

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### HIGHER EDUCATION COMMITTEE

Thursday, June 26, 2008

Ballroom, Student Center, Dickinson State University  
Dickinson, North Dakota

Representative Ken Svedjan, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Representatives Ken Svedjan, Lois Delmore, RaeAnn G. Kelsch, Jasper Schneider, Bob Skarphol, John D. Wall, Clark Williams; Senators Ray Holmberg, Karen K. Krebsbach, Elroy N. Lindaas, Dave Nething, Dave Oehlke, Tracy Potter, Larry J. Robinson

**Members absent:** Representatives Kathy Hawken, Matthew M. Klein, Bob Martinson

**Others present:** Nancy Johnson and Francis J. Wald, State Representatives, Dickinson

Jim W. Smith, Legislative Council, Bismarck

Representative Al Carlson, member of the Legislative Council, was also in attendance.

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

**It was moved by Senator Robinson, seconded by Senator Oehlke, and carried on a voice vote that the minutes of the May 21-22, 2008, meeting be approved as distributed.**

Dr. Richard McCallum, President, Dickinson State University, welcomed the committee to the campus. He said Dickinson State University is currently working on a project to create a Theodore Roosevelt Center. He said the university is working with the Library of Congress to digitize over 600,000 documents relating to Theodore Roosevelt. He said the document conversion project will near completion by October 2008.

Representative Skarphol suggested Dickinson State University continue to update the committee on progress of the project.

#### IMPLEMENTATION OF CCBENEFITS, INC., SERVICES

Dr. Marsha Krotseng, Vice Chancellor for Strategic Planning and Executive Director of the College Technical Education Council, North Dakota University System, presented information regarding the status of the implementation of CCBenefits, Inc., services. She said due to a merger, CCBenefits, Inc., is now known as Economic Modeling Specialists, Inc.

Dr. Krotseng said Economic Modeling Specialists, Inc., offers a strategic advantage tool which is used at community colleges across the country. She said the tool provides integrated data for decisionmaking from over 70 national and state databases. Dr. Krotseng said the strategic advantage tool can be used to

access information regarding workforce demands and basic population demographics. She said the state uses four modules of the tool--economic forecaster, economic impact, educational analyst, and socioeconomic impact analyses.

Dr. Krotseng said the strategic advantage tool is being used by all University System community colleges as well as the University System office. She said institutions are using the tool at varying levels to aid in decisionmaking. She suggested that use of the strategic advantage tool be increased through additional training, increased awareness, and collaboration. She also suggested that access to the tool be provided to all universities as applicable. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Svedjan, Dr. Krotseng said the use of the strategic advantage tool is still in the study phase. She said the University System may utilize additional product features in the future.

Senator Holmberg suggested the committee receive information regarding the use of the strategic advantage tool at private and tribal colleges. Dr. Krotseng said she would provide the information to the committee.

In response to a question from Senator Nething, Dr. Krotseng said programmatic areas of the university system have benefited from the strategic advantage tool by having access to job projections.

In response to a question from Representative Wall, Dr. Krotseng said she would provide the committee with information regarding the top 10 occupations for the state based on projected demand and earnings.

In response to a question from Senator Potter, Dr. Krotseng said the University System contracts for use of the strategic advantage tool at the University System office and all University System community colleges. She said the contract requires payment of \$20,000 per year for use of the product.

In response to a question from Representative Kelsch, Dr. Krotseng said collaboration is beginning to occur between the strategic advantage program and other workforce development programs. She said the chancellor and University System office staff review all programs being used to ensure duplication is avoided.

In response to a question from Senator Holmberg, Dr. Krotseng said the University System regularly evaluates the availability of other workforce demand

programs. She said the University System would consider using another product if it was more beneficial for the system.

Representative Svedjan said the strategic advantage tool allows the university system to determine which programs should be offered in various regions of the state.

### HIGHER EDUCATION STUDY

The Legislative Council staff presented a schedule of American College Test (ACT) scores by county in the state. The scores were compared to benchmarks in four core ACT areas to determine the probability of success of high school graduates who attend college. Eighty-two percent of 2007 North Dakota high school graduates took the ACT compared to a national average of 42 percent. A copy of the information presented is on file in the Legislative Council office.

Representative Kelsch said the average ACT scores for the state are affected by the number of students taking the ACT. She said North Dakota has a greater percentage of students who take the test compared to other states. She said students are taking the test even though they do not plan to attend a higher education institution.

The Legislative Council staff presented a memorandum entitled [Other States' Higher Education Strategic Goals and Measures](#). The memorandum provides information on the goals for higher education systems in Ohio, Minnesota, and Indiana.

Chairman Svedjan called on Mr. Dennis Jones, President, National Center for Higher Education Management Systems, to review higher education policy areas for finance and governance.

### Higher Education Financing

Mr. Jones said the following should be considered for providing funding for a higher education system:

1. The level of funding.
2. The percentage of funding provided to students compared to institutions.
3. The allocation of the funding to each institution in the system.

Mr. Jones said potential funding methods to create and maintain institutional capacity include a base-plus allocation, formula distribution, or investment funding.

In response to a question from Representative Skarphol, Mr. Jones said most states provide their higher education funding to institutions rather than directly to students through financial aid.

In response to a question from Representative Svedjan, Mr. Jones said base funding is considered a benchmark only if institutions receive the same level of funding as their peers.

Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, said the University System budget request has not been at 100 percent of peer comparison funding. She said equity funding addresses the issue of peer comparison deficits on an incremental basis.

In response to a question from Representative Skarphol, Mr. Jones said comparing higher education funding is difficult because there are no standard costs for higher education. He said peer comparisons can be used as a guide to determine adequacy of funding.

In response to a question from Senator Holmberg, Mr. Jones said institutions should avoid using aspirational peers when comparing funding. He said it is difficult to create a funding formula that may not be manipulated to some extent by higher education institutions.

In response to a question from Senator Lindaas, Mr. Jones said institution funding should focus on the amount of funding needed for an institution to fulfill its mission. He said if private funding is considered in a funding formula, it could impact the number of donations received by an institution.

Senator Potter said the Legislative Assembly should focus on maximizing the efficiency of the higher education system. He said focus should be placed on the entire system rather than individual institutions.

In response to a comment from Senator Robinson, Mr. Jones said the Higher Education Roundtable was committed to maintaining all institutions in the University System. He said the savings from closing a higher education institution would be minimal.

Senator Oehlke said it is important for campuses to collaborate to provide needed programs to all areas of the state.

In response to a question from Representative Svedjan, Mr. Jones said the current higher education funding system does not reward institutions for the accomplishment of goals.

In response to a question from Senator Oehlke, Mr. Jones said incentive funding for institutions can be linked to program success rates. He said incentive funding may also consider other variables such as student background.

Mr. Jones said emphasis should be placed on how to effectively leverage resources. He said the same results may be achieved with different amounts of funding. Mr. Jones said different incentives may be needed to account for differences in campuses.

Mr. William G. Goetz, Chancellor, North Dakota University System, said the purpose of the Higher Education Roundtable was to establish a foundation for higher education goals. He said each campus compiles a list of goals and objectives each year that are in accordance with the roundtable cornerstones.

In response to a question from Representative Svedjan, Mr. Goetz said the State Board of Higher Education and the University System office ensure campus goals and objectives are followed.

In response to a question from Senator Holmberg, Mr. Jones said discussion of incentive funding should not be delayed until increases in base funding are provided. He said incentive funding can be used while maintaining base funding at its current level.

In response to a question from Senator Nething, Mr. Goetz said campuses are not currently rewarded financially for achieving goals.

In response to a question from Representative Skarphol, Mr. Goetz said the State Board of Higher Education develops goals for the University System. He said each campus develops its own goals that correspond with the goals of the system. He said he would provide information to the committee regarding current institutional goals as well as the process used to develop them.

In response to a comment from Senator Nething, Mr. Jones said the Legislative Assembly should establish statewide higher education goals. He said each institution should develop its own goals that relate to the goals established for the state.

In response to a question from Representative Svedjan, Mr. Jones said goals established by the Higher Education Roundtable should be followed at the system level rather than an institution level. He said it is important to link the higher education budget to higher education goals.

Representative Carlson said campuses may not be able to react quickly to market conditions if a focus on system goals is required. He said progressive campuses may be restrained by focusing too much on system goals.

In response to a question from Representative Carlson, Mr. Jones said institutions pursuing their own agendas may cause the state to have unfulfilled goals. He said all campuses need to focus on achieving state goals.

Chairman Svedjan asked the Legislative Council staff to provide information to the committee regarding previous North Dakota Supreme Court cases relating to higher education funding.

Senator Nething suggested the committee receive information regarding various alternatives for higher education financing systems. Mr. Jones said he would provide information on alternative higher education financing systems to the committee.

In response to a question from Representative Kelsch, Mr. Jones said higher education financing methods should allow students of all income levels to attend any public higher education institution.

The committee recessed for lunch at 12:00 noon and reconvened at 1:00 p.m.

### **Higher Education Governance**

Mr. Jones said issues occur with any form of higher education governance. He suggested the committee focus on what it considers an effective governance structure.

In response to a question from Senator Robinson, Mr. Jones said higher education governing board members need to address complex issues. He said it is important to have orientation activities for board members.

Representative Svedjan expressed concern regarding the process of orientation and training of new members of the State Board of Higher Education.

He said it is important for each of these members to be prepared for the responsibilities and authority as a member of the board.

In response to a question from Representative Kelsch, Mr. Jones said it may be more effective to enhance the current governance structure than to create a new one.

In response to a request from Senator Holmberg, Mr. Allen H. Knudson, Legislative Budget Analyst and Auditor, Legislative Council, reviewed the constitutional requirements for submission of the higher education budget. He said the constitution allows the University System to submit a budget based on the needs of institutions under its control. He said the State Board of Higher Education has the final authority over what is included in the budget request.

Senator Holmberg said confusion exists regarding the definition of a needs-based budget. He said the state lacks an effective method of recruiting candidates for board positions.

Senator Robinson expressed concern that at times the State Board of Higher Education focuses more on individual campuses rather than the entire University System.

Representative Skarphol suggested the committee receive information regarding the ability of the Legislative Assembly to place additional qualifications on members of the State Board of Higher Education. Chairman Svedjan asked the Legislative Council staff to provide this information to the committee.

Senator Potter said it may not be appropriate for the chancellor to provide training to new members of the State Board of Higher Education. He suggested the training be provided by a different entity.

Senator Robinson said it is important for board members to have knowledge of all institutions in the University System. He said board members should have increased communications with campuses.

In response to a question from Representative Skarphol, Mr. Knudson said the constitution prohibits nonresidents from being members of the State Board of Higher Education.

Representative Svedjan said the committee should focus on changes that would allow the State Board of Higher Education to function more effectively.

Mr. Goetz said members of the State Board of Higher Education experience large time demands and high expectations. Mr. Goetz said the orientation and training of board members should be an ongoing process.

In response to a question from Representative Svedjan, Mr. Goetz said the current orientation program for new board members focuses on roles and responsibilities. He said board members also gain knowledge by attending professional conferences and training.

Representative Kelsch said an applicant for a position on the State Board of Higher Education may not reapply if the individual is not initially appointed.

She said the quality of applicants may be affected by fewer people applying for a position.

Senator Nething suggested the committee receive information regarding the current process of new board member orientation. Mr. Goetz said he would provide the information to the committee at a later meeting.

In response to a comment from Representative Skarphol, Mr. Goetz said improved communication is needed between the Legislative Assembly and the State Board of Higher Education. He said both entities should improve their communications with the other.

Representative Skarphol said continued communications with the State Board of Higher Education may improve trust between the board and the Legislative Assembly.

Senator Robinson said the board can increase trust by acting on behalf of the entire University System instead of individual campuses.

Representative Kelsch said communication and trust are also important issues between campuses and the board. She said the board needs to focus its efforts on all campuses.

In response to a question from Representative Svedjan, Mr. Jones said roundtable recommendations have been included in legislative measures to ensure accountability. He said it may be beneficial for the roundtable to meet again and review goals.

Representative Skarphol said joint meetings with the State Board of Higher Education may be used to review roundtable measures and refine expectations.

In response to a question from Senator Lindaas, Mr. Goetz said institution presidents may communicate with legislators regarding financial matters after the University System budget is finalized. He said the chancellor and board members should be kept informed of discussions that affect the budget.

Representative Williams said legislative concern with the State Board of Higher Education exists due to a lack of communication and trust. He said leadership of the board is an important quality.

Dr. Michel Hillman, Vice Chancellor for Academic and Student Affairs, North Dakota University System, said focus needs to be placed on kindergarten through grade 12 education for the purpose of preparing students to succeed in college or having adequate job skills.

Representative Delmore said teachers from kindergarten through grade 12 schools need to be included in discussions of P-16 issues.

In response to a question from Representative Kelsch, Dr. Hillman said each higher education institution has its own assessments to evaluate new students. He said it would be beneficial for the state to have one placement examination.

Mr. Jones said the State Board of Higher Education needs to consider changes to the higher education financing model and review suggested changes with the committee.

Ms. Pam Kostelecky, member, State Board of Higher Education, provided comments to the committee regarding the committee discussion. She said the State Board of Higher Education will discuss concerns raised by the committee.

Chairman Svedjan announced the next committee meeting is tentatively scheduled for July 30, 2008, in Fargo.

The meeting was adjourned at 3:15 p.m. subject to the call of the chair.

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Brady A. Larson  
Fiscal Analyst

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Allen H. Knudson  
Legislative Budget Analyst and Auditor

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