordability as a priority policy objective through support for:                             <ol style="list-style-type: none"> <li>a. Increased financial aid for the 2009-11 biennium</li> <li>b. Limited tuition increases for the 2009-11 biennium</li> </ol> </li> <li>2. Initiated a review of the higher education long-term finance plan</li> <li>3. Initiated a study of tuition and fees</li> </ol>

A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Nottestad, Dr. Hillman said the University System is working to address the needs of students in larger cities of the state. He said the use of a higher education center is one option for serving students in a specific area.

In response to a question from Representative Skarphol, Dr. Hillman said a new funding model may address cost concerns of host institutions that allow other campuses to provide distance education services on the host institutions' campuses.

In response to a question from Representative Hawken, Dr. Hillman said effective collaboration would allow more programs to be offered at higher education institutions. He said existing higher education facilities would be utilized when offering the programs.

Representative Kelsch said it is important to have jobs available for college graduates. Dr. Hillman said the University System works to be responsive to the needs of the employers of the state.

In response to a question from Representative Svedjan, Dr. Hillman suggested the committee establish goals for higher education early during the study. He said committee members may need to be familiar with the changing demographics of the state and the need to focus on how higher education can contribute to the economic future of the state.

Representative Kelsch said it is important to motivate students to succeed. She said nontraditional education methods may provide additional motivation for some students.

Representative Delmore said increased collaboration is needed between elementary, secondary, and postsecondary education.

Ms. Glatt presented information regarding higher education funding. She said the following concerns may be addressed when considering changes to the higher education funding model:

1. The need for greater recognition of the cost variations between higher education programs.
2. The need for greater recognition of differences in campus physical plant sizes and related operating costs.
3. The ability for funding to follow students.
4. The lack of economies of scale at smaller campuses and the recognition of minimum operating costs.
5. The inconsistency of completion-based funding with the mission of a campus and goals of students.

Ms. Glatt said campuses are pursuing competitive grant funding made available through the American Recovery and Reinvestment Act of 2009. She provided the committee with a schedule of grants campuses are pursuing.

Ms. Glatt presented information regarding the amount of tuition revenue unable to be collected by University System institutions. She said for fiscal year 2009, less than 1 percent of gross tuition revenues were classified as uncollectible.

A copy of the information presented by Ms. Glatt is on file in the Legislative Council office.

Senator Flakoll suggested the committee receive periodic updates regarding the status of grants applied for through the American Recovery and Reinvestment Act of 2009.

Chairman Skarphol asked the University System office to provide additional information regarding total competitive grant funding available for higher education through the American Recovery and Reinvestment Act of 2009.

Dr. Hillman distributed a copy of the University System's *2008 Accountability Measures Report* as required by North Dakota Century Code (NDCC) Section 15-10-14.2. A copy of the report is on file in the Legislative Council office. Dr. Hillman and Ms. Glatt reviewed the accountability measures and related status as follows:

Accountability Measures	Status - Findings
<p><b>Education excellence</b> Student performance on nationally recognized examinations in their major fields compared to the national averages</p> <p>First-time licensure pass rates compared to other states</p>	<p>University System college or university students meet or exceed the national average on most nationally recognized examinations.</p> <p>University System graduates exceed the national first-time licensure pass rates for most professions measured.</p>

Accountability Measures	Status - Findings
Alumni-reported and student-reported satisfaction with preparation in selected major, acquisition of specific skills, and technology skills and abilities	University System students are, in general, satisfied with their college experience. Results of the student satisfaction inventory show University System colleges and universities are meeting students' expectations in most areas. Approximately 73.2 percent of University System alumni said their current jobs were highly related or moderately related to the most recent degrees they earned, and 81.8 percent said the college or university they attended prepared them at least adequately for their current jobs.
Employer-reported satisfaction with preparation of recently hired graduates	Employers are, on average, "very satisfied" with the skills and knowledge they rated as "very important."
Biennial report on employee satisfaction relating to the University System and local institutions	When asked to rate their overall satisfaction, 80 percent of University System employees who responded to a recent survey said they are "satisfied" or "very satisfied" with their employment.
Student graduation and retention rates	Based on University System adjusted graduation rates from all institutions, 36.4 percent of University System two-year college students completed degrees within three years and 55.5 percent of four-year university students completed degrees within six years.
<p><b>Economic development</b></p> Enrollment in entrepreneurship courses and the number of graduates of entrepreneurship programs	University System institutions offer 45 entrepreneurship courses and 2 entrepreneurship programs. In the past year, 992 students enrolled in entrepreneurship courses and 3 students graduated from entrepreneurship programs. An additional 68 participants attended a workshop that provided an entrepreneurial focus.
Percentage of University System graduates obtaining employment appropriate to their education in the state	About 72 percent of the 2004-05 graduates/completers who remained in North Dakota in 2006 were employed in occupations related to their education or training.
Number of businesses and employees in the region receiving training	The number of businesses using North Dakota's workforce training system to provide training for their employees increased 250 percent from fiscal year 2000 to fiscal year 2005. In fiscal year 2008, 1,345 businesses were served and the number of employees trained was 11,990.
<p><b>Student access</b></p> Number and proportion of enrollments in courses offered by nontraditional methods	In fall 2008, the University System served 15,983 students who enrolled in courses for credit through nontraditional delivery methods. These students comprised 37 percent of the system's total headcount enrollment. Students enrolling in courses using nontraditional delivery methods has increased 88 percent since fall 2004.
<p><b>Student affordability</b></p> Tuition and fees on a per student basis compared to the regional average	Tuition and fees at all University System campuses, except the two-year colleges, were less than regional counterparts. The average two-year college rate continues to be significantly higher than the regional average.
Tuition and fees as a percentage of median North Dakota household income	As a percentage of median North Dakota household income, tuition and fees at North Dakota institutions, excluding two-year colleges, are 1 percent more than the regional average. The two-year colleges' tuition and fees are 2.5 percent more than their regional counterparts.
Cost per student in terms of general fund appropriations and total University System funding	In fiscal year 2004, general fund appropriations provided 40 percent of the total University System revenues. In fiscal year 2008, the general fund share was 38 percent.
Per capita general fund appropriations for higher education	The average per capita state general fund appropriation for the 2005-07 biennium was \$636, an increase of 21 percent since the 1997-99 biennium. This amount does not include funding provided to the University System office or for capital assets.

Accountability Measures	Status - Findings
State general fund appropriation levels for University System institutions compared to peer institutions' general fund appropriation levels	Based on 2007-09 state funding levels, all University System institutions are funded at less than 100 percent of their peer institution benchmarks, and most are funded at less than 85 percent of their peer benchmarks. University System institutions, as a whole, are funded at an average of 53 percent of their peer institution benchmarks.
<b>Financial operations</b> Cost per student and percentage distribution by major function	In fiscal year 2008, the University System spent \$18,451 per student from all funding sources, an increase of 28.5 percent since fiscal year 2004. The majority of funds were spent in support of core services (57 percent) and the remaining funds were spent for support services and student aid (16 percent) and administration and physical plant (16 percent).
Ratio measuring the funding derived from operating and contributed income compared to total University System funding	In fiscal year 2008, the University System generated 73 percent of its total revenues either internally from fees for services or externally from gifts, grants, and contracts.
Ratio measuring the amount of expendable net assets as compared to the amount of long-term debt	The University System ratio of net assets available for debt service to long-term debt is 0.6 to 1 as of the end of fiscal year 2008. A ratio of 1 to 1 or greater is desired.
Research expenditures in proportion to the amount of revenue generated by research activity and funding received for research activity	Research grew by 19 percent during the past four years with \$180.5 million in research expenditures in fiscal year 2008.
Ratio measuring the amount of expendable fund balances divided by total expenditures and mandatory transfers	The University System had a primary reserve ratio of 0.3 to 1 as of the end of fiscal year 2008 which indicates it could continue operations for about 15 weeks.
Ratio measuring the annual change in net assets divided by total revenues	The University System had a positive net income margin of 2.3 percent as of the end of fiscal year 2008, compared to 4.2 percent in fiscal year 2004, indicating the University System was generating revenues in excess of its expenditures.

In response to a question from Representative Delmore, Dr. Hillman said about 50 percent of all online students are on campus. He said online enrollment is important to the University System.

Representative Nottestad suggested the committee receive information regarding the completion rates of students taking online classes compared to students taking classes in a traditional classroom setting.

Senator Grindberg suggested the committee receive information regarding the methods of calculating enrollment relating to students taking both on-campus and online courses. Chairman Skarphol asked Dr. Hillman to provide information to the committee regarding the University System enrollment reports at a future meeting.

In response to a question from Representative Skarphol, Dr. Hillman said the University System is working to increase awareness of two-year programs and careers.

Representative Skarphol said the committee may need to review the capacity of University System institutions, including the role of each in offering remedial education.

Chairman Skarphol said the Legislative Council staff distributed a memorandum entitled [Summary of 2007-08 Interim Higher Education Study](#) that provides detailed information regarding activities of the 2007-08 interim Higher Education Committee. He suggested

committee members review the memorandum to become familiar with the 2007-08 higher education study.

### OTHER COMMITTEE RESPONSIBILITIES

The Legislative Council staff presented a memorandum entitled [Other Duties of the Higher Education Committee - Background Memorandum](#).

The Legislative Council staff said the Higher Education Committee has been assigned to receive the following reports in addition to its study directives:

- A biennial report from the University of North Dakota School of Medicine and Health Sciences Advisory Council regarding the strategic plan, programs, and facilities of the school.
- Reports from any tribally controlled community college receiving a grant under NDCC Chapter 15-70 detailing grant expenditures and recipient demographics.
- A report from the chairman of the American Indian Language Preservation Committee before September 2010 regarding the work of the committee.
- Annual reports from the State Board of Higher Education regarding North Dakota academic scholarships and career and technical education scholarships.

- A report from the State Board of Higher Education regarding employee compensation and student enrollment.

**It was moved by Senator O'Connell, seconded by Senator Krebsbach, and carried on a voice vote that the committee adjourn subject to the call of the chair.**

The meeting was adjourned at 3:00 p.m.

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Brady A. Larson  
Fiscal Analyst

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Allen H. Knudson  
Legislative Budget Analyst and Auditor

ATTACH:1