NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

HIGHER EDUCATION COMMITTEE

Tuesday and Wednesday, April 17-18, 2012
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Bob Skarphol, Chairman, called the meeting to order at 9:00 a.m. on Tuesday, April 17, 2012.

Members present: Representatives Bob Skarphol, Thomas R. Beadle, Lois Delmore, Mark A. Dosch, Joe Heilman, Dennis Johnson, Nancy Johnson, RaeAnn G. Kelsch, Bob Martinson, David Monson, Mark Sanford, Clark Williams; Senators Tim Flakoll, Tony Grindberg, Ray Holmberg, Karen K. Krebsbach, Dave Nething, Larry Robinson, Mac Schneider, Ryan M. Taylor

Member absent: Representative Kathy Hawken

Others present: Senator Rich Wardner, member of the Legislative Management, was also in attendance.

See Appendix A for additional persons present.

It was moved by Senator Robinson, seconded by Representative Monson, and carried on a voice vote that the minutes of the March 2, 2012, meeting be approved as distributed.

HIGHER EDUCATION STUDY

Higher Education Performance Funding Methods

Mr. William G. Goetz, Chancellor, North Dakota University System, said the University System has been reviewing performance funding methods. He said a University System performance funding task force consisting of representatives of various institutions and the University System office was created to review performance funding methods.

Dr. Marsha Krotseng, Vice Chancellor for Strategic Planning, North Dakota University System, presented information (Appendix B) regarding the activities of the University System's performance funding task force. She said the task force was created to provide recommendations for the use of performance funding measures by the University System. She said the task force recommended a pilot program be implemented during fiscal year 2013 without funding and use the following measures:

1. Fall to spring semester student retention at the institution where the student initially enrolled.
2. Fall to fall semester student retention at any institution within the University System.
3. The number of students awarded degrees between July 1 and June 30 of each year.

Dr. Krotseng said the task force is recommending that funding be allocated for the performance funding method beginning with the 2015-17 biennium.

In response to a question from Representative Skarphol, Dr. Krotseng said the student retention measures are based on the number of full-time students enrolled at the institution. She said the measures use the federal financial aid definition of a full-time student, which is any student enrolled in at least 12 credit-hours.

Senator Grindberg said most of the data needed for the performance measures should already be available. He questioned why the performance funding measures and related funding will not be implemented immediately.

Dr. Krotseng said data is currently available for the performance funding measures, but the delay in implementing the measures will allow time to ensure the data is consistent among institutions.

Mr. Randall Thursby, Chief Information Officer, North Dakota University System, Fargo, said the data that is currently available relating to student retention and completion is being reported separately by each institution. He said it is preferable to generate reports from a single data source.

Representative Skarphol said it is important to provide data regarding institution performance as soon as possible. He said even if funding is not allocated based on the performance, the data should still be reported to increase transparency in higher education.

In response to a question from Representative Delmore, Dr. Krotseng said the recommended performance funding measures account for unique situations, such as students transferring to another University System institution.

Senator Holmberg expressed concern that performance funding measures for student retention and completion may affect student access. He said the measures may influence institutions to have selective admissions standards in order to improve student retention and completion rates.

Dr. Krotseng said the performance funding task force determined that the ultimate focus of a performance funding method must be on supporting and enhancing success for all students, including nontraditional and historically underserved students.

Mr. Harvey Link, Vice President for Academic and Student Affairs, North Dakota State College of Science, Wahpeton, provided comments regarding performance funding measures for two-year institutions. He said many students enroll at two-year institutions with the intent of transferring to a four-year institution. He said performance funding measures based on completion need to address the students that transfer from a two-year to four-year institution without completing a program at the two-year institution.

In response to a question from Representative Skarphol, Mr. Link said two-year institutions have unique missions and program needs. He said it may be beneficial to allow two-year institutions the flexibility of selecting performance measures that address the mission and needs of the institution.

In response to a question from Senator Flakoll, Mr. Link said a small percentage of total higher education funding should initially be reallocated for performance funding distributions. He said the percentage of funding used for performance funding distributions can be increased as the program continues.

In response to a question from Senator Flakoll, Mr. Link said a rolling three-year average can be used for measurements of institution success for performance funding. He said the average can also be weighted to give more consideration for the most recent year that data is available.

Dr. John Girard, Professor of Management, Minot State University, and Faculty Adviser to the State Board of Higher Education, Minot, provided comments regarding performance funding measures for baccalaureate institutions. He said performance funding measures should be easy to understand and address unique institution needs. He said the measures should be student-focused, success-based, simple, and applied systemwide.

In response to a question from Senator Flakoll, Dr. Girard said performance funding received by an institution should be used to serve the needs of students. He said some institutions may want to expand or develop programs that address student needs.

In response to a question from Representative Skarphol, Dr. Girard said it is important for institutions to address student debt levels. He said the amount of credit-hours required for program completion should be reviewed to determine if adjustments are needed. He said requiring students to complete more credit-hours than what is necessary may cause students to stay in college longer.

In response to a question from Representative Skarphol, Dr. Girard said statewide faculty organizations are discussing the performance funding measures recommended by the performance funding task force. He said it is important to include faculty in discussions regarding the appropriate measures to use.

Senator Flakoll expressed concern of the possibility that performance funding could be awarded to institutions based on data that is incorrect. He said discussion needs to be held regarding how to correct funding distributions that are based on erroneous information.

Ms. Carmen Williams, Director, Office of Institutional Research, University of North Dakota, Grand Forks, provided comments regarding performance funding measures for research institutions. She said the measures recommended by the performance funding task force focus on student success. She said different target levels for retention and completion rates should be set for each institution based on institution mission.

Chairman Skarphol said a future meeting will include discussion on specific performance funding measures for two-year, baccalaureate, and research institutions. He asked representatives of institutions to prepare additional information regarding measures that are appropriate for their institution type.

Chairman Skarphol provided comments regarding the Tennessee higher education performance funding method. He said the Tennessee funding method uses measures that are weighted based on the type and mission of institution. He said the committee may receive detailed information regarding the method at a future committee meeting.

Mr. Goetz said it is important to reconcile the work of the Higher Education Committee with the work of the University System performance funding task force. He suggested the Higher Education Committee develop expectations that can be used by the board's performance funding task force as it completes its work.

Representative Monson said two-year institutions have several unique issues that need to be addressed by performance funding measures, including high-cost programs and student transfers to four-year institutions.

Representative Sanford said representatives of University System institutions should be involved in selecting performance funding measures and defining student success.

Senator Flakoll suggested having a certain number of performance funding measures apply to all institutions and allowing institutions to select additional measures to address unique institution missions and needs.

Ms. Kayla Effertz, Senior Policy Advisor, Governor's office, provided comments to the committee regarding the Governor's task force on higher education funding. She said the task force includes representatives of four institutions and is working to develop a higher education funding model based on the actual costs of educating students at each institution. She said the funding model being developed will focus on transparency and will provide a fair allocation of resources.

In response to a question from Representative Williams, Ms. Effertz said a timeline has not yet been established for the task force to complete its work.

In response to a question from Representative Skarphol, Ms. Effertz said the proposed funding model will increase transparency so administrative costs at each institution are easily understood.

In response to a question from Representative Monson, Ms. Effertz said the proposed funding model will be based on a three-tiered system to address the unique needs of two-year institutions, baccalaureate institutions, and research institutions.

In response to a question from Representative Dosch, Ms. Effertz said the proposed funding model will address the amount of funding provided by the state compared to the amount of funding provided by students through tuition and fees.

Mr. Robert Vallie, student member, State Board of Higher Education, Fargo, provided comments to the committee regarding higher education performance funding methods. He said performance funding measures will allow higher education stakeholders to review the performance of higher education institutions. He said performance funding measures will also allow stakeholders to better understand the operations of higher education institutions.

In response to a question from Senator Flakoll, Mr. Vallie said higher education students feel retention and completion measures are important to determine student success. He said students are also concerned about developmental education issues, including differences in secondary education completion requirements and higher education admissions standards.

The committee recessed for lunch at 11:45 a.m. and reconvened at 1:00 p.m.

Higher Education Accountability Measures

The Legislative Council staff presented a memorandum entitled *Higher Education Accountability Measures*. The Legislative Council staff said North Dakota Century Code Section 15-10-14.2 requires the State Board of Higher Education to adopt a strategic planning process and to develop a strategic plan to define and prioritize University System goals and objectives. The board is to provide an annual performance and accountability report regarding the performance and progress in meeting the goals outlined in the strategic plan. The 2001, 2003, 2005, 2007, and 2009 Legislative Assemblies approved sections of legislative intent regarding certain financial and nonfinancial performance measures to be included in the report.

Mr. Goetz presented an overview of the University System's December *2011 Accountability Measures Report* (Appendix C). The following are selected measures from the report:

Measure	Status/Result
How well is North Dakota's workforce training system responding to the training needs of employers?	In fiscal year 2011, 1,547 businesses were served by TrainND, and 14,593 employees were trained.
What is the level of research expenditures in higher education?	Research expenditures grew by 22 percent between fiscal year 2007 and fiscal year 2011 with $207 million in research expenditures in fiscal year 2011.
Are graduates of North Dakota colleges and universities finding employment in the state?	Of the 7,884 University System graduates in 2009, 4,972 (63.1 percent) were employed by North Dakota employers one year after graduation.
Are University System students completing their degrees?	Based on adjusted graduation rates from all institutions, 46.9 percent of two-year institution students completed degrees in three years, and 64 percent four-year institution students completed degrees in six years.
How affordable are University System institutions to all families?	On average, 15.2 percent of the 2010 median North Dakota family income was needed to pay for college at four-year institutions after grant aid was deducted. This compares to a national average of 17.2 percent. On average, 9.3 percent of family income was needed to pay for college at two-year institutions.
How does the average student loan debt of North Dakota students compare to the national average and the state with the lowest debt per student?	In 2010-11, undergraduate and graduate students in North Dakota borrowed an average of $4,410 compared to the national average of $4,785. Maine had the lowest average at $4,136.
What proportion of the 25-year-old to 34-year-old population has an associate's degree or higher?	Approximately 50.5 percent of North Dakota's 25-year-old to 34-year-old population has an associate's degree or higher. The national average is 39 percent.
To what extent do North Dakota taxpayers provide financial support for University System students?	The average per capita general fund appropriation for the 2009-11 biennium was $813, an increase of 37 percent since the 2001-03 biennium.
How much state funding and tuition revenue is spent for each degree and certificate awarded by University System institutions?	The average cost per degree awarded by University System four-year institutions in 2009-10 was $60,897, which is above the national average of $56,683. The 2009-10 average cost per two-year institution degree or certificate awarded was $27,742, which is below the national average of $34,256.

In response to a question from Representative Skarphol, Ms. Aimee Copas, Academic Affairs Associate, North Dakota University System, said

information is retrieved from multiple sources to report on the retention of University System graduates in the state. She said data is retrieved from records maintained by the University System, Job Service North Dakota, and the Department of Commerce.

In response to a question from Representative Skarphol, Ms. Copas said she will provide information to the committee regarding the University System's use of student unit records.

In response to a question from Senator Flakoll, Ms. Copas said she will provide the committee with information regarding the number of University System graduates that moved to a bordering state but reside within the service area of a major North Dakota city.

Enrollment Information

Ms. Copas presented information (Appendix D) regarding enrollment statistics of the University System. She said during the fall of 2011, 37,122 University System students had an on-campus presence by taking at least one course in a traditional classroom setting. She said 11,683 students did not have an on-campus presence.

Ms. Copas presented the following information regarding University System degree credit headcount enrollment in distance education courses by delivery method:

Distance Education Delivery Method	Fall 2011 Enrollment
Face to face off campus[1]	4,409
Correspondence	334
Internet-based	15,732
Duplicated total[2]	20,475

[1]Courses taught in a traditional classroom setting at an off-campus location

[2]A student may be counted more than once if a student takes courses using different delivery methods. The unduplicated total of distance education students is 18,958.

Ms. Copas presented the following information detailing the residency of students taking only online courses at each University System institution:

Students Enrolled Only in Online Courses - Fall 2011			
	Resident Students	Nonresident Students	Total
Bismarck State College	564	651	1,215
Dakota College at Bottineau	99	49	148
Dickinson State University	297	66	363
Lake Region State College	341	122	463
Mayville State University	106	87	193
Minot State University	415	142	557
North Dakota State College of Science	246	80	326
North Dakota State University	233	355	588
University of North Dakota	782	1,569	2,351
Valley City State University	223	166	389
Williston State College	147	64	211
Total	3,453	3,351	6,804

In response to a question from Representative Delmore, Ms. Copas said some institutions offer courses that combine online learning and traditional classroom instruction. She said students enrolled in these courses are not considered online-only students.

In response to a question from Representative Skarphol, Ms. Copas said she will provide the committee with information regarding options available to implement new technology to allow the University System to provide additional statistical data.

Developmental Education

Ms. Copas presented information (Appendix E) regarding University System admissions standards and developmental education students. She said the State Board of Higher Education policy provides the following admissions policies for two-year institutions which includes certificate programs, diploma programs, and associate's degree programs:

- A beginning freshman applicant who is a high school graduate may be admitted to any two-year institution. Institutions may establish program admissions requirements that are in addition to the general admissions requirements.
- General educational development (GED) test may be used to satisfy the high school graduation requirement.
- Applicants that are 17 years of age or older may be admitted to technical programs if the applicant successfully meets program requirements. It is recommended, but not required, for applicants to have a high school diploma.

Ms. Copas said the State Board of Higher Education policy provides the following requirements for admission to four-year institution baccalaureate programs:

- The completion of certain high school curriculum, including four units of English, three units of mathematics (Algebra I and above), three units of laboratory science (including at least one unit each in at least two of the following courses--biology, chemistry, physics, or physical science), and three units of social studies (excluding consumer education).
- Students are recommended to also complete an Algebra II course and two units of a single classical or modern language, including American Sign Language and Native American languages.
- International students shall be considered for admission if their high school preparation is judged equivalent to the required high school curriculum and the student meets English language proficiency requirements.
- Students aged 25 or older on the first day of class are exempt from the high school curriculum requirements. In addition, institutions may enroll a certain percentage of

students that do not meet the high school curriculum requirements.

- Institutions may establish additional criteria beyond the high school curriculum requirements.

Ms. Copas presented the following schedule detailing the number of resident and nonresident students enrolled in developmental education courses at each University System institution:

Students Enrolled in Developmental Education Courses - Fall 2011

	Resident Students	Nonresident Students	Total
Bismarck State College	552	56	608
Dakota College at Bottineau	96	113	209
Dickinson State University	53	64	117
Lake Region State College	146	45	191
Mayville State University	24	49	73
Minot State University	154	59	213
North Dakota State College of Science	293	295	588
North Dakota State University	177	285	462
University of North Dakota	83	112	195
Valley City State University	0	0	0[1]
Williston State College	89	72	161
Total	1,667	1,150	2,817

[1]Valley City State University developmental education courses were provided through other institutions or through outside programs.

Ms. Copas said the University System is working with the Department of Public Instruction to reduce the number of students that require developmental education. She said examples of initiatives to reduce the number of developmental education students include the use of optional high school curriculum, using scholarships to promote academic rigor, and increasing access to dual-credit courses.

In response to a question from Representative Delmore, Ms. Copas said she will provide the committee with information regarding the number of students without a high school diploma that are enrolled in technical programs at higher education institutions.

In response to a question from Representative Skarphol, Mr. Goetz said each higher education institution is responsible to guarantee international student compliance with English language proficiency requirements.

In response to a question from Representative Skarphol, Ms. Copas said the same academic requirements apply to both dual-credit and regular college courses.

In response to a question from Senator Holmberg, Ms. Copas said the University System is working with secondary schools to address developmental education issues. She said approximately 50 percent of developmental education students do not complete a college program.

In response to a question from Representative Skarphol, Ms. Copas said communication between higher education institutions and secondary schools has been increasing regarding academic areas where students are deficient. She said she will provide the committee with additional information regarding the communications between higher education institutions and secondary schools regarding developmental education.

In response to a question from Representative Monson, Ms. Copas said four-year institutions may admit a certain percentage of students that do not meet normal admissions requirements. She said the students receive careful consideration prior to being admitted under this exception.

In response to a question from Senator Flakoll, Ms. Copas said she will provide the committee with information regarding the number of students enrolled in each developmental education course. She said she will also provide the committee with information regarding students enrolled in developmental education courses that did not take related courses during their final two years of secondary school.

In response to a question from Senator Nething, Ms. Copas said some two-year institutions provide developmental education courses to students enrolled at four-year institutions. She said the students enrolled in the courses are reported as developmental education students at the two-year institution rather than the four-year institution.

Ms. Connie Mittleider, Director, Teacher and School Effectiveness, Department of Public Instruction, presented information (Appendix F) regarding high school graduation requirements. She said students must complete a minimum of 22 credits, including the following curriculum requirements, in order to receive a high school diploma:

1. Four units of English language arts from a sequence that includes literature, composition, and speech.
2. Three units of mathematics.
3. Three units of science, including one unit of physical science, one unit of biology, and one unit (or two half units) of any other science.
4. Three units of social studies, including one unit of United States history, one unit of problems of democracy or a half unit of United States government and a half unit of economics, and one unit (or two half units) of any other social studies which may include civics, civilization, geography and history, multicultural studies, North Dakota studies, psychology, sociology, and world history.
5. One unit of physical education or a half unit of physical education and a half unit of health.
6. Three units of foreign languages, Native American languages, fine arts, or career and technical education courses.
7. Any five additional units.

Ms. Mittleider said some high schools in the state require a student to complete more than 22 credits in order to receive a high school diploma. She presented the following information regarding the number of high schools that require 22 or more credits for a student to graduate:

Number of Credits Required to Graduate From High School	Number of High Schools With the Credit Requirements
22	119
22.5	2
23	11
24	40
25	2
26	3

In response to a question from Representative Skarphol, Ms. Mittleider said 426 high school students graduated during 2010 and 2011 using optional curriculum requirements as provided in statute. She said she would provide the committee with information regarding the number of students that graduated under the optional curriculum requirements and enrolled in technical programs or entered the workforce.

In response to a question from Senator Flakoll, Ms. Mittleider said she will provide the committee with information regarding the number of students that received a North Dakota academic or career and technical education scholarship, including the number of students that may not meet eligibility requirements to continue to receive a scholarship.

In response to a question from Representative Delmore, Ms. Mittleider said students are asked to provide their Social Security number in order to take the ACT test. She said the Social Security number is used to match the test results with other student records.

In response to a question from Representative Monson, Mr. Thursby said the University System is working with other state agencies to match University System and high school student records for analysis purposes. He said student Social Security numbers are used to match student records with Job Service North Dakota data.

Tuition and Fee Information

Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, presented information (Appendix G) regarding tuition and fees charged by University System institutions. She provided an overview of tuition and fee collections at each institution since the 2001-03 biennium. She said tuition revenue at institutions is affected by tuition rate increases and the number of tuition waivers granted.

Ms. Glatt said institutions charge university/college fees and student activity fees to support various student activities, student support services, and related facilities. She said institutions also charge program and course fees for specific program or course costs. She presented the following information regarding mandatory university/college fees and student government fees charged at each institution:

2011-12 Annual University/College Fees and Student Government Fees (Full-Time Student Rate)

Institution	Fee	Fee Amount
Bismarck State College	College fee	$264.00
	Wellness center fee	96.00
	Total	$360.00
Lake Region State College	Student activity fee	$256.00
	Facilities usage fee	224.00
	Total	$480.00
Williston State College	College fee	$452.20
	Activity fee	161.00
	Total	$613.20
University of North Dakota	Student activity fee	$756.96
	Wellness center fee - Bond repayment	109.44
	Wellness center fee - Operations	139.44
	McCannel Hall renovation fee	30.00
	Total	$1,035.84
North Dakota State University	Student activity fee	$261.60
	Student union expansion	92.40
	Wellness center fee and addition	160.00
	Student health service fee	114.00
	Career service fee	44.00
	Library fee	39.84
	Total	$711.84
North Dakota State College of Science	Athletics	$91.00
	Clubs	17.28
	Drama	7.98
	Campus activities board	19.96
	Music	13.54
	Student Senate	27.30
	Student center	16.80
	Student recreation	7.28
	Workout facility fee	30.00
	Health service fee	58.80
	Total	$289.94
Dickinson State University	University fee	$628.50
	Student government activity fee	138.00
	Badlands Activities Center fee	120.00
	Total	$886.50
Mayville State University	University fee	$367.50
	Student government fee	84.00
	Wellness center operations fee	105.00
	Total	$556.50
Minot State University	Athletics	$160.80
	Student health fee	70.00
	Placement	52.00
	Health and Wellness Center	271.94
	Fitness center	90.00
	University endowment	3.00
	Activity fee	244.68
	Total	$892.42
Valley City State University	University fee	$290.00
	Health fee	60.00
	Student activity fee	132.00
	Fitness center fee	10.00
	Total	$492.00
Dakota College at Bottineau	Activity fee	$320.00
	Student health fee	50.00
	College fee	60.00
	Total	$430.00

Ms. Glatt said there are several categories of nonresident student tuition rates. She said the State Board of Higher Education policy provides for special tuition rates for residents of contiguous states and

provinces. She said the board has entered tuition reciprocity agreements with the state of Minnesota and also with several other states through the Western Interstate Commission for Higher Education and Midwestern Higher Education Compact.

In response to a question from Senator Holmberg, Ms. Glatt said general fund appropriations and tuition revenue is used to support institution instructional costs. She said revenue generated from student fees is used to support the purpose for which the fee is charged.

In response to a question from Senator Grindberg, Ms. Glatt said she will provide additional information regarding tuition revenue collections at Williston State College.

In response to a question from Representative Skarphol, Ms. Alice Brekke, Vice President of Finance and Operations, University of North Dakota, Grand Forks, said students at the University of North Dakota (UND) are charged a fee related to the renovation of McCannel Hall. Ms. Brekke said offices for student support services are located in McCannel Hall.

In response to a question from Representative Kelsch, Ms. Brekke said mandatory student fees at UND are charged on a per credit-hour basis for the first 12 credits. She said the fees are generally capped at 12 credit-hours per semester.

In response to a question from Representative Monson, Ms. Glatt said Minot State University received State Board of Higher Education approval to charge all students, including nonresident students, the resident student tuition rate.

In response to a question from Representative Heilman, Ms. Glatt said some University System institutions have tuition agreements with foreign institutions or other entities. She said some international students pay their tuition directly to the North Dakota institution while the tuition of other international students is paid by a third party on behalf of the student.

In response to a question from Representative Heilman, Ms. Glatt said the State Board of Higher Education approved tuition rate for nonresident students attending University System institutions ranges from 100 to 267 percent of the resident student tuition rate. She said most institutions offer a partial tuition waiver to nonresident students. However, she said, it is difficult to compare tuition waivers among institutions due to the different tuition rates.

Representative Heilman expressed concern regarding the lack of consistency among institutions in tuition rates charged to nonresident students and the amount of tuition waivers reported.

Chairman Skarphol asked Ms. Glatt to provide information to the committee at a future meeting regarding the amount of tuition revenue collected by tuition rate category.

Mr. William Woodworth, President, North Dakota Student Association, Grand Forks, provided comments regarding the committee's study of higher education issues. He said many students take longer than normal to complete an academic program because they are working while attending college. He said the majority of students are financially responsible and do not overextend spending or financial aid resources.

The committee recessed at 4:25 p.m. and reconvened at 9:00 a.m. on Wednesday, April 18, 2012.

DICKINSON STATE UNIVERSITY PERFORMANCE AUDIT

Mr. Gordy Smith, Audit Manager, State Auditor's office, provided an overview (Appendix H) of the performance audit report conducted of Dickinson State University. He said the objective of the performance audit was to determine if the university has established an adequate system for monitoring operations.

Mr. Smith said the performance audit contains 33 recommendations. The following is a summary of recommendations by major area:

Review Area	State Auditor's Office Results and Findings
Tuition and fees	The university needs to ensure tuition rates are consistently charged and accurately reflect what will be collected. Due in part to the access fee fund having a cash balance in excess of $2 million, the university should make changes to ensure the fee amount charged is appropriate, and the fee money is used for expenses associated with distance education. Improvements are needed to ensure fees are charged to the students who are expected to utilize the services supported with the fees. Improvements are also needed with the use of application fees as well as with how university fees are allocated.
Scholarships and waivers	The university should comply with established criteria in awarding Roughrider scholarships. Improvements are needed with monitoring Roughrider scholarship recipients as well as recipients of global and cultural tuition waivers. The university needs to ensure a single department is responsible for the Roughrider scholarship award program. In addition, a single department should be responsible for the global and cultural tuition waiver programs.
Fiscal-related areas	The university needs to make improvements to be good stewards of public funds. The university should ensure adequate funds exist prior to incurring expenditures. Improvements are needed with international recruiting agent agreements to ensure requirements are adequately monitored. Improvements are also needed with procurement processes and written agreements for services entered by the university.
Additional areas requiring improvement	The university needs to make improvements to foster open communication and coordinate efforts of departments/offices. Enrollment of individuals as students should only occur when required documentation is completed and submitted to the university. Improvements are needed to ensure the university is in compliance with academic standards and to validate the academic integrity of the university. Changes are needed with the admissions process for international students as well as with the actions taken by the university when visa requirements are not being met. The State Auditor's office identified improvements are needed with certain human resource areas, including complying with requirements related to merit salary increases, performance reviews, and investigations of alleged violations of policies.

In response to a question from Representative Skarphol, Mr. Smith said the university has limited policies regarding certain tuition waivers and scholarship programs. He said approval was needed from the Office of Financial Aid, Business Office, Office of Multicultural Affairs, and possibly the athletic department to award certain tuition waivers.

In response to a question from Representative Williams, Mr. Smith said the audit reviewed activities that occurred during fiscal years 2009, 2010, and 2011. He said the audit did not review activities prior to fiscal year 2009 so it is unknown how long the improper activities identified were occurring.

Representative Williams expressed concern that improper activities have taken place for several years without anyone reporting the activities. He said procedures should have been in place to detect the improper actions.

In response to a question from Senator Holmberg, Mr. Smith said the State Auditor's office has also been reviewing the use of student fees at other institutions. He said the State Auditor plans to release a report during the summer of 2012 regarding the use of student fees at institutions.

In response to a question from Senator Holmberg, Mr. Smith said the State Auditor's office will conduct a followup visit to the university in 18 months to 24 months to determine if the performance audit recommendations have been implemented. He said a report will be presented to the Legislative Audit and Fiscal Review Committee regarding the status of the implementation of recommendations.

In response to a question from Senator Flakoll, Mr. Smith said there was no indication that anyone at the university benefited financially from the improper activities.

In response to a question from Senator Schneider, Mr. Smith said he will provide the committee with information regarding revenues collected at the university from the university fee charged to students.

In response to a question from Representative Skarphol, Mr. Smith said individuals at the university entered contracts greater than $100,000 without following proper procurement procedures. He said university employees with the authority to enter contracts should know the proper procedures for awarding contracts.

In response to a question from Representative Skarphol, Mr. Smith said it is important for large entities, such as the University System, to have adequate internal auditing staff. He said internal auditing can help prevent small problems from becoming large incidents.

Representative Kelsch said measures should be implemented to notify the appropriate personnel when certain situations occur, such as all students enrolled in a course receiving the same grade. She said the chancellor should be responsible for ensuring that the State Board of Higher Education policies are being followed at all institutions.

In response to a question from Representative Martinson, Mr. Smith said several people at the university were involved in the improper activities. However, he said, it is difficult to determine the level of involvement of the individuals.

Dr. D. C. Coston, President, Dickinson State University, provided comments regarding the performance audit of Dickinson State University. He said the university is working to improve communication between the administration, faculty, staff, students, and others. He said there was a sense of intimidation on campus which discouraged employees from reporting suspected improper activities. He said employees of the university can now contact the University System internal auditor directly with any concerns.

Representative Martinson said action needs to be taken immediately to restore the credibility of Dickinson State University.

Dr. Coston said there have been nine recent leadership changes at the university, including three department chairs that have stepped down from their leadership positions.

Representative Skarphol said decisive action needs to be taken to regain the trust of the public.

Dr. Coston said the actions of university personnel are being reviewed to determine the level of involvement in the improper activities. He said appropriate actions will be taken regarding personnel issues.

Mr. Goetz provided comments to the committee regarding the Dickinson State University performance audit. He said a University System office employee is currently working at the university to assist with improving the operations of the registrar's office. He stressed the need for patience as the details of the activities are reviewed and changes are made.

Mr. Goetz said Dr. Coston has been directed to resolve the issues identified in the performance audit report. He said there will be direct involvement with the University System internal auditor in determining how to address the issues.

In response to a question from Representative Skarphol, Dr. Coston said university officials discovered discrepancies with the special international student programs in December 2011. He said he requested the assistance of the University System internal auditor to further review the programs. He said a review of student files found that degrees were awarded to students that did not meet all program requirements.

In response to a question from Representative Delmore, Dr. Coston said the irregularities found in student files appear to be limited to only those students enrolled in special international student programs. He said the University System internal auditor reviewed a sample of noninternational student files and found no inconsistencies.

In response to a question from Representative Williams regarding ways to prevent similar situations from occurring in the future, Mr. Goetz said the

University System is increasing its internal audit program to ensure institution compliance with State Board of Higher Education policies. He said a code of conduct and a code of ethics is now in place for all University System employees.

Dr. Coston said the State Auditor's office recommended the institution request a change to the State Board of Higher Education approved tuition rate for nonresident students. He said the institution will request approval to change the approved nonresident tuition rate from 267 percent to 150 percent of the resident tuition rate. He said the institution is also making changes to ensure student application fee revenue is used properly, and that all campus contracts are issued according to policy.

Senator Holmberg asked Dr. Coston to provide an update to the Appropriations Committees during the 2013 legislative session regarding the status of the implementation of audit recommendations.

Representative Dosch said the previous Dickinson State University president received a salary increase in July 2011 even though there were several improper activities occurring at the institution at that time. Mr. Goetz said the performance review of the previous president focused on the management of the institution. He said there was no indication at the time of any improper activities.

Mr. Duaine Espegard, Vice President, State Board of Higher Education, Grand Forks, provided comments to the committee regarding the Dickinson State University performance audit. He said the University System internal audit program will be used to ensure compliance with the State Board of Higher Education policies. He said the board's Budget, Audit, and Finance Committee is recommending an increase in internal audit staff. He said a risk assessment report was recently completed for all University System institutions.

Mr. Espegard said the University System did not have an internal audit program until approximately one year ago. He said the improper activities at Dickinson State University were discovered as a result of the work of the University System internal auditor.

Representative Martinson said it was his understanding that Dr. Coston discovered the improper activities at Dickinson State University following a meeting with representatives of the Higher Learning Commission in December 2011.

Mr. Espegard said the University System internal auditor first discovered improper activities at Dickinson State University in February 2011.

Mr. Bill Eggert, Director of Internal Audit, North Dakota University System, said he was asked by the Chancellor of the University System to review enrollment reporting discrepancies at Dickinson State University in February 2011.

In response to a question from Representative Skarphol, Mr. Eggert said he began his employment with the North Dakota University System on February 15, 2011, and one of his first assignments was the internal review of enrollment reporting discrepancies at Dickinson State University. He said an internal review of human resources issues at Dickinson State University was conducted following the enrollment reporting review. He said the review of the special international students programs was conducted in response to issues discovered by Dr. Coston following a meeting with the Higher Learning Commission in December 2011.

Representative Martinson asked Mr. Espegard if it is correct that the State Board of Higher Education knew about the enrollment reporting issues at Dickinson State University but did not know about the special international student programs issues during the 2011 regular legislative session. Mr. Espegard said that was correct.

Chairman Skarphol asked the University System office to provide additional information at a future meeting regarding the proposed increase in University System internal audit staffing levels, including job descriptions of new positions that may be requested. He also requested information regarding internal audit staffing levels of other states' higher education systems.

At the request of Chairman Skarphol, the Legislative Council staff distributed the following documents:

- *History of Dickinson State University Presidents and North Dakota University System Chancellors*.
- *Excerpt From Minutes of March 27, 2012, Legislative Audit and Fiscal Review Committee Meeting*.
- *Issuance and Use of False Academic Degrees - North Dakota Century Code Provisions*.

The committee recessed for lunch at 12:05 p.m. and reconvened at 1:00 p.m.

HIGHER EDUCATION STUDY

Tuition Waivers

Ms. Gina Padilla, Assistant Director of Financial Aid, North Dakota University System, presented the University System's 2010-11 academic year tuition waiver report (Appendix I). She said full or partial tuition waivers were provided to 9,164 students, or 16.3 percent of the total University System headcount enrollment, during the 2010-11 academic year. Of the 9,164 students that received a waiver, she said, 2,366 students received a full tuition waiver, and 6,798 students received a partial tuition waiver.

Ms. Padilla presented the following schedule detailing the number of tuition waivers provided, the number of students receiving a tuition waiver, and the value of tuition waivers provided by each institution during the 2010-11 academic year:

Institution	Number of Tuition Waivers Provided	Number of Students Receiving a Tuition Waiver[1]	Value of Tuition Waivers Provided
Bismarck State College	289	279	$182,478
Dakota College at Bottineau	76	70	83,804
Dickinson State University	687	651	2,919,121
Lake Region State College	245	241	184,198
Mayville State University	131	119	177,026
Minot State University	1,208	1,181	1,363,593
North Dakota State College of Science	1,137	1,129	1,055,958
North Dakota State University	3,066	2,939	15,227,496
University of North Dakota	2,251	2,050	8,651,291
Valley City State University	244	210	462,776
Williston State College	296	295	112,328
Total	9,630	9,164	$30,420,069

[1]Reflects the unduplicated headcount total number of students receiving a full or partial tuition waiver. Some students received more than one partial tuition waiver.

In response to a question from Representative Heilman, Ms. Padilla said the tuition waiver amount represents the difference between the State Board of Higher Education approved tuition rate for an institution and the amount of tuition charged to the student.

In response to a question from Representative Heilman, Ms. Glatt said the State Board of Higher Education approved nonresident tuition rates at institutions can vary from 100 to 267 percent of the resident tuition rate. She said the amount of tuition waiver recorded for a student is based on the amount of tuition reduced below the approved tuition rate.

Representative Dosch expressed concern regarding the lack of consistency in tuition rates and tuition waivers among institutions. He said there is no reason for the State Board of Higher Education to approve tuition rates if an institution can waive tuition and essentially set its own tuition rates.

Representative Heilman said it is important to note that most tuition waivers are only partial waivers and not full tuition waivers.

Ms. Karin Hegstad, Director of Customer Account Services, North Dakota State University, Fargo, presented information (Appendix J) regarding the practice of awarding tuition waivers. She said it is difficult to compare the amount of tuition waivers provided by each University System institution. As an example, she said, the State Board of Higher Education's approved tuition rate at North Dakota State University (NDSU) for international students is equal to 267 percent of the resident student rate while the approved international student tuition rate at other institutions may be equal to the resident tuition rate. She said if the university charges an international student the resident tuition rate a tuition waiver must be recorded. However, she said, no tuition waiver is recorded at the institution that has an approved international student tuition rate equal to its resident tuition rate.

Ms. Hegstad said the value of tuition waivers provided by NDSU would decrease by $6.1 million annually if the approved nonresident tuition rate was set at 150 percent of the resident tuition rate. She said if the university's nonresident approved tuition rate was the same as the resident tuition rate, the value of tuition waivers provided by the university would decrease by $8.1 million annually.

In response to a question from Representative Skarphol, Ms. Hegstad said most international student tuition waivers at NDSU are used to reduce the tuition paid by the international student from 267 percent to 133 percent of the resident student tuition rate.

In response to a question from Senator Holmberg, Ms. Hegstad said it is difficult to determine what the effect would be on enrollment if tuition waivers were not provided. She said some tuition waivers, such as those provided to graduate assistants, are used to compensate the student for services provided to the institution.

In response to a question from Representative Sanford, Ms. Hegstad said approximately 1,000 of the 2,100 graduate students at NDSU receive a tuition waiver.

Dr. Bruce Rafert, Provost, North Dakota State University, Fargo, provided comments regarding tuition waivers. He said tuition waivers are used by research institutions for five major strategic functions that include:

1. Acquisition of resources through tuition revenue that would not otherwise exist.
2. Acquisition of student talent.
3. Recognition of select groups, such as veterans.
4. Support for institutional mission for instruction.
5. Support of the institutional mission for research.

In response to a question from Representative Skarphol, Dr. Rafert said higher education institutions must compete for the best graduate students. He said a number of marketing strategies are used to attract graduate students to NDSU.

Dr. Robert Kelley, President, University of North Dakota, Grand Forks, provided comments regarding the use of tuition waivers. Dr. Kelley said graduate assistantships are awarded to students in return for research or teaching services. He said graduate assistants receive stipends and tuition waivers in return for their services.

Ms. Brekke said some programs at UND, such as occupational therapy, have alternative tuition rates that have been approved by the State Board of Higher Education. She said UND also has negotiated special tuition rates with third parties to educate students in certain programs. She said the negotiated rates are not less than the resident tuition rate.

In response to a question from Representative Skarphol, Ms. Brekke said she will provide the committee with information regarding tuition rates charged to students through third-party agreements.

In response to a question from Representative Heilman, Ms. Brekke said some students at UND are international students that are charged the resident tuition rate through an agreement with a third-party provider. She said the student's tuition is received directly from the third party rather than the student.

Dr. John Richman, President, North Dakota State College of Science, Wahpeton, presented information (Appendix K) regarding tuition waivers provided by the North Dakota State College of Science. He said the majority of tuition waivers provided by the institution are to students enrolled in dual-credit courses. He said the waivers are used in partnership with North Dakota public schools as a direct benefit to students and parents to make college courses more affordable.

In response to a question from Representative Martinson, Dr. Richman said a high school instructor who teaches a dual-credit course at the college outside of the normal high school teaching workload is paid the same as an adjunct instructor. He said high school teachers that teach a dual-credit course at their own facility are paid by the local public school.

Representative Martinson suggested the committee receive additional information regarding dual-credit courses.

In response to a question from Representative Kelsch, Ms. Copas said dual-credit courses being taught in high school classrooms may include students that are only receiving high school credit and not college credit. She said even though all students are taking the same course, there may be a modified curriculum for the students receiving dual-credit.

Dr. David Fuller, President, Minot State University, provided comments regarding tuition rates and tuition waivers. He said multiple tuition rates and levels of tuition waivers are used to attract students and maintain the viability of an institution. He said Minot State University recently developed a tuition model to charge all students the resident tuition rate. He said the new tuition model has been successful.

Dr. Kirsten Diederich, member, State Board of Higher Education, Fargo, provided the committee with an update on the activities of the State Board of Higher Education task force on student fees. She said the task force has met three times to discuss the use of student fees. She said the task force is reviewing the transparency and accountability of student fees. She said it is important for students to provide input regarding student fees.

Representative Kelsch said institutions need flexibility to charge student fees as necessary. However, she said accountability needs to be maintained to guarantee student fee revenue is being used as intended.

Mr. Shane Gerbert, University of North Dakota Student Government, Grand Forks, provided comments regarding student fees. He said students agree that accountability for student fees is important. He offered to provide additional student input regarding student fees at upcoming meetings if requested.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Senator Nething suggested the committee receive information regarding the University System's Experimental Program to Stimulate Competitive Research (EPSCoR). Chairman Skarphol said information regarding the program will be included on a future meeting agenda.

Chairman Skarphol announced the committee will be meeting on May 15, 2012, in Bismarck. He said the committee is also tentatively scheduled to meet on June 13, 2012, in Bismarck, and July 30-31, 2012, in Williston.

No further business appearing, Chairman Skarphol adjourned the meeting at 4:05 p.m.

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Brady A. Larson
Senior Fiscal Analyst

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Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:11